Company number 03568010 (England and Wales)

Microsaic Systems plc

Annual Report and Accounts

31 December 2020

CORPORATE INFORMATION AND ADVISORS

Directors:	Gerard Brandon (Non-executive Chairman) Glenn Tracey (Chief Executive Officer) Bevan Metcalf (Finance Director) Nigel Burton (Non-executive Director)
Company Secretary:	Bevan Metcalf
Company number:	03568010
Registered office:	GMS House Boundary Road Woking Surrey GU21 5BX
Auditors:	Saffery Champness LLP Chartered Accountants 71 Queen Victoria Street London EC4V 4BE
Bankers:	HSBC Bank plc 95 Gloucester Road London SW7 4SX
Solicitors:	Freeths LLP Floor 3 Wellington Street Leeds LS1 4ET
Nominated Adviser and Joint Broker:	N+1 Singer 1 Bartholomew Lane London EC2N 2AX
Joint Broker:	Turner Pope Investment (TPI) Limited 8 Frederick's Place London EC2R 8AB
Registrars:	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
Company website:	www.microsaic.com

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CHAIRMAN'S STATEMENT
For the year ended 31 December 2020

Dear Shareholders,

I was appointed as Chairman on 5 February 2021 and it is my pleasure presenting the Company's annual report and accounts for the year ended 31 December 2020.

Our Business
Microsaic Systems plc ("Microsaic" or the "Company") was established in 2001 to develop and commercialise point-of-need, micro-engineering technologies to miniaturise mass spectrometry ("MS"), lower the footprint of equipment by up to 90 per cent. compared to standard MS, and to offer online solutions to bio-processing in pharmaceutical manufacturing. To date more than 170 units have been supplied and installed with companies such as Merck, which has published scientific reviews of the micro-engineered technologies.

Having invested £30 million over the last 19 years, prior to the recent injection of £5.5 million (before expenses) and the Board changes which took place in February 2021, the Company has created a robust patent portfolio in cutting-edge technology, focused on monitoring of molecular compounds at point-of-need in the bioprocessing of active pharmaceutical ingredients.

Results
While 2021 has seen a fundamental shift in the strategic business model that is already showing signs of paying off, 2020 was disappointing with the COVID-19 pandemic and the various government restrictions impacting the ability of the Company to expand sales, marketing and distribution, all of which had shown positive signs of growth during 2019. It was a year to reflect on whether the business model of equipment and consumables sales alone was the best route going forward for the Company. With no let up from the global pandemic and an unsuccessful market sounding exercise mid-year, funds ran low, even with a reduced cohort of valued employees, furloughed staff and salary cuts of 20 per cent. The Board was left with little alternative but to initiate a strategic review, which included a formal sales process of the business or the assets of the Company to suitable acquisitive candidates, or until sufficient funding was identified to move forward positively into 2021.

Highlights:
- Total 2020 revenue of £0.2m (2019: £0.9m);
- Other operating income of £97k (2019: Nil);
- Operating expenses reduced to £2.73m (2019: £3.39m);
- Loss before tax of £2.59m (2019: £3.10m) after providing for:
    - Depreciation of £167k (2019: £180k);
    - Amortisation of £41k (2019: £41k); and
    - Professional fees of £149k (2019: Nil) relating to corporate activities.

Post Year-End Events:
- February: Oversubscribed fundraising with gross proceeds of £5.5 million via a placing and broker option;
- February: Appointment of Gerard Brandon and Dr Nigel Burton to Board of Directors with Peter Grant and Eric Yeatman stepping down from the Board;
- March: Agreement to join the ecowaterOS Consortium for real-time water monitoring, recovery, treatment and recycling;
- March: 3-year Framework Services Agreement with DeepVerge plc with:
    - Initial orders of £100k;
    - Investment commitment of up to £150k by DeepVerge for demonstration pilot plant facility in York, UK, plus shared costs of support staff from both companies during collaborations; and

    - Distribution agreement across 3 continents from existing DeepVerge divisions, in a range of markets in Environmental and Human Health.
- Current trading: Revenues up 180% in Q1 2021 compared to Q1 2020.

Further information on our products and technologies can be found in the Chief Executive's Report.

Corporate governance

I believe that good corporate governance is important to support our future growth and the Board, which has extensive experience in publicly listed companies and running companies in the healthcare and environmental sectors, is committed to the highest standards.

Outlook

While 2020 was a tough year financially for the Company, the new year, with fresh funding injected and a new Board of Directors, has quickly resulted in strategic changes which are presenting multiple growth opportunities. The business model has transformed to a collaborative approach for new products with a revenue sharing commercial strategy being established, supported by AI data analysis services. Out-sourced production and in-licensing of AI technologies will help reduce further development costs, increase revenue and build on the 19 year development of the micro-engineering equipment technology platform.

The strategic challenges through the COVID-19 pandemic are being met with the move to provide support services online, making it easier and safer to interact with customers while at the same time increasing the capacity of our micro-engineering MS equipment to provide surveillance against contaminants and threats for existing clients and our partners clients in the pharma, environmental and life science sectors.

The new strategy gives the Microsaic team the ability to fully exploit the data generated from existing and adapted MS equipment. AI-driven data analytics offered in collaboration with our partners in the environmental and life science sectors offers them additional ongoing shared revenue streams from our CE-marked equipment and consumables. By introducing predictive services for quality control in real-time, Microsaic is adding value for its existing and new clients coming online to manage their production risk in active pharmaceutical ingredients, to detect contaminants in the environment and even to provide medical diagnosis at point of care. Microsaic has moved on from just selling equipment and consumables, to the next level of recurring revenues. Notwithstanding the continuing global uncertainties in managing through the pandemic, we are increasingly optimistic in the prospects for the business to grow on a solid footing.

Gerard Brandon
Chairman
30 April 2021

STRATEGIC REPORT - Chief Executive's Review
For the year ended 31 December 2020

Progress during 2020

Revenues for the year were £198,258 (2019: £872,125) with performance significantly impacted by the COVID-19 pandemic. The Company's distribution and OEM channels were unable to operate normally due to the international lockdown restrictions in place in many countries and customer investment decisions were postponed.

To maximise cash conservation, the Company implemented a contingency plan in March 2020 to significantly reduce expenditure at every level of the business.

In mid-2020 the Company undertook a market sounding exercise to raise equity funding. The Board approached both existing shareholders and new investors and brought on board a joint broker to facilitate the process. Unfortunately, at the end of this exercise the Board concluded that the prevailing conditions were not supportive to raising equity finance.

The Board announced in July 2020 that it would undertake a strategic review, including a formal sale process. In December 2020, the Company announced the end of the formal sale process with no party prepared to make a definitive offer for the Company. With no certainty that any transaction would be concluded the Company appointed corporate recovery specialists to advise the Board and offer the business and assets of the Company for sale.

That process was halted when it became apparent that a funding opportunity was available which would allow the business to continue and adapt its model both to the current operating environment, and to take advantage of additional opportunities and routes to market.

Despite the disappointing sales performance, the Company's cost cutting measures resulted in a reduced loss from operations before share based payments of £2.53 million, 17.1 per cent. lower than the prior year (2019: £3.05 million).

Strategic Focus

Microsaic serves Human Health, Environmental Health and Diversified markets with its mass detection technology, which can be used at the point of need to drive better, faster real-time decisions and to solve real-world problems.

Typical point of need markets and applications include process analytical technology for the manufacture of high value biologic drugs; food contamination screening as well as cannabinoid screening. The Company is also developing a longer term capability in point of care diagnostics.

Microsaic's technology can also be used in standard laboratory settings, for example in the established pharmaceutical, academic and chemical industries.

Business Model

The Company derives revenues from the sale of its mass spectrometry ("MS") instruments, consumables and spare parts, and service/support income. The Company is evolving from being a simple provider of equipment and consumables, towards delivering solutions to end-users, and is developing a business model that, instead of focusing on capital sales (which depend on lengthy sales cycles), is moving to an annuity based model, increasing the proportion of revenues from Artificial Intelligence ("AI") and Internet of Things ("IoT") revenue streams alongside premium services relating to 24/7 operation and support and data analytics, in particular Industry 4.0 smart technology for the bioprocessing industry. Other products will be developed in collaboration with partners and over time the focus will shift towards the integration of analysers to solve specific problems.

Product Overview

The Company's products use miniaturised chip-based technology and are designed to deliver application versatility, ease of deployment and provide users with real-time information to make decisions in a quicker and more cost effective manner.

Microsaic's separation range of products are planned to be launched in Q2 2021, with four fully integrated liquid chromatography systems, serving markets as diverse as water, pharmaceuticals, chemicals, academia, and food and beverage.

Microsaic's technology development will pivot towards more dedicated solutions to solve specific problems in Human and Environmental Health and Diversified Industries.

Stakeholder Engagement

Section 172 of the Companies Act 2006 ("S.172") recognises that companies are run for the benefit shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities.

Microsaic's key stakeholders are our employees, partners (including distributors, OEMs, and collaborators on new products), and our key suppliers such as our manufacturing contractor and key R&D subcontractors. By working with all stakeholder groups, the Company can unlock the potential of the business and maximise the value created. The key principles and values adopted by the Company are detailed under Principle 8 of the QCA Corporate Governance Code.

For Microsaic, engagement with our key stakeholders is part of how we operate as a business. Actively seeking to understand the concerns and aspirations of our employees, and how we can better engage with them, how we can work more closely with the partners who distribute our products and those that we collaborate with, plus the challenges faced by our manufacturing partner and other suppliers.

As outlined in the Chairman's Statement and Strategic Report, 2020 was a very challenging year, for Microsaic reflected in the number of Board meetings held during the year (39 versus 12 in 2019). Coming off good performance in 2019, a key priority in 2020 was to ensure Microsaic was sufficiently capitalised to take advantage of the opportunities available to the business. However, the impact of the COVID-19 pandemic severely affected business performance and our ability to raise equity finance.

Due to the COVID-19 pandemic, face-to-face engagement with shareholders and stakeholders during the year was strictly limited. However, the Directors continued to engage with shareholders and key stakeholders keeping them up to date on progress.

The key decisions made by the Board during the year are outlined below:

1. In March 2020 the Board implemented a contingency plan to reduce operating costs, capital expenditure and restrict production. This had an adverse effect on the number of employees the business could sustain and on several suppliers, but ultimately extended the cash runway and enabled a reorganisation of the Company and a successful fundraise to be completed in February 2021;

2. Following a market sounding exercise in mid-2020 the Board concluded that the prevailing conditions were not supportive to raising sufficient equity to fund the business. As no other financing options were available at that time the Board decided to undertake a strategic review and formal sales process. The formal sale process concluded in December without securing any definitive offer for the Company or any other solution which would provide sufficient funding for the Company to, pursue its business plans; and

3. The Board considered that the outcome of the formal sale process meant that it was unlikely that the reasonable prospect test could still be met, and therefore the Board agreed its responsibilities should shift to protecting the Company's creditors. The Board appointed corporate recovery specialists to run a process to offer the business and assets of the Company for sale. This process continued post year end but was stopped in January after the Company received a proposal for an equity fundraise and reorganisation of the Company, which completed on 5 February 2021 raising £5.5 million before expenses.

Under S.172, a company's directors have a duty to discharge their responsibilities having regard to:

a) *the likely consequences of any decision in the long term* – the focus of the Board during 2020 was the survival of the Company for the benefit of shareholders and stakeholders.

b) *the interests of the company's employees* – Unfortunately to extend the cash runway difficult decisions were necessarily made and several employees were made redundant. Affected staff were furloughed for as long as practicably possible. All employees agreed to a temporary 20 per cent. reduction in remuneration which was much appreciated by the Board.

c) *the need to foster the company's business relationships with suppliers, customers and others* – customers were treated fairly during the year. Suppliers continued to be paid on time, although contracts with certain suppliers were terminated as a cost saving measure. Towards the end of 2020, when the reasonable prospect test could not be met, creditor interest became the priority.

d) *the impact of the Company's operations on the community and the environment* – there was no adverse impact on the community or environment from the decisions made by the Board during the year.

e) *the desirability of the company maintaining a reputation for high standards of business conduct* – the Company acted in a professional manner during 2020 liaising with key stakeholders and followed the principles and values of the Company as outlined on pages 31 to 32 of the Corporate Governance Report.

f) *the need to act fairly as between members of the Company* – the Board treated shareholders fairly and made sure it kept them up to date through regular press releases. Significant shareholders were given the opportunity, through a market soundings exercise to invest in the Company. The strategic review process was undertaken for the benefit of shareholders and other key stakeholders.

Performance Measurement

The ongoing performance of the Company is managed and monitored using several key financial and non-financial performance indicators as detailed below:

Revenue	Year to 31 December 2020	Year to 31 December 2019	Increase/ (Decrease)
	£	£	%
Products	83,397	698,423	(88.1)
Consumables and spare parts	105,135	132,962	(20.9)
Service and support income	9,726	40,740	(76.1)
Total	198,258	872,125	(77.3)

The Company's revenues have been disappointing in 2020 due to the impact of the COVID-19 pandemic and associated restrictions on travel to support partners and customers. Revenue comprises the sale of products, consumables and spare parts, and service and support income. The Board ordinarily reviews trading results and monitors cash on a regular basis, but during 2020 the low levels of trading and funding meant that the Board met more frequently to discharge its obligations and enable actions to be taken to ensure the continuation of the business.

Profit/(Loss) & Cash Metrics	Year to 31 December 2020 £	Year to 31 December 2019 £	Increase/ (Decrease) %
Loss from operations before share-based payments, interest, and tax	(2,531,746)	(3,054,588)	(17.1)
Net cash used in operating and investing activities	(2,126,275)	(2,681,913)	(20.7)
Cash and cash equivalents	397,069	2,620,758	(84.8)

The Company's profitability is monitored against budget on a monthly basis. The 17.1 per cent. reduction in the loss from operations before share based payments was the result of implementing contingency plans during the year to off-set the impact of the COVID-19 pandemic and extend the cash runway. The Company monitors its cash position closely, and forecasts are updated on a regular basis. The year-end cash position was in line with the Board's expectations.

Non-financial key performance indicators measure a number of key areas, including commercial and operational targets, such as number of sales orders, unit production, new products transferred to manufacturing, number of collaborations, agreements signed with new customers and quality measures from the Company's ISO 9001:2015 system. Key points to note are:

- Sales orders for MS instruments were significantly below last year and budget;
- Microsaic worked with its manufacturing partner to reduce production levels;
- On the customer front, two new partner agreements were entered into during the year;
- The Company was able to continue with two important partner collaborations, albeit delayed, both in bioprocessing; and
- ProteinID was successfully transferred to manufacturing, although significantly later than originally planned while work was placed on hold on the launch of our LC-MS family of products, which is now planned for Q2 2021.

Financial Results - 2020

Profit and Loss

Total revenue of £198,258 reduced by 77.3 per cent. compared with last year (2019: £872,125) as a result of the COVID-19 pandemic. Product and service revenues declined by 88.1 per cent. and 76.1 per cent. respectively. Consumable revenue of £105,135 (2019: £132,962) declined by 20.9 per cent.

Gross profit in 2020 of £99,910 (2019: £338,243) fell by 70.5 per cent. over last year following a significant decline in product revenues, as customer investment decisions were postponed due to the COVID-19 pandemic. The gross margin of 50.4 per cent. is significantly higher than last year (2019: 38.8 per cent.) due to the product mix including a smaller proportion of lower margin product sales.

Other operating income of £96,626 (2019: Nil) relates to grant income under the Coronavirus Job Retention Scheme.

Total operating expenses of £2,728,282 (2019: £3,392,831), fell by 19.6 per cent. or £664,549 following the introduction of a contingency plan to mitigate the fall in revenues due to the COVID-19 pandemic. The main savings over last year due to the contingency plan included:

- Payroll costs reduced by £419,358 to £1,466,342. This included, several staff being made redundant during the year, no salary increase, reversal of the 2019 bonus and no bonus accrual in 2020, a freeze on recruitment and replacement of staff, plus a temporary 20 per cent. pay cut for all staff and Directors between April 2020 and January 2021;
- Marketing and financial PR of £54,485 is down £118,908 over last year with the cancellation of agreements with key agencies;
- Sub-contractors, mainly R&D, reduced by £117,931 to £208,729;
- Travel of £59,893 is down £138,240 over last year; and
- Professional fees before corporate transactions of £182,069 is down £28,365 over last year.

The reduction in operating expenses detailed above has been partly offset by higher professional fees on corporate transactions of £149,364. This included £23,278 for legal fees on the unsuccessful fundraise, £101,312 spent on advisers for the strategic review, and £24,774 on corporate recovery advice.

The loss from operations for the year before share-based payments fell by 17.1 per cent. or £522,842 over last year to £2,531,746 (2019: £3,054,588).

Share based payments of £52,241 are £16,771 lower than the prior year. No options were granted in 2020 compared with 5 million granted in 2019.

Finance costs amounted to £10,775 versus £15,615 in 2019. The majority of this cost relates to interest on the lease liability.

Finance income of £4,393 decreased against the prior year (2019: £35,686) due to lower cash balances and reduced interest rates.

The tax credit on ordinary activities in the year was £217,711 (2019: £322,442), comprising an R&D tax credit claim of £218,568 less an adjustment of £857 relating to the R&D tax credit claimed in respect of 2019. The R&D tax credit claim is £104,731 lower than in 2019 as expenditure on R&D projects was scaled back in line with the contingency plan to mitigate the impact of the COVID-19 pandemic.

The total comprehensive loss for the year of £2,372,658 is a 14.7 per cent. reduction over the prior year (2019: £2,781,087). The basic loss per share fell by 14.8 per cent. from 0.61 pence in 2019 to 0.52 pence per share in 2020. The weighted average number of shares in issue remained unchanged from last year (refer to note 9).

Balance Sheet

Total non-current assets at £247,312 are £132,542 below the 2019 level. The decrease is due to a lower level of investment in intangibles and property, plant and equipment and the disposal of the leased office and laboratory facilities at Culham Science Park ("Culham") on 1 November as a cost-saving measure.

Current assets at £1,359,097 are down £2,416,298 over last year (2019: £3,775,395). The reduction is mainly due to a lower cash balance of £397,069 (down £2,223,689), lower trade and other receivables (down £272,083), lower corporation tax receivable (down £103,874), partly off-set by higher inventories (up £183,348). The reduction in trade receivables reflects the lower level of sales in December 2020 versus December 2019 and the increase in the provision for expected credit losses (up £64,281).

Total assets at £1,606,409 are £2,548,840 below last year (2019: £4,155,249), mainly due to the lower level of current assets at the year end.

Total equity at £1,242,980 is £2,320,417 below last year due to an increase in retained losses (up £2,232,142) and a decrease in the share-based payment reserve of £88,275. The decrease in the share-based payments reserve is due to the expiry of warrants and options amounting to £140,516 off-set by the share-based option charge for the year of £52,241.

Current liabilities comprise trade and other payables and lease liability due within 12 months of the year end. Trade and other payables at £185,927 (2019: £290,563) are £104,636 less than last year and reflects a reduction in trade payables (down £32,397), lower level of accruals and deferred income (down £48,674) and lower other payables, taxes and social security due mainly to the reduced payroll cost (down £23,565). The lease liability of £52,370 mainly represents the Company's leasehold property in Woking which expires in September 2021. For 2019, the lease liability was recorded as a non-current liability.

Total non-current liabilities at £125,132 are £176,157 below last year. The decrease is mainly down to the lower level of the lease liability because the Company exercised a break clause in the Culham lease in November, and the liability on the Woking lease is now reflected as a current liability.

Total liabilities of £363,429 are £228,423 less than in the prior year due to the reduction in current and non-current liabilities.

Cash Flow

Cash used in operating activities in 2020 of £2,049,610 is £515,482 lower than last year due mainly to the reduction in the comprehensive loss for the year of £408,429 and a higher level of R&D tax credits received (up £44,508).

Net cash used in investing activities of £76,665 compares with £116,821 in 2019. The main movements in the year were a reduction in the purchases of property, plant and equipment of £34,368 and intangibles of £14,688, offset by lower interest received of £8,900.

Net cash used in financing activities amounted to £97,414 and relates to the cash repayment of lease commitments during the year. This is slightly below that used in 2019 due to the disposal of the Culham lease on 1 November 2020.

The net decrease in cash for the year of £2,223,689, left a cash balance as at 31 December 2020 of £397,069.

Going Concern

Following the post period end equity fundraise completed in February 2021, when the Company successfully raised £5.5 million before expenses and having considered the plans and prospects for the business, the Board believes that the Company has enough cash to cover its anticipated working capital requirements for at least the next 12 months from the date of signing of the Annual Report and Accounts. Therefore, the Directors have adopted the going concern basis of reporting in preparing the financial statements. The Board's assessment of the going concern basis is explained in more detail in note 3.

Risk Management

The Company manages risk from an operational perspective, where it assesses and weighs up the potential risks to the business and how it can mitigate these risks. The Board has identified the following risks and associated mitigating actions as follows:

Description	Risk	Risk rating pre-mitigation	Mitigating actions	Risk rating post-mitigation
COVID-19 pandemic has material impact on sales	Low or little demand from affected markets and less opportunity to visit potential customers	HIGH	Continue dialogue remotely with partners. Increase collaborations regarding the development of new products and expand sales channels. Ensure staff have a safe and protected work environment.	HIGH
Unable to raise additional funds if required in the future	Inability to continue as a going concern	MEDIUM	Communicate effectively with shareholders and potential investors. Ensure the business plan to profitability is implemented effectively with the focus on expanding sales channels and growing revenues.	MEDIUM
Unable to grow sales required to achieve sustainable profitability	Sales growth is too slow to achieve targets	MEDIUM	Continue to invest in business development to expand partners and sales channels. Launch new products as planned especially ProteinID and LCMS systems.	MEDIUM
Reliance on third party manufacturing facilities	A replacement manufacturer is necessary	MEDIUM	Work closely with our manufacturing partner and hold regular review meetings. Ensure contingency plans are prepared and reviewed.	LOW
Retention and recruitment of key employees	Loss of key employees and subsequent difficulty in recruiting suitable replacements	LOW	Ensure the Company's remuneration package is competitive and aligned to performance. Retain key staff by investing in their development.	LOW
Loss of competitive advantage in miniaturised mass spectrometry	Competitors developing competing products	MEDIUM	The Company continues to innovate, invest in IP and focus on its core strengths around point of care, ease of use and simplicity of maintenance. The Company believes the market is large enough for competitors to co-exist.	LOW

From the analysis above there are three main risks facing the business:

1. The COVID-19 pandemic continues to impact revenues, but revenues post period end are improving, especially the sale of units. Restrictions on international travel to and from partner countries will be monitored very closely. The Company will follow government guidelines in the UK and abroad to plan international visits to customers. Working from home will continue for those staff who are not required to go into the office, and policies are in place to ensure the health and safety of our employees is treated as a priority.

2. Failing to grow the sales required to achieve sustainable profitability is a clear risk. To mitigate this, the Company is investing in business development and will continue to sign up new partners such as DeepVerge and launch new products and services in 2021.

3. The inability to continue as a going concern. This has been mitigated by the successful fundraise in February 2021 where the Company raised £5.5 million before expenses. The Board's assessment of the going concern basis is summarised in more detail in note 3.

Key events and progress post year end

- In February 2021, the Company raised £5.5 million before expenses through the issue of new ordinary shares at a placing price of 0.1 pence per ordinary share. Full details of the transaction can be found in note 29.
- As part of the restructuring, resolutions were passed at the General Meeting to appoint Gerard Brandon and Dr Nigel Burton to the Board as Non-executive Chairman and Non-executive Director respectively, replacing Peter Grant and Eric Yeatman with effect from 5 February 2021. The Directors are pleased to be retaining Eric as a consultant to the Company given his expert knowledge of the Company's technology and business.
- In February 2021, Microsaic announced it was joining the ecowaterOS Consortium, an end-to-end water contamination detection and decontamination solutions provider network, for real-time monitoring and detection of contaminated water.
- On 24 March 2021, the Company signed a Technology and Commercial agreement with DeepVerge.
- Current trading: Revenues up 180% in Q1 2021 compared to Q1 2020.

Signing of agreement with DeepVerge

On 24 March 2021, Microsaic signed a non-exclusive agreement with DeepVerge for the distribution of its products across the geographic markets addressed by DeepVerge. This agreement does not restrict Microsaic from developing and engaging with its existing or other new partners. DeepVerge offers Microsaic the opportunity of increasing volumes substantially, from an established global sales platform, and an extended reach into markets beyond that for standard laboratory use of MS.

Under the terms of the agreement, DeepVerge has committed to allocate resources up to a value of £150,000 to assemble a pilot facility for Microsaic's systems at DeepVerge's York laboratories, to provide access for potential customers and clients of DeepVerge to verify and validate the technology in numerous application settings beyond those historically targeted by Microsaic.

Additionally, this agreement opens the opportunity for collaboration in several areas:

- DeepVerge will incorporate AI software and services into Microsaic's technology. This fits in with Microsaic's strategy in bioprocessing, where AI enables faster decision making from complex data sets;
- DeepVerge will utilise and integrate Microsaic's technology into Labskin products and services, in pursuit of human and environmental health applications. Microsaic's technology is ideally suited for screening applications and especially for protein detection (e.g. with Microsaic's MiD® ProteinID technology); this collaboration will also progress both companies' respective strategies in point of

care diagnostics, where the Directors believe that combining the technologies could have a synergistic effect;

- Certain Microsaic employees will be located at DeepVerge's sites in the UK, to assist with particular collaborations (e.g. Labskin's facility at York); and
- Microsaic will collaborate with Modern Water Group (part of DeepVerge) to develop solutions for point of need water quality and pathogen testing.

The Framework Services Agreement with DeepVerge constituted a related party transaction under Rule 13 of the AIM Rules for Companies, by virtue of Microsaic and DeepVerge having two directors in common. At the time of entering into the agreement, the Independent Directors, being Glenn Tracey and Bevan Metcalf, confirmed that they considered, having consulted with the Company's nominated adviser, that the terms of the Framework Services Agreement were fair and reasonable insofar as the Company's shareholders are concerned.

Outlook

While the business is still affected by the COVID-19 pandemic, good progress has been made in Q1 2021 with revenues of £145k compared to £52k in the same period last year.

Discussions are ongoing with DeepVerge across North America, Europe, Japan and China regarding how Microsaic can augment their point of need water monitoring stations and how they can extend their channel to help sell the Company's products including the new portfolio of Liquid Chromatography-Mass Spectrometry ("LCMS") systems. Additionally, Microsaic together with other members of the ecowaterOS Consortium, including DeepVerge, will be developing and bringing to market solutions aimed at solving point of need problems in water health.

The Centre for Process Innovation Limited ("CPI") project for quality control in biologics manufacturing is progressing well and will be completed during in Q2 2021. This project in collaboration with the Digital Innovation Hub is aimed at demonstrating in a process analytical technology ("PAT") digital hub how automated analytics of a bioreactor can be used to intelligently intervene and control the production of biologics.

Targeted recruitment is under way to support the Company's business development, service and R&D activities.

The Strategic Report was approved by the Board of Directors on 30 April 2021 and signed on its behalf by:

Glenn Tracey
Chief Executive Officer

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2020.

Principal activity, business review and business risks
The principal activity of the Company continued to be the commercialisation, research and development of miniaturised mass spectrometry instruments. A review of the business is contained within the Strategic Report.

Results and dividends
The results for the Company are given in the statement of comprehensive income set out on page 39. The Company is currently making losses and has retained losses which have to be recovered before it can pay a dividend. Therefore, the Directors do not recommend the payment of a dividend (2019: nil).

Business Development & Sales
During the year approximately four full time equivalent staff ("FTE") contributed to business development and sales. Revenues are made through OEM and distribution sales channels with 12 partners currently in place, covering North America, Europe, China, Southeast Asia and Japan.

Research and development ("R&D")
R&D is important for the Company's success and has led to the filing of over 60 patents to date. During the year approximately nine FTE worked directly on R&D projects and R&D expenses totalled £777,597 (2019: £1,052,592) or 28.5 per cent. (2019: 31.0 per cent.) of total operating expenses. Current plans are to invest in R&D, especially to support the bioprocessing opportunities, but where-ever possible optimise resources through collaborations and joint ventures.

Directors
Between the 1 January 2020 and 31 December 2020, the following Directors held office:

Peter Grant, Non-executive Chairman (Age 65)
Glenn Tracey, Chief Executive Officer (Age 49)
Bevan Metcalf, Finance Director and Company Secretary (Age 63)
Chris Buckley, Non-executive Director (Age 59)[1]
Eric Yeatman, Non-executive Director (Age 57)
[1]Resigned as a Director on 28 July 2020.

On 5 February 2021, post year end, Gerard Brandon and Dr Nigel Burton were appointed to the Board as Non-executive Chairman and Non-executive Director respectively, replacing Peter Grant and Eric Yeatman who resigned as part of the reorganisation. Their biographies are detailed in the Corporate Governance Report.

Directors' interests
The Directors' interests in the shares of the Company are:

	Ordinary shares of 0.01p at 31 March 2021		Ordinary shares of 0.25p at 31 December 2020		Ordinary shares of 0.25p at 31 December 2019	
	Number	%	Number	%	Number	%
Peter Grant	-	-	750,000	0.16	750,000	0.16
Glenn Tracey	5,800,000	0.10	800,000	0.18	800,000	0.18
Bevan Metcalf	11,050,000	0.18	1,050,000	0.23	1,050,000	0.23
Eric Yeatman	-	-	4,646,632	1.02	4,646,632	1.02

Directors' interests (continued)

	Ordinary shares of 0.01p at 31 March 2021		Ordinary shares of 0.25p at 31 December 2020		Ordinary shares of 0.25p at 31 December 2019	
	Number	%	Number	%	Number	%
Gerard Brandon[1]	140,000,000	2.30	-	-	-	-
Dr Nigel Burton	65,500,000	1.08	-	-	-	-
	222,350,000	3.66	7,246,632	1.59	7,246,632	1.59

[1] This figure includes 50,000,000 shares by a person closely associated with Gerard Brandon.

Significant shareholdings

Shareholders, excluding Directors, having a beneficial interest of 3% or more of the Company's shares:

	Ordinary shares of 0.01p each at 31 March 2021	
Shareholder	**Number**	**%**
Unicorn Asset Management	750,000,000	12.34
Jarvis Investment Management	718,777,845	11.83
ISPartners Investment Solutions	589,000,000	9.69
Hargreaves Lansdown Asset Management	578,989,127	9.53
Premier Miton Investors	482,129,838	7.93
Interactive Investor Trading	254,226,431	4.18
Intuitive Investments Group	250,000,000	4.11
M D Barnard & Co	217,786,884	3.58

Employees

The Board regards the expertise and contributions of its employees as critical to its future success. Executive management regularly update employees on the progress of the business. The Board seeks to remunerate its employees fairly and has adopted a flexible working hours policy to cater for employee needs. Full and fair consideration is given to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation.

The Board would like to thank all its employees for their continued contribution and for taking a significant reduction in their salaries during the year.

Company share ownership plans

The Company operates two Employee Share Option Schemes ("ESOS"), an approved scheme and an unapproved scheme.

The ESOS were formed to enable the incentivisation of employees to be aligned to the performance of the Company. Under the ESOS the Company grants employees options to acquire the Company's ordinary shares subject to:

- Vesting periods (normally three years for new grants) and an exercise period of up to ten years from the date of grant;
- The exercise price is normally the market price of the ordinary shares at the close of business the day before the date of grant unless the award is linked to an equity fundraise; and
- Performance and time-based vesting conditions as appropriate.

Options are granted up to the maximum amount allowed under the limits of the Enterprise Management Incentive ("EMI") Scheme - these options are called 'Approved Options'. The EMI Scheme is subject to the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 and have tax advantages for the employee and employer. There is an unapproved scheme, which has no tax advantages, for those awards which do not qualify under the Approved Option scheme.

On 12 June 2019, the Company awarded options over 5 million ordinary shares of 0.25 pence each in the Company to Executive Directors. No options were awarded in 2020. Options awarded to staff and Director's post year end are detailed in note 29. Options held by Peter Grant, former Chairman (3,500,000), Glenn Tracey, CEO (4,800,000) and Bevan Metcalf, FD (4,620,000) on 31 December 2020 were cancelled in February 2021. Options held by staff amounting to 3,690,000, were also cancelled in February 2021. All cancelled options were significantly out-of-the-money and were cancelled prior to the award of new options on 5 February 2021.

Management of risk
The management of operational risk is covered in the Strategic Report while financial risk is detailed under note 26 Financial Instruments.

Health and safety and the environment
The Company is committed to providing a safe environment for its staff and other parties for whom it has a responsibility. It has set up systems and processes to ensure compliance with health and safety legislation and the Board reviews an update on health and safety matters at each Board meeting.

The Company is also mindful of its corporate responsibilities concerning the impact of its activities on the environment and seeks to minimise this impact where practicable.

Quality management system
The Company's mission is to supply, design and deliver miniaturised mass spectrometry instruments that provide innovative compact detection with high quality and reliability.

The Company's quality policy applies to the development, marketing and support of our products. In all its activities the Company is strongly focused on commitment to the requirements of its customers including:

- Management of risks to prevent operational and product problems that may adversely impact customer satisfaction and the interests of other parties; and
- Management of any externally provided products and services to ensure that they meet specified requirements including changing needs.

To help management achieve its policy, the business management system has been developed using a process approach including a Plan-Do-Check cycle, risk-based thinking, and a fundamental commitment to the continual improvement of the system and its effectiveness and integration into the Company's activities.

The Company's Quality Management System is based on ISO 9001:2015. This standard puts considerable emphasis on risk management and management involvement within the quality management system.

Directors' indemnity and insurance
The Company has granted an indemnity to its Directors and Officers under which the Company indemnifies them, subject to the terms of the deed of indemnity, against costs, charges, losses, damages and liabilities incurred by them in the performance of their duties. The Company also maintains Directors and Officers liability insurance against the consequences of actions brought against them in relation to their duties for the Company.

Related party transactions
The interests of the Directors are shown in the Directors' Report while their remuneration is detailed in the Directors' Remuneration Report. There were no other related party transactions involving the Directors during the 2020 financial year. Refer to note 27 for further details.

Directors' responsibilities
The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- State whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors
So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the steps that they should have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
Saffery Champness LLP has expressed its willingness to remain in office as auditors of the Company, and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

Future developments
An indication of likely future developments in the business of the Company are included in the Strategic Report.

This Directors' Report was approved by the Board of Directors on 30 April 2021 and signed on its behalf:

Glenn Tracey
Chief Executive Officer
Company number 03568010

DIRECTORS' REMUNERATION REPORT
For the year ended 31 December 2020

Dear Shareholders

This has been a challenging year for the Company because of the COVID-19 pandemic and the challenges in raising equity finance for the Company. As a result, Directors and staff took a temporary 20 per cent. reduction in their remuneration, effective from 1 April 2020 to 31 January 2021.

Chris Buckley resigned as a Non-executive Director on 28 July 2020. No payment was made to Mr Buckley for loss of office, and Chris agreed to waive his notice period, which the Company appreciated.

In February 2021 Gerard Brandon and Dr Nigel Burton were appointed to the Board with Peter Grant and Eric Yeatman stepping down from the Board. Both Mr Brandon and Dr Burton will sit on the Remuneration Committee and Dr Burton will Chair the Committee.

This report has been prepared with reference to the Quoted Companies Alliance guide "Remuneration Committee Guide for Small and Mid-Size Quoted Companies." The committee has sought to comply with the overarching principles of the guidance, although not all recommended disclosure has been included on the basis that they are not relevant to the current circumstances of the Company.

This report sets out the Company's policy on the remuneration of Executive and Non-executive Directors, together with details of Directors' remuneration packages and service contracts.

Remuneration policy
The remuneration policy for Executive Directors, determination of their individual remuneration packages and their performance appraisals have been delegated to the Board's Remuneration Committee.

Remuneration of the Executive Directors
In setting the remuneration for the Executive Directors, the Remuneration Committee considers several factors including:

- Basic salaries and benefits available to Executive Directors of comparable companies;
- Need to pay Executive Directors a competitive salary in line with the nature and complexity of their work;
- Need to attract and retain Executive Directors of an appropriate calibre;
- Need to ensure Executive Directors' commitment to the continued success of the Company by means of incentive schemes; and
- Need for the remuneration awarded to reflect performance.

The remuneration of the Executive Directors consists of basic salary, share options, life assurance and a contributory personal pension of 7.5 per cent. of basic salary.

A discretionary bonus scheme based on performance against individual and business objectives did not operate during the year (2019 bonus: Nil).

As mentioned above the Executive Directors agreed to a temporary 20 per cent. reduction in their salary and benefits from 1 April 2020 to 31 January 2021.

Remuneration of the Non-executive Chairman and Non-executive Directors
The Chairman of the Remuneration Committee discusses the remuneration of the Non-executive Directors with the Executive Directors. The remuneration is then discussed and agreed by the Board (excluding Directors with a conflict of interest) following recommendation by the Remuneration Committee, having a

view to rates paid in comparable organisations. The Non-executive Directors do not receive any pension, bonus or other Company benefits. Non-executive Directors agreed to a temporary 20 per cent. reduction in their fees from 1 April 2020 to 31 January 2021.

Share options and shares
No award of options was made during 2020. An award of 5 million options was made to Executive Directors on 12 June 2019. Options awarded to Director's post year end are detailed in note 29. Options held by Peter Grant, former Chairman (3,500,000), Glenn Tracey, CEO (4,800,000) and Bevan Metcalf, FD (4,620,000) on 31 December 2020, were cancelled in February 2021. All cancelled options were significantly out-of-the-money and were cancelled prior to the issue of new options to Glenn Tracey and Bevan Metcalf.

No options held by Directors vested during the year.

Details of the shares held by Directors are listed in the Directors' Report.

Implementation of the remuneration policy in 2021
The following long term option and warrant awards were part of the reorganisation of the Company to incentivise the new Board appropriately. These options and warrants will be exercisable at the placing price of 0.1 pence per ordinary share for 5 years from 5 February 2021, provided that the ordinary shares have traded at a Volume Weighted Average Price (VWAP) at or above a 50 per cent. premium to the placing price for 20 consecutive business days, at any time since their issue, or on a change of control of the Company.

Director	Number of Options	Number of Warrants
Glenn Tracey	150,000,000	
Bevan Metcalf	75,000,000	
Gerard Brandon		250,000,000
Dr Nigel Burton		200,000,000

In line with their service agreements, Gerard Brandon and Dr Nigel Burton will take their annual fees of £50,000 and £35,000 respectively, for the first two years of their appointment, in shares at the price of 0.1 pence per share being the placing price of the equity fundraising completed in February 2021, subject to payment of all necessary employee taxes and national insurance contributions. Thereafter, fees will be paid in cash monthly in arrears.

It was agreed by the Committee that the Executive Director's remuneration would be increased to their March 2020 levels on 1 February 2021.

Directors' notice periods
Details of the Director's notice periods as per their service contract are as follows:

	Contract date	Term	Notice period
Peter Grant	01-Jan-18	Indefinite	3 months
Glenn Tracey	01-Dec-15	Indefinite	6 months
Bevan Metcalf	18-Dec-15	Indefinite	3 months
Eric Yeatman	01-Apr-06	Indefinite	3 months
Nigel Burton	05-Feb-21	Three years[1]	3 months
Gerard Brandon	05-Feb-21	Three years[1]	3 months

[1]Notice cannot be given by the Directors during the first two years of their appointment except to the end of the period to which their fees have been paid in advance.

Directors' emoluments

Directors' remuneration in 2020 is detailed below. Non-cash payments represent life assurance premiums.

	Salaries & fees	Non cash payments	Pension contributions	Share-based payments	Year to 31 December 2020	Year to 31 December 2019
	£	£	£	£	£	£
Peter Grant	38,250	-	-	25,771	64,021	70,701
Glenn Tracey	113,816	329	8,032	12,991	135,168	154,433
Bevan Metcalf	102,521	725	15,397	12,991	131,634	127,872
Chris Buckley[1]	12,699	-	-	-	12,699	24,998
Eric Yeatman	23,800	-	-	-	23,800	28,000
Other[2]	-	-	-	-	-	12,051
TOTAL	291,086	1,054	23,429	51,753	367,322	418,055

[1]Resigned 28 July 2020

[2]Relates to a Director who resigned in 2019

The share-based payments charge in the year relates to options awarded in 2018 to Messrs Grant, Tracey and Metcalf and to options awarded in 2019 to Messrs Tracey and Metcalf. Directors are required to be employed by the Company for a period of three years. The performance conditions for each award are detailed below:

2018 performance conditions:

Item 1 below was achieved. Item 2 - the agreement was terminated after phase 2. Items 3 and 4 have not yet been achieved.

1. An equity fund raise to be completed in 2018.
2. GE phase 3 contract signed.
3. Product launched with GE or other major biopharma supplier.
4. Microsaic reports a net profit before tax for a full year.

2019 performance conditions:

Items 1 and 2 have not yet been achieved.

1. Achieve breakeven in a financial year.
2. Launch an OEM biopharma product.

Directors' share options

Share options over the Company's ordinary shares held by the Directors at the year end were as follows:

	At 31 December 2019 Number	At 31 December 2020 Number	At 31 December 2020 Vested	Performance Conditions	Exercise price Pence	Exercise period
Peter Grant	3,500,000	3,500,000	1,000,000	Yes	4.05p	2 January 2018 – 2 January 2028
Glenn Tracey	100,000	100,000	-	Yes	47.75p	17 April 2015 - 17 April 2025
	200,000	200,000	200,000	No	23.5p	13 January 2016 - 13 January 2026
	1,000,000	1,000,000	-	Yes	5p	14 September 2016 - 14 September 2026

Directors’ share options (continued)

	At 31 December 2019 Number	At 31 December 2020 Number	At 31 December 2020 Vested	Performance Conditions	Exercise price Pence	Exercise period
Glenn Tracey (continued)	1,000,000	1,000,000	300,000	Yes	4.05p	2 January 2018 – 2 January 2028
	2,500,000	2,500,000	-	Yes	1.55p	12 June 2019 - 12 June 2029
Bevan Metcalf	120,000	120,000	120,000	No	23.5p	13 January 2016 - 13 January 2026
	1,000,000	1,000,000	-	Yes	5p	14 September 2016 - 14 September 2026
	1,000,000	1,000,000	300,000	Yes	4.05p	2 January 2018 – 2 January 2028
	2,500,000	2,500,000	-	Yes	1.55p	12 June 2019 - 12 June 2029
	12,920,000	12,920,000	1,920,000			

The Company’s share price started the year at 1.1 pence and ended the year at 0.2 pence, with a high and low over the year of 1.275 pence and 0.15 pence respectively.

The share-based payment charge for the Directors during the year was £51,753 (2019: £47,075).

The Directors’ Remuneration Report was approved by the Board of Directors on 30 April 2021 and signed on its behalf by:

Dr Nigel Burton
Chairman of the Remuneration Committee

DIRECTORS' FINANCE & AUDIT COMMITTEE REPORT
For the year ended 31 December 2020

Introduction
This report details how the Finance & Audit Committee ("the Committee") has met its responsibilities under its terms of reference. The Committee is a sub-committee of the Board. As Non-executive Directors, the members of the Committee are, together with the Board as a whole, responsible for the integrity and probity of the Company. The work of the Committee is aimed at supporting the creation of long-term value for shareholders.

The Committee continues to act as an oversight sub-committee of the Board, considering and challenging but not itself performing the relevant processes. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and interim financial statements remains with the Board.

The Committee does not believe there is a requirement for an internal audit function due to the Company's size and level of complexity.

Role and Responsibilities
The Board has established a Finance & Audit Committee to monitor the integrity of the Company's financial statements and the effectiveness of the Company's internal financial controls. The Committee's role and responsibilities are set out in the terms of reference which are available from the Company's website. The terms of reference are reviewed regularly and amended where appropriate. During the year, the Committee worked with management and the external auditors in fulfilling these responsibilities.

The Committee report deals with the key areas in which it plays an active role and has responsibility. These areas are as follows:

i. Financial reporting and related primary areas of judgement;
ii. The external audit process;
iii. Risk management and internal controls; and
iv. Whistleblowing procedures.

The members of the Finance & Audit Committee are Dr Nigel Burton and Gerard Brandon who were appointed post year end on 5 February 2021. Dr Burton became Chairman of the Committee, following the resignation of Peter Grant and has appropriate relevant financial experience. The Board considers that the Committee has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties.

Financial Reporting and External Audit Process
The Chairman of the Committee participated in the Audit Planning meeting held in March 2021 with the external auditors to plan the financial audit, discussed potential key audit matter(s) and along with the Committee reviewed the Audit Strategy Document.

The Board as a whole, reviewed the going concern paper prepared by management including detailed financial forecasts for the period 2021 to 2024, related assumptions, risks and opportunities, sensitivities, and areas for mitigation. The outcome of the Board's discussions on going concern is explained in more detail in note 3.

The Committee has satisfied itself that the 2020 Annual Report and Accounts has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, are fair, balanced and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Risk Management and Internal Controls

The Board considered as part of its review of risks those risks detailed in the Strategic Report including mitigating actions. Following the successful fundraise in February 2021 the Company continues to be a going concern. The key risk still facing the Company is the ongoing impact of the COVID-19 pandemic on the results of the business.

Another key responsibility of the Committee is to review the Company's internal control systems, including internal financial controls. The Finance Director reviewed and updated the Company's Financial Procedures Manual to ensure it was in line with current practice. There were no reported instances of fraud during the year.

The Company's auditors are encouraged to raise comments on internal control in their management letter following the annual audit. The points raised and actions arising are monitored through to completion by the Finance & Audit Committee.

Whistleblowing

The Committee had no whistleblowing incidents reported during 2020. Dr Nigel Burton has been appointed Primary Designated Officer during the year and Gerard Brandon as Alternative Designated Officer.

Committee Meetings

The Committee met three times in the year. Two meetings related to the Annual Report and Accounts which the external auditors attended. The other meeting was to review and sign off the 2020 Interim Financial Statements which involved the full Board.

Auditors Fees and Non-Audit Services

The Committee reviewed and agreed to the proposed audit fee of £20,750 (2019: £19,950). Fees for other audit related services during the year amounted to £2,070 (2019: £2,820). These fees included the review of 2020 interims and the provision of information around accounting standards.

Auditor Independence

The Committee satisfied itself on the auditors' independence. Mr Roger Weston is undertaking his third audit of the Company, in the capacity of partner in charge and no non-audit services have been provided in the current financial year.

The Report of the Finance & Audit Committee was approved by the Board of Directors on 30 April 2021 and signed on its behalf by:

Dr Nigel Burton

Chairman of the Finance & Audit Committee

CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2020

Restructuring of the Company
On 4 February 2021, post year end, shareholders passed resolutions at a General Meeting appointing Gerard Brandon and Dr Nigel Burton to the Board of the Company as Non-executive Chairman and Non-executive Director respectively, with effect from 5 February 2021. Their biographies are detailed under Principle 6 in this Report.

The Finance & Audit and Remuneration Committees will be chaired by Dr Nigel Burton, and Gerard Brandon will be a member of both committees. Dr Nigel Burton will assume the responsibilities of Senior Non-executive Director.

As anticipated in the Circular published on 19 January 2021, Peter Grant, Non-executive Chairman and Eric Yeatman, Non-executive Director, stepped down from the Board with effect from 5 February 2021. The Company would like to take this opportunity to thank Peter Grant for his contribution as Chairman over the past three years and Eric Yeatman for his contribution as one of the original founders of the Company and a Director since 2001.

Chairman's Corporate Governance Statement
The full corporate governance statement is published and maintained up to date on the Company's website at (http://www.microsaic.com/investors/governance-new). This extract from that statement is included in the Annual Report & Accounts as required by the Quoted Companies Alliance's ("QCA") Corporate Governance Code for small and mid-size quoted companies (the "Code").

The Board is committed to maintaining high standards of corporate governance and, with effect from 26 September 2018, the Board adopted the Code.

The Code sets out ten broad principles of corporate governance. It states what are considered to be appropriate corporate governance arrangements for growing companies and requires companies to provide an explanation about how they are meeting the principles through certain prescribed disclosures.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He manages the Board agenda and ensures that all Directors receive accurate, timely and clear information and effectively contribute their various talents and experience in the development and implementation of the Company's strategy. He ensures that the nature and extent of the significant risks which the Company is willing to embrace in the implementation of its strategy are challenged and determined by the Board. The Chairman is responsible for ensuring that the Board implements, maintains and communicates effective corporate governance processes and for promoting a culture of openness and debate designed to foster a positive governance culture throughout the Company.

The Board has considered how each principle is applied and provides below an explanation of the approach taken in relation to each principle and how they support the Company's medium to long-term success.

The Board agenda is regularly reviewed to ensure that all matters which the Board should consider are addressed. This allows for presentations from the Management Team so that the Board benefits from their input.

The Company includes a Remuneration Committee Report and a Finance & Audit Committee Report in its Annual Report and Accounts.

The evaluation of the Board's effectiveness due to have been carried out in January 2021 was postponed until January 2022 considering the restructuring of the Board carried out in February 2021.

Save in respect of Principle 5 in consideration of the independence of the Non-executive Directors, which is considered in more detail below, the Board considers that it does not depart from any of the principles of the Code.

PRINCIPLES TO DELIVER GROWTH

PRINCIPLE 1: Establish a strategy and business model which promote long-term value for shareholders.

Strategy:
Microsaic's strategic aim is to capitalise on its strengths in point of need MS detection, and access high-growth and emerging Life Science and Environmental applications, as well as niches in traditional small molecule markets. The Company intends to achieve its strategy with a business model built on customer focus, collaborations, and technology innovation.

Business Model:
The Company's business model is described on page 6 of the Strategic Report.

Challenges:

Staying relevant to future customer needs
Customer needs evolve rapidly. Future product specifications are driven by end-user requirements. This will inform Microsaic's product strategy as its MS detectors move from the customer's laboratory into production, and front-line operating environments. Microsaic will ensure that its strategic product development will remain focused on meeting demanding biopharmaceutical applications.

Remaining innovative in an advancing technological landscape
Microsaic has successfully developed and implemented advanced technology at the core of its design with over 60 patents to date. This has led to a solid foundation serving scientists in the laboratory in small molecule drug discovery, and increasingly in support of its endeavours in life and environmental science markets.

The Company continues to invest in product development projects, which the Board believes will be attractive to the growing market for laboratory-based applications with larger biological molecules, such as peptides and small proteins.

The Company has extended its product capabilities further into Life Science applications, such as bioprocessing, potentially significantly reducing the cost of analysis and the cost of poor quality.

PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations. See the website for further disclosures concerning how the Company seeks to engage with shareholders and how successful this has been.

PRINCIPLE 3: Consider wider stakeholder and social responsibilities and their implications for long-term success. See the website for further disclosures.

PRINCIPLE 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board aims to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver the strategy.

The Directors recognise their responsibility for the Company's systems of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. The Company's systems of internal controls are designed to help the Company meet its business objectives by appropriately managing and wherever possible mitigating risks faced by the Company. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Company's Management Team, which reports into the Executive, meets regularly to review commercial, technical, operational, and financial risks facing the business. These risks are assessed according to their nature and magnitude based on the seriousness of the risk and the likelihood of the risk occurring. The effectiveness of the controls implemented to minimise the risks are also reviewed. The aim of these reviews is to provide reasonable assurance that material risks are identified, and appropriate action is taken at an early stage. From this review the Company maintains its internal risk register which is reviewed annually by the Board.

The annual budget is reviewed and approved by the Board. Financial results, with comparisons to budget, and latest forecasts are reported monthly to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Measures continue to be taken to review and improve internal controls and risk management procedures. The Company has a Financial Procedures Manual which includes approval levels for authorisation of expenditure, potential fraud scenarios, payment approval process, expenses guidelines etc. This is updated on a regular basis.

The Company's auditors are encouraged to raise comments on internal control in their management letter following the annual audit. The points raised and actions arising are monitored through to completion by the Finance & Audit Committee.

PRINCIPLES TO MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

PRINCIPLE 5: Maintain the Board as a well-functioning, balanced team led by the Chairman.

The Board currently consists of two Executive and two Non-Executive Directors. In 2020 the Company faced several challenges including the COVID-19 pandemic, and ensuring the Company remained a going concern, holding 39 meetings during the year (2019: 12 meetings).

The Company has an equal opportunity policy to recruitment at Board level and within the Company at large and seeks diversity as opportunities arise, within the framework of selecting the most suitable person, based on relevant skills, abilities, experience and location, as required for the role.

The principal role of the Chairman of the Board is to manage and provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer. The Chairman acts as the communicator for Board decisions where appropriate.

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively to the development and implementation of the Company's strategy, while ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged.

The Chief Executive Officer is responsible for the management of the Company, providing executive leadership and for implementing the Company's strategy.

The Board believes that the advice, behaviour and character of its Chairman and Non-executive Director are always in the best interests of the Company and its shareholders. In addition, the skills and business judgement which they possess and regularly exercise contributes to the efficient and effective running of the Company.

The Company appreciates that circumstances which might or might appear to affect a Director's judgement may well include financial dependence on the Company and whether the Director is, or represents, a major shareholder. The Non-executive Chairman and Non-executive Director are financially independent of the Company as they have other sources of income. Mr Brandon and Dr Burton do not represent significant shareholders, however, they do have a material interest in share warrants of the Company as detailed below. They are also Directors of DeepVerge plc which, although not a shareholder of the Company, is strategically important to the future success of Microsaic. Under the QCA Guidelines the independence of the Chairman and Non-executive Director could be challenged under the following areas, but in all cases the Board believes that the Chairman and Non-executive Director always act in an independent manner and where a conflict of interest could arise or be perceived to arise, they abstain from voting:

Name and position	**Potential issue**	**Comments**
Gerard Brandon Non-executive Chairman	Holds a material interest of 250 million share warrants in the Company.	This award was required to attract a Chairman of the appropriate calibre to the Company. The award was passed by shareholders at a General Meeting. The performance condition, prior to vesting, is based on the Company's shares trading at a VWAP at or above a 50 per cent. premium to the placing price for 20 consecutive business days at any time since their issue.
	Director of DeepVerge plc	DeepVerge plc is strategically important to the future success of the Company.
Dr Nigel Burton Non-executive Director	Holds a material interest of 200 million share warrants in the Company.	This was required to attract a Non-executive Director of the appropriate calibre to the Company. The award was passed by shareholders at a General Meeting. The performance condition, prior to vesting, is based on the Company's shares trading at a VWAP at or above a 50 per cent. premium to the placing price for 20 consecutive business days at any time since their issue.
	Director of DeepVerge plc	DeepVerge plc is strategically important to the future success of the Company.

The Board recognises the importance of good governance arrangements. Currently, the Board does not include two independent Non-executive Directors. As previously stated, it is the Board's intention to initiate a process to identify and appoint an independent Non-executive Director ideally within 6 months following the February 2021 fundraising and reorganisation of the Company, subject to finding an appropriate candidate with relevant experience. Further consideration will be given to appointing a second independent Non-executive Director before the Company's 2022 annual general meeting.

The Board has an established Finance & Audit Committee and Remuneration Committee. The Company believes it is currently too small to have a separate Nominations Committee, so this role is taken on by the Board of Directors as a whole.

Details and links to the terms of reference of the Finance & Audit Committee and Remuneration Committee are set out under Principle 9 on the website.

Details of Directors and their time commitment are set out under Principle 6 below.

The number of Board and Committee meetings and attendance records of Directors is set out under Principle 9 below.

PRINCIPLE 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

Biographical details of the Board of Directors, their skills, suitability and availability are set out below.

Gerard Brandon, Non-executive Chairman
Term of office: Appointed a Director on 5 February 2021. Gerard is also a member of the Finance & Audit Committee and the Remuneration Committee.

Background and suitability for the role: Gerard Brandon is Chief Executive Officer of both DeepVerge plc and Cellulac plc. In 1996 he became founder and CEO of Alltracel Pharmaceuticals plc ("Alltracel"), where he built a team which oversaw numerous patents granted on refined cellulose. Alltracel was admitted to trading on AIM in 2001. In 2004, he was appointed as a Managing Partner for Farmabrand Private Equity. In March 2020, he was appointed as a Non-executive Chairman to Modern Water plc, which was subsequently acquired by DeepVerge plc (formerly Integumen plc) in November 2020. Gerard is a Fellow of the Ryan Academy of Entrepreneurs in Dublin.

Current external appointments: In addition to the above directorships Gerard is a Director of:
Innovenn UK Ltd
Pursuit Marine Drive Ltd
Cellulac Trading Ltd
Rinocloud Ltd
Parity Group plc
Integumen Ltd
LifescienceHub UK Limited
AER Sustainable Energy Limited
LifescienceHub Ireland Limited
Integumen Ireland Limited
Stoer Ireland Limited

Glenn Tracey, Chief Executive Officer
Term of office: Joined March 2015 as Chief Operating Officer. Appointed to the Board in December 2015 and appointed as Chief Executive Officer in September 2017. Glenn's most recent re-election as Director was on 14 May 2019 at the Company's AGM, when he retired per Article 81.1 (b) of the Articles of Association.

Background and suitability for the role: Glenn has 25 years' experience leading operations, marketing and research and development for small and large companies in sensing and detection instrumentation, across applications in human and environmental health. Glenn specialises in scaling new technology into emerging markets, especially transitioning contemporary high-end detection laboratory technologies to point of need or field-based sensing across several markets such as food, air, water and pharmaceuticals.

Glenn is a Member of the Royal Society of Chemistry ("MRSC") and holds a BSc in Applied Chemistry from Salford University, and an MBA from the Open University.

Glenn has no external appointments.

Bevan Metcalf, Part-time Finance Director and Company Secretary
Term of office: Appointed to the role of Part-time Finance Director on 18 December 2015 and Company Secretary on 16 May 2019. Bevan Metcalf is employed for 13 days per month. Any additional days are paid on an agreed day rate on a quarterly basis. Bevan Metcalf has the flexibility to increase his time during busy periods as Microsaic is his only role. Bevan's most recent re-appointment as a Director of the Company was on 25 June 2020, at the Company's AGM, when he retired per Article 81.1 (c) of the Articles of Association.

Background and suitability for the role: Bevan has a Business Management Degree from the University of Waikato, Hamilton, New Zealand where he majored in Accounting. He is also an ACA Member of the Chartered Accountants of Australia and New Zealand.

Bevan has 40 years' of financial management experience with international companies primarily in the mining and pharmaceuticals sectors, including Beowulf Mining, Afferro Mining, Orion Corporation, GlaxoSmithKline, and ICI. In the past 16 years he has been involved with companies listed on the AIM market of the London Stock Exchange as Finance Director, Company Secretary, Chief Financial Officer and in a Non-Executive capacity. He therefore understands the Governance and MAR regulations impacting the Company.

Bevan's 20 years' experience in the pharmaceutical industry is very relevant to the strategy of the Company which is targeting the pharmaceutical industry for its miniaturised mass spectrometers.

Bevan keeps his accounting skills up to date through his membership of the Chartered Accountants of Australia and New Zealand where he accesses their library of resources and receives journals and other reading materials on a regular basis.

Bevan has no external appointments.

Dr Nigel Burton, Non-executive Director
Term of office: Appointed a Director on 5 February 2021 at a General Meeting of the Company. Dr Burton is also Chairman of the Finance & Audit Committee and the Remuneration Committee.

Background and suitability for the role: Nigel spent over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries. Nigel also spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies.

Current external appointments: Nigel is currently a Non-executive Director of LSE Main Market listed BlackRock Throgmorton Trust plc, AIM quoted companies eEnergy Group plc, Mobile Streams plc and DeepVerge plc. Other Directorships held include:
Wasdale Head Limited
Wasdale Head Inn Limited
SenseToys Limited
ASD Visual Aids Limited
Tau Capital plc
eEnergy Group plc
Streams Data Limited
Mobile Streams Inc
Modern Water plc
eEnergy Holdings Limited

The Company uses external advisers.
The Board has retained the services of the following advisers:

- N+1 Singer as Nominated Adviser and Joint Broker;

- Turner Pope Investments as Joint Broker;
- Saffery Champness LLP for annual audit;
- Freeths LLP as solicitors for the Company;
- Neville Registrars Ltd as the Company's registrar; and
- Menzies LLP for ongoing advice on, Corporation tax, VAT and PAYE.

PRINCIPLE 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Board Evaluation Process
The Board believes that, in addition to dealing with any matters as they arise, it is appropriate to carry out a formal evaluation of the performance of the Board each year. This is intended to ensure that the Board remains effective, well-informed and able to make high quality and timely decisions for the benefit of all stakeholders in the Company.

The evaluation involves each Director completing an evaluation questionnaire which covers effectiveness from multiple angles including: Board structure and committees; Board arrangements, frequency and time; content of Board meetings; Board culture; Board evaluation and succession; and individual contributions. The completed questionnaires are anonymised and collated independently into a summary, and comments and any areas of concern are highlighted for discussion with the Board.

The last evaluation was carried out in January 2020. Generally, the evaluation confirmed that the Board was effective, the culture is constructive and arrangements for Board meetings were good.

The evaluation of the Board's effectiveness due to have been carried out in January 2021 has been postponed until January 2022 in light of the restructuring of the Board carried out in February 2021.

Succession Planning
As is common with many small AIM listed companies, the Company does not have internal candidates to succeed the existing Executive Directors. This will be kept under review, especially when recruiting for senior roles as vacancies arise. However, the Board does not believe it is appropriate to recruit additional Directors or senior personnel solely for the purpose of Board succession planning.

Training of Directors
It is recognised that there continues to be more regulation of which Directors need to be aware. The Board will continue to ensure that Directors receive appropriate support to keep up to date.

PRINCIPLE 8: Promote a culture that is based on ethical values and behaviours.

The Company is committed to achieving the highest possible ethical standards in conducting its business. The Company expects all employees and Directors to maintain the same high standards. To achieve these ends, Microsaic encourages freedom of expression and speech whilst not accepting prejudice of any kind.

Ethics is based on a set of principles and clear moral and ethical values. The Company takes its principles and values very seriously and expects staff at all levels to look to these principles and values for guidance.

Principles:
The Board has adopted the following four principles:

1. Management must lead by example. Good ethics should be most noticeable at the top. Every employee must be accountable to the same rules.
2. Corporate values must be implemented throughout the Company. Every forum and medium should be used to spread the message and, most of all, the Company must practice what it preaches.

3. Meetings with staff (both one on one and group) to discuss the values and what they mean to each employee must be undertaken when implementing a value system. This will help to get everyone in the Company on the same page and committed.
4. The values of the Company must endure changes in leadership. The longer ethical values last, the more ingrained they will become.

Values
The Company conducts its business around seven core values:

1. *Integrity – applying high ethical standards and being honest.* The Company will conduct its business with honesty to all stakeholders and will uphold high moral principles.
2. *Mutual respect, empathy and trust in dealing with others*. An environment of mutual respect, empathy and trust is necessary to promote integrity. Trust in the workplace is critical to organisational success.
3. *Innovation – a passion to experiment and deliver new solutions*. A focus on research and development is very important to the future success of the Company. The Company is continually looking to deliver innovative solutions and has a collaborative approach to meeting customer needs.
4. *Teamwork – drives high performance.* Microsaic relies heavily on teamwork. A team approach is more efficient, faster, benefits from multi-skills especially in problem solving, increases learning opportunities and encourages a sense of belonging, which often translates to a greater sense of ownership and accountability for the work.
5. *Quality – we take pride in everything we do*. The Company is strongly focused on quality from the products it produces to the processes it operates. The Company is ISO 9001:2015 compliant.
6. *Customer focus – go the extra mile for our customers.* The Company assigns the highest priority to customer satisfaction. We listen to our customers and create solutions for unmet customer needs.
7. *Shareholder value – striving to deliver value to shareholders*. The key objective of the Company is achieving sustainable profitability. Every employee understands how they fit into the profitability picture. Everyone's common goal is to build a strong, profitable Company that will endure and provide a reasonable return to shareholders.

PRINCIPLE 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board. See the website for further disclosures.

The attendance of the Directors at the regular Board and Committee Meetings during the year ended 31 December 2020 were as follows.

Name	**Position**	**Regular Board Meetings**	**Finance & Audit Committee**	**Remuneration Committee**
Peter Grant	Non-executive Chairman	39 (39)	3 (3)	1 (1)
Glenn Tracey	Chief Executive Officer	39 (39)	n/a	n/a
Bevan Metcalf	Finance Director	39 (39)	n/a	n/a

Name	Position	Regular Board Meetings	Finance & Audit Committee	Remuneration Committee
Chris Buckley[1]	Non-executive Director	21 (22)	2 (3)	1 (1)
Eric Yeatman	Non-executive Director	38 (39)	3 (3)	1 (1)

[1]Chris Buckley stepped down as a Director on 28 July 2020.
Numbers in brackets denote the total number of meetings that each Director was eligible to attend during the year.

PRINCIPLE 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The following committee reports are included in these Annual Report & Accounts as shown below. They include details of the work of those committees:

- The Directors' Remuneration Committee Report - pages 19 to 22; and
- The Directors' Finance & Audit Committee Report - pages 23 to 24.

The Corporate Governance Report was approved by the Board of Directors on 30 April 2021 and signed on its behalf by:

Gerard Brandon
Non-executive Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSAIC SYSTEMS PLC
For the year ended 31 December 2020

Opinion
We have audited the financial statements of Microsaic Systems plc for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards (IAS) in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and its loss for the year then ended;
- have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining, critically appraising and assessing for arithmetical accuracy the directors' formal going concern assessment;
- reviewing projected cashflows and other available evidence to assess the ability of the company to continue in operation for at least 12 months from the date of signing this report;
- performing a sensitivity analysis on key assumptions underlying the directors' going concern assessment, including the forecast unit sales, the level of development activity and the ability to reduce the cost base if required to conserve cash;
- agreeing the receipt of funds relating to the fundraise held in February 2021 to underlying bank statements at the time of receipt;
- discussion of events after the reporting date with the directors to assess their impact on the going concern assumption, including comparison of the post year end cash balances to forecast positions, and;
- considering the impact of the non-exclusive agreement signed with DeepVerge on potential cashflows and operations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

We tailored the scope of our audit to ensure that we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories The value of stock has increased materially since 2019, primarily due to low sales volumes in 2020. As a result, our audit planning process identified the valuation of stock as a significant risk. Should the company not be able to realise the value of this stock through sales, this would be a significant loss to the company. Additionally, it would impact on the assessment of the company as a going concern. Due to the significance of this balance to the financial statements, and the level of estimation uncertainty in concluding on inventory valuation, we consider this to be a key audit matter.	Our audit procedures included the following: • We attended the year end stock take remotely, and agreed a sample of lines counted to the final inventories listing as represented in the financial statements, confirmed that controls around stock were operating as expected, and considered the possibility of inventory impairment due to damaged stock. • A sample of items from the inventories listing were agreed to invoice to confirm the cost of inventories. Where possible, these were also traced to sales after the year end to confirm that the carrying value was recoverable. • The year-end inventory holding was considered in light of sales, commitments and potential orders for 2021, to gain comfort that the year-end inventory will be realised and that the level of stock provision was appropriate. Based on the procedures performed, we conclude that the valuation of inventories at the year end is appropriate.
Compliance with laws and regulations relating to administration of the Coronavirus Job Retention Scheme and changes in payroll	Our audit procedures included the following: • We tested payroll transactions on a sample basis, including agreement to furlough claims, recalculation of the amounts claimed under

As part of the cost control measures enacted in the year, the company made several changes to routine payroll transactions. All staff, including directors, took a 20% pay reduction from April 2020, and for the remainder of the financial year, and several members of staff were placed on full or flexible furlough throughout the year. The furlough scheme itself changed through the year, increasing the complexity of following scheme rules and accounting for the scheme correctly. Given the changes applied to payroll during the period, and the complexities of administering the Coronavirus Job Retention Scheme, this is considered to be a key audit matter.	the scheme, review of compliance with grant scheme conditions and verification of employees claimed against. • Furlough claims were agreed to cash receipts, and traced back to payroll records. • Contracts and correspondence with staff were reviewed to confirm gross pay levels and agreement to adjustments made as a result of cost control measures. • Enquiries with management regarding compliance with payroll legislation and related HRMC matters. Based on the procedures performed, we did not identify any material misstatements arising from compliance with laws and regulations relating to administration of the Coronavirus Job Retention Scheme and changes in payroll

Our application of materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, as set out below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole

We have applied a materiality of £50,000 (2019: £55,000). This is based on 2% of the loss for the year ended 31 December 2020. Performance materiality was set at 80% of materiality.

Our triviality level was set at £2,500 which is 5% of planning materiality, and any uncorrected audit differences below this level were not reported to management, unless warranted under qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial

statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, the AIM Rules for Companies and UK Tax legislation, particularly with reference to Research & Development Expenditure Credits. Additionally, legislation relating to the Coronavirus Job Retention Scheme is of particular relevance for the year to 31 December 2020.

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the minutes of meetings to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance, along with the existence of any breaches or regulatory visits in the year.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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Roger Weston (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London EC4V 4BE
30 April 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	Year to 31 December 2020	Year to 31 December 2019
		£	£
Revenue	5	198,258	872,125
Cost of sales		(98,348)	(533,882)
Gross profit		99,910	338,243
Other operating income		96,626	-
Research and development expenses		(777,597)	(1,052,592)
Professional fees – Corporate transactions		(149,364)	-
Other operating expenses		(1,801,321)	(2,340,239)
Total operating expenses	6	(2,728,282)	(3,392,831)
Loss from operations before share-based payments		(2,531,746)	(3,054,588)
Share-based payments		(52,241)	(69,012)
Loss from operations after share-based payments		(2,583,987)	(3,123,600)
Financial cost	7	(10,775)	(15,615)
Finance income	7	4,393	35,686
Loss before tax		(2,590,369)	(3,103,529)
Tax on loss on ordinary activities	8	217,711	322,442
Total comprehensive loss for the year		(2,372,658)	(2,781,087)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per ordinary share	9	(0.52)p	(0.61)p

The notes on pages 43 to 64 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	31 December 2020	31 December 2019
		£	£
ASSETS			
Non-current assets			
Intangible assets	10	83,763	97,211
Property, plant and equipment	11	114,145	124,727
Right of use assets	12	49,404	157,916
Total non-current assets		247,312	379,854
Current assets			
Inventories	13	569,589	386,241
Trade and other receivables	14	173,871	445,954
Corporation tax receivable	8	218,568	322,442
Cash and cash equivalents		397,069	2,620,758
Total current assets		1,359,097	3,775,395
TOTAL ASSETS		1,606,409	4,155,249
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,140,913	1,140,913
Share premium	20	24,867,886	24,867,886
Share-based payment reserve		324,264	412,539
Retained losses		(25,090,083)	(22,857,941)
Total equity		1,242,980	3,563,397
Current liabilities			
Trade and other payables	15	185,927	290,563
Lease liability	12	52,370	-
Total current liabilities		238,297	290,563
Non-current liabilities			
Provisions	16	124,035	136,748
Lease liability	12	1,097	164,541
Total non-current liabilities		125,132	301,289
Total liabilities		363,429	591,852
TOTAL EQUITY AND LIABILITIES		1,606,409	4,155,249

The financial statements were approved for issue by the Board of Directors on 30 April 2021 and signed on its behalf by:

Glenn Tracey
Chief Executive Officer
Company number 03568010
The notes on pages 43 to 64 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Notes	Share capital	Share premium	Share-based payment reserve	Retained Losses	Total equity
		£	£	£	£	£
At 1 January 2019		1,140,913	24,867,886	345,806	(20,079,133)	6,275,472
Total comprehensive loss for the year		-	-	-	(2,781,087)	(2,781,087)
Transaction with owners:						
Shares issued		-	-	-	-	-
Share issue costs		-	-	-	-	-
Transfer in respect of lapsed share options		-	-	(2,279)	2,279	-
Share-based payments-share options		-	-	69,012	-	69,012
At 31 December 2019		1,140,913	24,867,886	412,539	(22,857,941)	3,563,397
Total comprehensive loss for the year		-	-	-	(2,372,658)	(2,372,658)
Transaction with owners:						
Shares issued		-	-	-	-	-
Share issue costs		-	-	-	-	-
Transfer in respect of lapsed share options		-	-	(140,516)	140,516	-
Share-based payments options		-	-	52,241	-	52,241
At 31 December 2020		1,140,913	24,867,886	324,264	(25,090,083)	1,242,980

The notes on pages 43 to 64 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	Year to 31 December 2020	Year to 31 December 2019
		£	£
Total comprehensive loss for the year		(2,372,658)	(2,781,087)
Amortisation of intangible assets	10	40,767	40,740
Depreciation of right of use assets	12	87,237	90,560
Depreciation of property, plant and equipment	11	80,034	88,993
Transfer of property, plant and equipment to cost of goods		-	14,255
Profit on disposal of right of use assets		(1,426)	-
Decrease in provision for leasehold dilapidations	16	-	(21,138)
Decrease in provision for warranty	16	(12,713)	(12,817)
Increase in provision for expected credit losses	14	64,281	4,306
Share-based payments	24	52,241	69,012
Increase/(Decrease) in inventory provision		17,650	(26,854)
Tax on loss on ordinary activities	8	(217,711)	(322,442)
Interest on lease liability	12	9,041	15,615
Interest received	7	(4,393)	(35,686)
Accrued furlough income		(17,748)	-
(Increase)/Decrease in inventories		(200,998)	42,558
Decrease/(Increase) in trade and other receivables		209,838	(12,215)
(Decrease)/Increase in trade and other payables		(104,636)	4,032
Cash used in operations		(2,371,194)	(2,842,168)
Corporation tax received		321,584	277,076
Net cash used in operating activities		(2,049,610)	(2,565,092)
Cash flows from investing activities			
Purchases of intangible assets	10	(27,319)	(42,007)
Purchases of property, plant and equipment	11	(69,452)	(103,820)
Interest received		20,106	29,006
Net cash used in investing activities		(76,665)	(116,821)
Cash flows from financing activities			
Repayment of lease liabilities	12	(97,414)	(99,550)
Net cash used in financing activities		(97,414)	(99,550)
Net decrease in cash and cash equivalents		(2,223,689)	(2,781,463)
Cash and cash equivalents at the beginning of the year		2,620,758	5,402,221
Cash and cash equivalents at the end of the year		397,069	2,620,758

The notes on pages 43 to 64 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

The principal activity of the Company continues to be the research, development and commercialisation of miniaturised mass spectrometry instruments that are designed to improve the efficiency of pharmaceutical R&D. The Company is incorporated in England and its registered address is GMS House, Boundary Road, Woking, Surrey, GU21 5BX. The Company has no subsidiaries so the financial information relates to the Company only.

1. Accounting policies

The following principal accounting policies have been used consistently in the preparation of these financial statements.

Basis of preparation
These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

These financial statements have been prepared under the historical cost basis except where financial instruments are required to be carried at fair value under IFRS.

Revenue recognition
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five-step framework includes:
1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognise revenue when the entity satisfies a performance obligation.

The Company recognises revenue from the following three sources:
1) Sale of products;
2) Sale of consumables and spare parts; and
3) Service and support income.

All revenues and trade receivables arise from contracts with customers. Revenue is measured based on the consideration which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Sale of products
The Company sells compact mass spectrometers (Microsaic 4500 MiD®) mainly through OEMs and Distributors. A small proportion of its sales are direct to the customer. Discounts are offered and agreed as part of the contractual terms. Terms are generally Ex Works so control passes when the customer collects the goods. Payment terms are generally 30 days from the date of invoice.

Sales of consumables and spare parts
The Company sells consumables and spare parts mainly through OEMs and Distributors. Terms are generally Ex Works so control passes when the customer collects the goods. Discounts are offered and agreed as part of the contractual terms. Payment terms are generally 30 days from the date of invoice.

Service and support income
Service and support to our OEMs and Distributors includes training their sales and service teams and servicing the products from time to time. Discounts are offered and agreed as part of the contractual terms.

Terms are Ex Works so control passes when the customer receives the service. Payment terms are generally 30 days from the date of invoice.

Generally, there is no obligation on the Company for returns, refunds or similar arrangements. Also, the Company does not manufacture specific items to a customer's specification and no financing component is included in the terms with customers.

The Company provides assurance warranties which are 15 months from the date of shipment for OEMs and Distributors. These warranties confirm that the product complies with agreed-upon specifications. The Company is looking to provide service warranties in the future to direct Europe customers, where the revenue from such warranties will be recognised over the period of the service agreement.

Other operating income

Other operating income includes grant income, insurance income arising from a claim and income from development contracts. The Company's management assesses the contracts at each balance sheet date, including the costs to completion, which are subject to estimation uncertainty. The Company received Coronavirus Job Retention Scheme ("CJRS") grants totalling £96,626 during the year. Grant income is recognised when there is reasonable assurance that the grant will be received, and the Company will comply with any attached conditions. Grants are recognised in the profit or loss in line with the expenditure they are intended to compensate and are shown gross of the underlying expense. The Company received CJRS grants totalling £96,626 during the year, which has been recognised in line with the corresponding payroll expenditure. There are no unfulfilled conditions attached to the grant that the Company is aware of.

Segmental reporting

The Company currently has one business segment, being the research, development and commercialisation of scientific instruments. This is undertaken wholly within the United Kingdom. Revenue by geographical market is analysed in note 5.

Intangible assets

Trademarks and patents are stated at historic cost of registration less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to operating expenses and calculated to write off the cost in equal annual instalments over five years, which is a prudent estimate of their useful economic lives.

Certain software is stated at historic cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to operating expenses and calculated to write off the cost in equal annual instalments over three years, which is considered to be a prudent estimate of its useful economic life.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production costs less accumulated depreciation and impairment losses. Depreciation is charged to the statement of comprehensive income on a straight-line basis to write-off the carrying value of each asset to residual value over its estimated useful economic life as follows:

Plant and equipment	- 33.3% on a straight line basis
Fixtures and fittings	- 33.3% on a straight line basis
Software	- 33.3% on a straight line basis

Pensions

The Company has an auto-enrolment pension scheme for employees. Contributions are charged to the statement of comprehensive income in the period they are payable.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

Provisions
Provisions are established where the Directors have identified an obligation which is probable and where the amount can be estimated reliably.

Taxation
Current taxes are based on the results of the Company and are calculated according to local tax rules using the tax rates that have been enacted by the balance sheet date.

The Company recognises research and development tax credits receivable in cash as a current asset under the heading corporation tax receivable. Any difference to amounts received are dealt with as adjustments to prior period tax.

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantially enacted tax rates.

Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and that it is probable that future taxable profit will be available against which the asset can be utilised.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction, or forward contract rate, if applicable. All differences are taken to the statement of comprehensive income.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Examples of the Company's financial instruments include:

Cash and cash equivalents
The fair value of cash and cash equivalents is considered to be their carrying amount due to their short-term maturity.

Trade receivables
The Company's trade receivables do not carry a significant financing element as defined by IFRS 15. Therefore, trade receivables are recorded at transaction price (e.g., invoice amount excluding costs collected on behalf of third parties) and throughout the life of the receivable at an amount equal to lifetime expected credit losses ("ECL"). The Company has applied a simplified "provision matrix" for calculating expected credit losses as a practical expedient. The percentages below are applied to the overdue receivable balance.

1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	151-180 days past due	181 days + past due
5.0%	10.0%	15.0%	20.0%	40.0%	80.0%	100.0%

Other points:

- The Company determines whether trade receivables are impaired through regular meetings between finance and business development.
- The credit situation of new customers is reviewed before the first shipment. If possible, a credit report is obtained. If there is any concern over the credit worthiness of the customer, the Company may ask the customer to pay an amount in advance or enter into a confirmed letter of credit (Non-UK/Europe) etc.
- Trade receivables are considered low risk at initial recognition but this changes if they have an overdue invoice(s). Depending on the value of the shipment, the customer may be placed on hold until the overdue amount is paid. Discussions as to why an invoice is overdue are held promptly between finance and business development and the customer.
- The provision is monitored at customer level by business development and finance.
- If the Company is having ongoing dialogue with the customer regarding their overdue balance the debt will not be written off. It may be that a payment plan can be agreed or more time is given to the customer to sell the product. If the customer is not actively engaging wit the Company legal action may be taken.
- Forward looking information from business development is taken into account when preparing the provision matrix including geographical risk, changes in customer circumstances and macro-economic factors.

Financial liability and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Bank borrowings
The Company had no bank borrowings at 31 December 2020 and 2019.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments
Equity instruments issued by the Company are recorded at the value of the proceeds received net of direct issue costs including the fair value of any warrants issued in lieu of issue costs. The Company has no derivative financial assets or investments in equity instruments.

Under IFRS 9 impairment for receivables including trade receivables is assessed using an expected loss model. For trade receivables this focuses on the risk that, and an extent to which, a receivable will default. Accordingly, the Company calculates the allowance for credit losses by considering the cash shortfalls it would incur in various default scenarios and multiplying the shortfalls by the probability of each scenario occurring. The Company only has short-term receivables and has adopted a “simplified approach” in assessing impairment.

The Company has applied a simplified “provision matrix” for calculating expected losses as a practical expedient (e.g., for trade receivables), as the Directors believe that this is consistent with the general principles for measuring expected losses. The provision matrix is based on an entity’s historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

In preparing the provision matrix the Company looks at the geographic base of its trade receivables and whether they are existing or new customers. Finally, management considered forward looking information that may affect the default rates applied in the matrix.

Leases
The Company has adopted IFRS 16, which became effective on 1 January 2019. For all leases, the Company recognises a right of use asset and corresponding lease liability on the balance sheet, which are depreciated and amortised respectively over the lease term. However, where leases are low value or of less than 12 months old, the Company has taken advantage of the practical expedient allowing the expense to be recognised on a straight line basis over the lease term.

Research and development
Expenditure on research is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Company intends to complete the intangible asset and use or sell it;
- The Company has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Costs incurred which do not meet all of the above criteria are expensed as incurred. No development costs have been capitalised to date.

Share-based payments
In accordance with IFRS 2 "Share-based payments", the Company reflects the economic cost of awarding shares and share options to Directors, employees and advisors by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded; fair value being determined by reference to option pricing models. The expense is recognised in the statement of comprehensive income over the vesting period of the award.

The fair value of warrants issued to advisors as remuneration for their services in a fundraising will be charged to share premium over the vesting period of the award.

2. Adoption of new and revised standards

During the financial year, the Company has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

Standard	Effective date, annual period beginning on or after
Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 *Business Combinations*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
Interest Rate Benchmark Reform: *amendments to IFRS 9, IAS 39 and IFRS 7*	1 January 2020

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but were not yet effective. In some cases, these standards and guidance have not been endorsed for use in the European Union.

Standard	Effective date, annual period beginning on or after
Covid 19-Related Rent Concessions (Amendment to IFRS 16 *Leases*)	1 April 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Updating a Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)	1 January 2022
Annual improvements 2018-2020 cycle	1 January 2022
Classification of Liabilities as Current or Non-Current: *amendments to IAS 1*	1 January 2023
IFRS 17 - *Insurance Contracts*	1 January 2023
Amendments to IFRS 17 - *Insurance Contracts;* and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 *Insurance Contracts)*	1 January 2023

The Directors are evaluating the impact that these standards will have on the financial statements of Company, but at this stage the impact is not expected to be material.

3. Going concern

Microsaic is engaged in the research, development and commercialisation of miniaturised point of care mass spectrometry detectors. The Company is loss making and has raised funds in the past by issuing equity in discrete tranches. As of 31 December 2020, the Company had £0.4 million in cash and bank balances. The most recent fundraise was completed on 5 February 2021 where the Company raised £5.1 million after expenses from new and existing shareholders. The business plan adopted by the Board is based on the working capital projections used at the time of the fund raising. The Directors have reviewed the cash forecasts and financial projections of the business plan under various scenarios to assess the sensitivity of the Company's going concern position. The key sensitivities considered include changes to the projected unit sales, or delays in sales. The Company retains a contingency plan, if required, to preserve cash and bank balances through the management of operational expenditure. This review indicates that the Company has enough cash to cover its anticipated working capital requirements for at least the next 12 months from the date of signing the Annual Report and Accounts. On this basis, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

4. Critical accounting estimates and judgements

Accounting estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates could, by definition, differ from the actual outcome.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised below:

Amortisation of trademarks, patents and software
Capitalised costs relating to trademarks and patents are amortised over their estimated useful lives. As the product development programme is still ongoing and the lifetime of the Company's intellectual property is difficult to determine, the Directors have applied a prudent estimate of five years. In addition, intangible software costs have been amortised over an estimated useful life of three years. These assumptions are reviewed at each balance sheet date and amended if required.

Share-based payments
The calculation of the share-based payment expense utilises assumptions and estimates (for example volatility, future exercise rates etc) which may differ from actual results. Details of the assumptions are set out in note 24. The Company uses the Black Scholes Option pricing model to determine a theoretical option call price. If there are market related conditions (e.g. realising certain share price targets before vesting) then the Company uses external advisers to apply more advanced modelling techniques. In terms of inputs volatility is the most difficult input to estimate and is probably the key input where management has had to use its discretion.

Provision for dilapidations
The Company occupies leasehold premises in Woking. The dilapidations provision for Woking is £76k and has been applied consistently since 2016 and is based on a detailed dilapidations schedule. The Company undertook a review of this figure in early 2021. On a comparable basis the new estimate was in line with the provision.

Provision for inventories
The provision for inventories is to cover the write-off of a superseded product together with spare and replacement parts that may become obsolete plus slow-moving stock. The provision included £39k for slow moving parts in the year. This figure was arrived at by assessing current stock levels, projected demand and applying management judgement. As a result of the COVID-19 pandemic sales of MS units were significantly below last year. Although, production was curtailed from budget levels 11 MS units remained in finished goods at year end. The CEO and FD reviewed this in line with orders received and prospects identified and based on their judgement did not include an allowance for slow-moving finished goods in the provision. The provision will be reviewed at the half year where the assumptions made in December 2020 will be revisited.

Provision for warranties
The Company provides OEMs and distributors with a 15-month warranty on mass spectrometry products. The assurance warranties confirm that the product complies with agreed-upon specifications. The approach adopted to calculate the warranty provision is one which estimates the costs associated with fulfilling the Company's warranty obligations covering materials, replacement parts, engineers time and travel that may have to be incurred over the 15-month warranty period. The provision decreased by £12,713 over last year's figure.

Research and development tax credits
As Microsaic is loss making and has qualifying expenditure, the Company can choose to receive R&D tax credits in cash from HMRC, instead of carrying forward the loss. The scheme for SMEs offers a benefit equivalent of up to 33p for every £1 spent on qualifying expenditure.

The Company recognises research and development tax credits receivable in cash as a current asset under the heading corporation tax receivable.

The Company follows a process for identifying the qualifying R&D costs. To get R&D relief the Company needs to explain how a project(s):

- looked for an advance in science and technology;
- had to overcome uncertainty;
- tried to overcome this uncertainty;
- could not be easily worked out by a professional in the field.

A technical report is prepared by the Chief Technologist to support the claim and he reviews the assumptions around which R&D projects are qualifying. Clearly there is judgement involved in this process as to what is qualifying and what is not.

These credits are subject to acceptance by HM Revenue & Customs and the resulting cash receipt may be greater or less than this amount.

Credit losses

Lifetime expected credit loss ("ECL") has been calculated using a simplified provision matrix (see Financial Instruments under note 1 Accounting Policies for more information) where the Company has made assumptions on the default rates used in calculating the ECL of trade receivables. Management has used its best estimates to arrive at the ECL at the year end, of £68,587. The ECL relates predominantly to one customer an invoice shipped in December 2019 and was due to be paid end of March 2020.

Depreciation of Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production costs less accumulated depreciation and impairment losses. Depreciation is charged to the statement of comprehensive income on a straight-line basis to write-off the carrying value of each asset to residual value over its estimated useful economic life as follows:

Plant and equipment	- 33.3% on a straight line basis
Fixtures and fittings	- 33.3% on a straight line basis
Software	- 33.3% on a straight line basis

These assumptions are reviewed at each balance sheet date and amended if required.

5. Revenue

Throughout 2020, the Company operated in one business segment, that of research, development and commercialisation of mass spectrometry instruments. The attribution of revenue is based on the country or group of countries to where the goods are shipped. In 2020 our largest customers had the following revenues as a percentage of total revenues:

Customer number 1 – 26.3 per cent.
Customer number 2 – 25.9 per cent.
Customer number 3 – 16.1 per cent.
Customer number 4 – 14.0 per cent.

The geographical analysis of revenue (by location of shipment) was as follows:

	Year to 31 December 2020	Year to 31 December 2019
	£	£
UK	2,225	28,798
Japan	8,756	53,662
USA	41,346	159,068
Europe	57,280	448,923
China	126	139,562
South Korea	83,397	-
Rest of World	5,128	42,112
Total	198,258	872,125

6. Expenses by nature

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Loss from operations is stated after charging/(crediting):		
Amortisation of intangible assets	40,767	40,740
Depreciation of right of use assets	87,237	90,560
Expected credit losses	64,281	4,306
Movement in inventory provision	17,650	(26,854)
Inventory items expensed	(3,318)	(870)
Staff benefit expense	1,466,342	1,885,700
Depreciation of property, plant and equipment	80,034	88,993
Provision for dilapidations on leased buildings	-	(6,559)
Provision for warranty	(12,713)	(12,817)
Material costs including R&D	58,071	67,528
Professional fees (including audit fees detailed below)	182,069	210,434
Pension costs	153,476	164,285
Exchange loss/(gain)	2,897	513
Directors' emoluments (before pensions and share based payments)	292,140	343,420

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Services provided by the Company's auditors		
Fees payable to the Company's auditors for the audit of the financial statements	20,750	19,950
Fees payable to the Company's auditors for other services		
- Tax compliance[1]	-	5,750
- Audit related services	2,070	2,820
	22,820	28,520

[1]The auditors can no longer provide tax compliance services from 2020 in line with auditing ethical standards.

7. Finance income and Finance cost

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Bank interest receivable	4,393	35,686
Interest cost under IFRS 16	(9,041)	(15,615)
Other interest	(1,734)	-
	(10,775)	(15,615)

8. Tax on loss on ordinary activities

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Domestic current period tax		
UK corporation tax receivable	(218,568)	(322,442)
Adjustment for prior periods	857	-
Current tax credit	(217,711)	(322,442)
Tax on loss on ordinary activities	(217,711)	(322,442)

Factors affecting the current tax credit for the period:

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Loss before tax	(2,590,369)	(3,103,529)
Loss before tax multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	(492,170)	(589,671)
Effects of:		
Non-deductible expenses	6,774	15,730
Depreciation	15,206	16,909
Profit on disposal of property, plant and equipment	(16)	-
Capital allowances	(13,363)	(17,017)
Research and development expenditure	(94,045)	(138,742)
Tax losses carried forward	359,046	390,349
Previous period research and development adjustment	857	-
Current tax credit	(217,711)	(322,442)

The Company has estimated tax losses of £23,587,006 (2019: £21,734,786) available for carry forward against future trading profits. Deferred tax is detailed in note 17.

9. Basic and diluted loss per ordinary share

	Year to 31 December 2020	Year to 31 December 2019
Loss after tax attributable to equity shareholders £	(2,372,658)	(2,781,087)
Weighted average number of ordinary 0.25p shares for the purpose of basic and diluted loss per share	456,365,146	456,365,146
Basic and diluted loss per ordinary share	(0.52)p	(0.61)p

The basic loss per share reduced by 14.8 per cent. from 0.61p to 0.52p per share, due to the reduction in loss after tax to equity shareholders. Potential ordinary shares are not treated as dilutive as the Company is loss making, therefore the weighted average number of ordinary shares for the purposes of the basic and diluted loss per share are the same.

Under IAS 33 the calculation of basic and diluted earnings/(loss) per ordinary share is adjusted retrospectively when the number of ordinary shares issued changes after the balance sheet date but before the financial statements are authorised for issue. As detailed in note 29, 5,620,000,000 new ordinary shares were issued on 5 February 2021 as part of a fundraising and reorganisation bringing the total shares in issue to 6,076,365,146. The basic and diluted loss per share for 2020 taking into account the new ordinary shares in issue at the date of publishing the Annual Report and Accounts would be (0.039)p.

10. Intangible assets

Intangible assets comprise patents, trademarks and software owned by the Company. The cost is amortised on a straight-line basis over their estimated useful life.

Year ended 31 December 2020:	£
Cost	
At 1 January 2020	564,977
Additions	27,319
Disposals	-
At 31 December 2020	592,296
Amortisation	
At 1 January 2020	467,766
Charge for the year	40,767
Disposals	-
At 31 December 2020	508,533
Net book value	
At 31 December 2020	83,763

10. Intangible assets (continued)

Year ended 31 December 2019	£
Cost	
At 1 January 2019	522,970
Additions	42,007
Disposals	-
At 31 December 2019	564,977
Amortisation	
At 1 January 2019	427,026
Charge for the year	40,740
Disposals	-
At 31 December 2019	467,766
Net book value	
At 31 December 2019	97,211

11. Property, plant and equipment

Year ended 31 December 2020:

	Plant and equipment	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2020	787,487	185,038	972,525
Additions	69,452	-	69,452
Disposals	(6,343)	(6,731)	(13,074)
At 31 December 2020	850,596	178,307	1,028,903
Depreciation			
At 1 January 2020	663,015	184,783	847,798
Charge for the year	79,802	232	80,034
Disposals	(6,345)	(6,729)	(13,074)
At 31 December 2020	736,472	178,286	914,758
Net book value			
At 31 December 2020	114,124	21	114,145

Year ended 31 December 2019:

	Plant and equipment	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2019	721,843	224,602	946,445
Additions	103,820	-	103,820
Disposals	(20,480)	(39,564)	(60,044)
Transfer	(17,696)	-	(17,696)
At 31 December 2019	787,487	185,038	972,525

11. Property, plant and equipment (continued)

	Plant and equipment	Fixtures and fittings	Total
	£	£	£
Depreciation			
At 1 January 2019	598,403	223,887	822,290
Charge for the year	88,533	460	88,993
Disposals	(20,480)	(39,564)	(60,044)
Transfer	(3,441)	-	(3,441)
At 31 December 2019	663,015	184,783	847,798
Net book value			
At 31 December 2019	124,472	255	124,727

12. Lease reporting

IFRS 16 was effective for annual reporting periods on or after 1 January 2019 and removes the distinction between finance and operating leases for lessees. For lessees, all leases are now recorded on the balance sheet as liabilities, at the present value of the future lease payments, along with an asset reflecting the right of use of the asset over the lease term. This information aims to provide users of financial statements with the basis to assess the effect leases have on the financial position, financial performance and cash flows of an entity. Microsaic had three leases at the 1 January 2020, two property leases and one equipment lease. One of the property leases was terminated on 1 November 2020.

Right of use lease assets

	Property	Equipment	Total
	£	£	£
Cost			
At 1 January 2020	240,035	8,441	248,476
Additions	-	-	-
Disposals	(60,272)	-	(60,272)
At 31 December 2020	179,763	8,441	188,204
Depreciation			
At 1 January 2020	88,071	2,489	90,560
Charge for the year	84,742	2,495	87,237
Disposals	(38,997)	-	(38,997)
At 31 December 2020	133,816	4,984	138,800
Carrying amount			
At 31 December 2020	45,947	3,457	49,404

Lease liability	£	£	£
At 1 January 2020	158,458	6,083	164,541
Repayment of lease liabilities	(94,777)	(2,637)	(97,414)
Interest on lease liabilities	8,851	190	9,041
Disposals	(22,701)	-	(22,701)
At 31 December 2020	49,831	3,636	53,467

12. Lease reporting (continued)

Lease liability maturity analysis

	2020		2019	
	Property	Equipment	Property	Equipment
Gross lease payments due:				
Within one year	51,577	2,637	98,732	2,637
Between two and five years	-	1,111	71,392	3,748
	51,577	3,748	170,124	6,385
Less future financing charges	(1,745)	(113)	(11,666)	(302)
	49,832	3,635	158,458	6,083

Other disclosures:

IFRS 16 – Leases	Property £	Equipment £	Year to 31 December 2020 £
Variable lease payments expensed/(received)	(6,468)	(139)	(6,607)

13. Inventories

	Year to 31 December 2020 £	Year to 31 December 2019 £
Raw materials	262,506	299,650
Work in progress	-	47,978
Finished goods	364,687	78,567
Subtotal	627,193	426,195
Provision for inventories	(57,604)	(39,954)
Total	569,589	386,241

Inventories are higher in 2020 following a significantly lower level of sales during the year. Production was reduced to mitigate the fall in sales. The provision increased in 2020, mainly due to slow moving stock.

14. Trade and other receivables

	Year to 31 December 2020 £	Year to 31 December 2019 £
Amounts falling due within one year		
Trade receivables	108,529	267,893
Provision for expected credit losses	(68,587)	(4,306)
Other receivables	123,385	153,949
Other taxes and social security	10,544	28,418
	173,871	445,954

14. Trade and other receivables (continued)

	Year to 31 December 2020 £	Year to 31 December 2019 £
Not past due	37,849	267,893
1 to 30 days past due	2,506	-
31 to 60 days past due	-	-
270 days past due	68,174	-
	108,529	267,893

	Year to 31 December 2020 £	Year to 31 December 2019 £
Provision for expected credit losses on trade receivables:		
Balance brought forward	(4,306)	-
Written back to P&L during the year	4,306	-
Provided during the year	(68,587)	(4,306)
Balance carried forward	(68,587)	(4,306)

The provision for expected credit losses is mainly in respect of the 270 days past due invoice. For trade receivables the loss allowance is mandatorily measured at an amount equal to the lifetime expected credit losses.

15. Trade and other payables

	Year to 31 December 2020 £	Year to 31 December 2019 £
Amounts falling due within one year		
Trade payables	63,034	95,431
Other taxes and social security	29,174	46,665
Other payables	11,278	17,352
Accruals and deferred income	82,441	131,115
	185,927	290,563

16. Provisions

	Dilapidations	Warranties	TOTAL
	£	£	£
Balance at 1 January 2020	75,779	60,969	136,748
Provided for/(reduced) during the year	-	(12,713)	(12,713)
Balance at 31 December 2020	75,779	48,256	124,035

The provision for anticipated dilapidations is in respect of the Company's leasehold premises at Woking. The amount carried forward of £75,779 is based on the potential future cost which could be incurred at the end of the lease.

The Company provides OEMs and distributors with a 15-month warranty on MS products. The provision represents the anticipated cost of servicing those warranty claims. The provision is based on historical costs including product, replacement parts and the cost of service engineers that may have to be incurred over the warranty period. The provision for warranty at the end of the year is £48,256. There were no significant claims during the year.

17. Deferred tax

Deferred taxation provided in the financial statements:	£
Balance at 1 January and 31 December 2020	-

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Accelerated capital allowances	21,688	21,204
Tax losses carried forward	(21,688)	(21,204)
	-	-

A deferred tax asset in respect of tax losses has only been recognised to the extent of the deferred tax liability in respect of accelerated capital allowances at a tax rate of 19 per cent (2019: 17 per cent.).

18. Share capital

	Number	£
Allotted, called up and fully paid ordinary shares of 0.25p each		
Ordinary shares as at 31 December 2019	456,365,146	1,140,913
Ordinary shares issued for cash in the year	-	-
Ordinary shares as at 31 December 2020	456,365,146	1,140,913

The Company has one class of share, ordinary shares of 0.25p each, with each share carrying one vote and equal rights to discretionary dividends. No shares were issued in 2019 or 2020. Post year end on the 5 February 2021 the Company undertook a share reorganisation reducing the nominal value of ordinary shares from 0.25 pence to 0.01 pence. In addition, the Company issued new ordinary shares, details of which can be found in note 29. The number of shares in issue on the 30 April 2021 is 6,076,365,146.

19. Reserves

The share premium account represents the excess over the nominal value for shares allotted less issue costs. The share option reserve represents accumulated charges made under IFRS 2 in respect of share-based payments. Where share options that have vested expire, lapse or are exercised, the amounts within the share-based payments reserve relating to those options are transferred to retained earnings as shown in the Statement of Changes in Equity.

20. Share premium

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Opening balance brought forward	24,867,886	24,867,886
Share issue in the year	-	-
Share issue costs	-	-
Closing balance carried forward	24,867,886	24,867,886

21. Commitments

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Contracted for but not provided in the financial statements	426,595	806,185

The commitment above relates to purchase orders placed on our third-party manufacturer.

22. Directors' emoluments

	Year to 31 December 2020	Year to 31 December 2019
	£	£
Salaries and fees	291,086	342,017
Non-cash payments	1,054	1,403
Pension costs	23,429	27,560
Employment related share-based payments	51,753	47,075
	367,322	418,055

In the year to 31 December 2020 the two Executive Directors that served during the year accrued benefits under the Company's auto-enrolment pension scheme. There are no key management personnel other than the Directors. The highest paid Director, Mr Glenn Tracey, received emoluments of £135,168 as disclosed in the Directors' Remuneration Report, which included a share-based payment charge of £12,991.

There were no gains on the exercise of share options in the year.

23. Employees

	Year to 31 December 2020 Number	Year to 31 December 2019 Number
Directors	5	5
Other staff	21	24
Average Headcount	26	29

	Year to 31 December 2020 £	Year to 31 December 2019 £
Employment costs (including Directors)		
Wages and salaries	1,081,201	1,488,583
Social security costs	121,141	163,820
Termination payments	58,283	-
Pension costs	153,476	164,285
Employment related share-based payments	52,241	69,012
	1,466,342	1,885,700

24. Share-based payments

Share option schemes

The Company operates an EMI and an unapproved share option scheme as a means of encouraging ownership and aligning interests of staff and shareholders. The table below shows the number of options outstanding and exercisable at 31 December 2020 and the weighted average exercise price.

	Year to 31 December 2020		Year to 31 December 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	18,644,000	5.2p	13,964,000	6.5p
Granted during the year	-	-	5,000,000	1.55p
Forfeited/expired during the year	(1,169,000)	6.0p	(320,000)	7.0p
Exercised during the year	-	-	-	-
Outstanding at 31 December	17,475,000	5.1p	18,644,000	5.2p
Exercisable at 31 December	4,375,000	9.8p	2,624,000	12.1p

Details of options in issue at the year-end are:

Date of grant	Exercise price	Latest exercise date	Estimated fair value	Number of options 31 December 2020	Number of options 31 December 2019
December 2010	25.86p	December 2020	11.0p	-	29,000
July 2012	42.00p	July 2022	12.1p	190,000	230,000
May 2014	46.80p	May 2024	11.4p	90,000	90,000
November 2014	49.50p	November 2024	11.9p	100,000	100,000

24. Share Base Payments (continued)

Date of grant	Exercise price	Latest exercise date	Estimated fair value	Number of options 31 December 2020	Number of options 31 December 2019
April 2015	47.75p	May 2025	10.5p	100,000	100,000
January 2016	23.50p	January 2026	11.7p	395,000	395,000
September 2016	5.00p	September 2026	2.0p	2,000,000	2,100,000
September 2016	5.00p	September 2026	0.6p	2,000,000	2,000,000
January 2018	4.05p	January 2028	1.3p	2,100,000	3,100,000
January 2018	4.05p	January 2028	2.2p	5,500,000	5,500,000
June 2019	1.55p	June 2029	0.7p	5,000,000	5,000,000
				17,475,000	18,644,000

The estimated fair values of the share options were calculated by applying the Black Scholes or Monte Carlo models. The period of exercise for all options granted is ten years from the date of grant and the vesting period is normally three years from the date of grant. Prior to 2016 the expected volatility had been determined by calculating the historical volatility of the share price over the previous year. From September 2016, and consistent with the application guidance in IFRS 2, the Directors considered the most appropriate method to calculating volatility to be the use of the historical volatility of comparable listed companies. The model inputs are detailed below:

The model inputs using Black Scholes were:

Date of grant	Exercise price	Share price	Risk free rate	Expected volatility	Gross dividend yield
July 2012	42.00p	42.00p	0.50%	33%	-
May 2014	46.80p	46.80p	2.69%	16%	-
November 2014	49.50p	49.50p	2.05%	18%	-
April 2015	47.75p	47.75p	1.58%	17%	-
January 2016	23.50p	23.50p	1.74%	38%	-
September 2016	5.00p	5.12p	0.87%	30%	-
January 2018 (staff)	4.05p	4.29p	0.79%	31%	-
January 2018 (directors)	4.05p	4.29p	1.29%	39%	-
June 2019	1.55p	1.55p	0.87%	34%	-

On 5 February 2021, options and warrants over 1,125,000,000 ordinary shares were issued to Directors and staff. Details can be found in note 29.

25. Warrants

On 20 October 2015, the Company granted warrants to Numis Securities Ltd, the Company's brokers at the time as part of its remuneration for the equity placing, which was completed in October 2015, to subscribe for 1,467,303 ordinary shares, being 2 per cent. of the issued share capital of the Company on that date. These warrants expired on 20 October 2020, 5 years from the date of grant.

26. Financial instruments

The Company's financial instruments comprise cash and various trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken. The main risks arising from the Company's financial instruments are liquidity, currency and interest rate. The Board oversees the management of these risks, which are summarised below.

Liquidity risk

The Company finances its operations from equity funding provided by shareholders and revenues generated by the business. The Company seeks to manage liquidity risk to ensure enough funds are available to meet working capital requirements. The Company successfully raised £5.5 million before expenses through the issue of new shares in February 2021.

The Company invests its cash reserves in bank and money market deposits as a liquid resource to fund its operations. The Company's strategy for managing cash is to balance interest income with counterparty risk ensuring the availability of cash to match the profile of the Company's cash flows.

The £5.5 million raised in February 2021 should take the Company through to profitability. In reviewing the Company as a going concern management prepared alternative business scenarios where performance falls below the level required to reach breakeven. Contingency plans and mitigating actions have been identified in case actual results differ from the Company's business plans. There can be no guarantee that the commercial objectives of the Company will be achieved.

Interest rate risk

The Company does not face any significant interest rate risk as it has no borrowings. Surplus funds are invested to maintain a balance between accessibility of funds, competitive rates, and counterparty risk while investing funds safely.

Credit risk

The Company manages its credit risk in cash and cash equivalents by spreading surplus funds between creditworthy financial institutions. The Company is also exposed to credit risk attributable to trade and other receivables. The maximum credit risk in respect of the financial assets at each period end is represented by the balance outstanding on trade and other receivables. The Company monitors the credit worthiness of its customers on a regular basis.

Foreign currency risk

The majority of the Company's transactions are denominated in pounds sterling. The Company has no long-term commitments to purchase goods or services in foreign currencies. Purchases denominated in foreign currency are expensed at the exchange rate prevailing at the date of the transaction and represents an immaterial proportion of the Company's total expenditure.

The only assets and liabilities denominated in foreign currencies relate to trade receivables and trade payables with overseas counterparties together with small balances of US dollar and Euro currencies to settle these liabilities. The risks and sums involved are immaterial.

Fair values

The Directors consider that there is no material difference between the book value and the fair value of the financial instruments on 31 December 2020 and 31 December 2019.

Capital management

The Company's capital base comprises equity attributable to shareholders. As the Company's focus has been on establishing itself as a successful supplier of MS detectors, the primary objective in managing

26. Financial instruments (continued)

cash spend has been to achieve progress on product development and commercialisation in a cost-efficient manner and in managing liquidity risk to ensure the Company continues as a going concern.

27. Related party transactions

There are no related party transactions to disclose. Remuneration paid to the Directors is shown in note 22 to the financial statements. There were no related party transactions with third parties.

28. Control

As at 31 December 2020, no individual shareholder had a controlling interest in the Company.

29. Events after the Reporting Date

(i) The Company made RNS announcements regarding the Transaction on 15 and 21 January 2021, and on 4 and 5 February 2021. The Circular issued to shareholders in connection with the Transaction can be found on the Company's website at http:/www.microsaic.com/investors/documents. The Transaction included the following:

- a placing with certain institutional and other investors, to raise £5.0 million before expenses through the issue of up to 5 billion new ordinary shares at the placing price of 0.1 pence per new ordinary share (referred to as the "placing shares"). The placing price was at a discount of approximately 50 per cent. to the closing middle market price of 0.2 pence per existing ordinary Share on 15 January 2021, being the latest practicable date prior to the publication of the Circular;

- a Broker Option to raise £0.5 million whereby Turner Pope allocated 500 million new ordinary shares (the "broker option shares") at the Placing Price of 0.1 pence per new ordinary share to meet additional demand for the new ordinary shares;

- the issuance of the fees shares, whereby (i) 35 million new ordinary shares were issued at the placing price of 0.1 pence per new ordinary share in respect of the first year of fees due to Turner Pope for the provision of its broking services to the Company and (ii) 85 million new ordinary shares were issued at the placing price of 0.1 pence in settlement of the first year's fees of Gerard Brandon (50 million shares) and Dr Nigel Burton (35 million);

- the issuance of broker warrants, whereby transferable warrants were issued to JIM Nominees Limited (as nominee on behalf of Turner Pope) for up to 997 million new ordinary shares, equivalent to 20 per cent. of the placing shares issued, exercisable at the placing price for two years from Admission, as part of the consideration paid to Turner Pope for its services as placing agent to the Transaction;

- Board changes included the appointment Gerard Brandon as Non-executive Chairman and Dr Nigel Burton as Non-executive Director, replacing Peter Grant and Eric Yeatman who resigned as part of the reorganisation;

- Director options and warrants were awarded over 675 million New Ordinary Shares including Gerard Brandon (250 million warrants), Dr Nigel Burton (200 million warrants), Glenn Tracey (150 million options) and Bevan Metcalf (75 million options). Eric Yeatman was awarded 75 million warrants and was retained as a consultant to the Company. The performance condition, prior to vesting, is based on the Company's shares trading at a VWAP at or above a 50 per cent. premium to the placing price for 20 consecutive business days at any time since their issue, or on a change of control of the Company. The share-based payment charge in relation to the award of the 750

29. Events after the Reporting Date (continued)

million options and warrants is estimated to be £1.125 million, and this will appear the 2021 financial statements of the Company as the options and warrants vested in March 2021; and

- a share reorganisation, enabled shares to be issued at the placing price of 0.1 pence per new ordinary share, which was below the nominal value of the ordinary shares. The new nominal value approved by shareholders is 0.01 pence per ordinary share. The share reorganisation comprised: a) the sub-division and re-designation of every existing ordinary Share of 0.25 pence each into: (i) one (1) ordinary share of 0.01 pence each; and (ii) twenty-four (24) deferred share of 0.01 pence each; and b) the immediate consolidation of every twenty four (24) deferred shares of 0.01 pence each arising under (a) above into one (1) deferred share of 0.24 pence. Each new ordinary share carry the same rights as each existing ordinary share under the Articles. Each deferred share will have very limited rights and will effectively be valueless.

(ii) On 5 February 2021 the Company awarded staff 375,000,000 options over the Company's shares at an exercise price of 0.1 pence. There are no performance conditions associated with the staff options but there is a two year holding period before the options can vest. The share-based payment charge is estimated at £0.6 million vesting over two years from the date of grant. Existing options held by Directors and staff amounting to 13,110,000 were cancelled on 4 February 2021. A further 3,500,000 options held by Peter Grant were cancelled on 5 February 2021. The cancelled options will be credited to the P&L in 2021 (estimated at £0.1 million) for those that had not yet vested and a credit to retained losses reserve for those options that have vested (£0.2 million).