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This document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for Admission. This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Services Authority in accordance with the Prospectus Rules, or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The directors and proposed directors of Microsaic Systems plc, whose names and functions appear on page 8 of this document, accept responsibility (both individually and collectively) for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document.

A copy of this document will be available, free of charge, during normal business hours on any day (except Saturdays, Sundays and public holidays), at the registered office of the Company, from the date of this document for a period of one month from the date of Admission.

Application will be made for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 11 April 2011.

MICROSAIC SYSTEMS PLC

(incorporated and registered in England and Wales under the Companies Act 1985, registered number 3568010)

Placing of up to 12,500,000 new Ordinary Shares at 32 pence per share

Admission of the Enlarged Issued Share Capital to trading on AIM

Nominated Adviser and Broker

Numis Securities Limited

The Placing is conditional, *inter alia*, on Admission taking place on or before 11 April 2011 (or such later date as the Company and Numis Securities Limited ("Numis") may agree). The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

This document is being distributed by Numis, which is authorised and regulated in the UK by the Financial Services Authority, and which is advising the Company and no one else in connection with the Placing and Admission (whether or not a recipient of this document). Numis will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of Numis nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of Numis, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to the Company or to any Director or Shareholder of the Company or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, or Japan and, may not be offered or sold in the United States of America, Canada, Australia, the Republic of South Africa, or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia, the Republic of South Africa, or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful.

The information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Numis as to the contents of this document. Numis has not authorised the contents of any part of this document. No liability whatsoever is accepted by Numis for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

IMPORTANT INFORMATION

FORWARD-LOOKING STATEMENTS

This document contains certain forward looking statements relating to the Company's future prospects, developments and business strategies.

Forward looking statements are identified by their use of terms and phrases such as "targets" "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative of those, variations or comparable expressions, including references to assumptions.

The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties which could cause actual results to differ materially from those expressed or implied by those statements. Certain risks to and uncertainties for the Company are specifically described in Part 3 of this document headed "Risk Factors". If one or more of these risk factors or uncertainties materialises, or if the underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

These forward looking statements relate only to the position as at the date of this document. Neither the Directors nor the Company undertake any obligation to update forward looking statements or risk factors, other than as required by the AIM Rules for Companies or by the rules of any other applicable securities regulatory authority, whether as a result of the information, future events or otherwise.

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KEY INFORMATION

The following summary of key information does not purport to be complete and should be read in conjunction with, and as an introduction to, the more detailed information appearing elsewhere in this document. Unless otherwise stated, summary financial information has been extracted without material adjustment from the financial statements set out in Part 4 of this document. Any decision to participate in the Placing must be based on consideration of this document as a whole.

1. INTRODUCTION AND BACKGROUND

Microsaic Systems plc develops microengineered analytical instruments that are based on the scientific technique of mass spectrometry. MS is widely accepted as one of the most reliable methods for identifying substances, and MS systems are used to accurately identify the chemicals that make up gaseous, liquid and solid samples.

The Company, established in 2001 as a spin-out from Imperial College London and based at headquarters in Woking since September 2004, has successfully developed chip-scale MS technologies. The Directors believe that Microsaic is the first and only company to have commercialised MS technology on a chip. The Company has a large portfolio of 88 patent filings, including 36 granted patents.

2. THE MICROSAIC TECHNOLOGY

Mass spectrometry is an established analytical technique used in many laboratories today, which enables the accurate identification and quantification of trace levels of chemical or biological compounds by recording their unique molecular weight. Today, MS is the standard means of measuring the composition of samples in pharmaceuticals and biotechnology, but is also widely used in healthcare, environmental, security, petrochemicals, mining, food and drink and other industries.

Although fast and sensitive, typical MS products are large, heavy, energy intensive and expensive to acquire and operate. The Company has successfully integrated the key MS components onto patented chip technologies called ionchip®, spraychip® and vac-chip™. Due to physical scaling laws associated with the miniaturisation of MS components, the vacuum and power requirements for systems based on Microsaic's technology are not as great as for larger, conventionally-manufactured MS systems. Consequently, Microsaic's MS products are substantially smaller, lighter, consume less energy and have lower running costs.

3. INDUSTRY AND MARKET

The mass spectrometry market

The MS market is highly diversified and includes government, pharmaceuticals, environmental, food and drink, healthcare and industrial chemicals customers, with no segment forecast to represent more than 17 per cent. of the total current market. A primary factor in the resilience of demand is the fact that more than two-thirds of the market is directly or indirectly tied to government, healthcare and regulation-driven demand such as pharmaceuticals, healthcare, food and drink safety and environmental legislation.

- The total MS market stood at \$3.3 billion in August 2010, and was forecast to grow 8.5 per cent. between 2010 and 2011.
- Total MS install-base was approximately 235,000 units in 2009, with approximately 18,000 units replaced annually.
- The leaders in the MS market are considered to be AB-Sciex, Waters Corporation, Agilent Technologies, Bruker and Thermo-Fisher.

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- North America and Europe are the largest regional markets, representing c. 38 per cent. and 32 per cent. respectively of global revenues in 2009. China is the fastest growing market at c. 13 per cent. annually.

Current market for entry-level mass spectrometers

Microsaic is positioning its products in the market as molecular ion detectors, under the registered trademark MiD®. Typical entry level MS systems cost on average \$80,000 and consume over 1 kW. The Microsaic 3500 MiD® will be priced to compete with such systems and consumes approximately 0.3 kW.

In addition, the Company has demonstrated that significant ongoing savings can be made, by way of reduced energy, gas and solvent consumption, when compared with a typical, entry-level MS detector. A further advantage of the 3500 MiD® over legacy MS detectors is the absence of an external floor pump which is a source of additional noise and heat.

The separations equipment market

The initial applications for Microsaic's molecular ion detectors are within the market for separation equipment, which had approximate revenues of \$6.6 billion in 2010 and is forecast to grow by 4.7 per cent. to close to \$7 billion in 2011. Separation tools are used for the analysis and purification of samples across various industries.

Market opportunity

Five major factors have limited the widespread deployment of MS systems with separation tools:

- Cost. Legacy entry-level MS detectors are expensive to purchase and the ongoing running costs from solvent, gas and power consumption are high;
- Size. Laboratory space and infrastructure requirements such as high purity gas supplies, air-conditioning, uninterruptable power supplies and sound-proofing cost a premium and limit the widespread deployment of MS throughout industry;
- Complexity. The performance of existing MS systems, and complexity of software, is considered by many users to be over-specified for everyday applications;
- Working environment. Power consumption and heat dissipation for current MS detectors is considerable, and the noise and heat generated by their external vacuum pumps curtail the number of systems that would be acceptable within a particular laboratory; and
- Maintenance overhead. Legacy MS systems require periodic maintenance and cleaning to ensure optimum performance, as does the infrastructure supporting the MS.

The Directors believe that a smaller, quieter, easy to maintain and cheaper to run product will be attractive to users of separations equipment from the pharmaceuticals, biotechnology, healthcare, environmental, food and drink and other industries, and in CROs and academic research.

4. KEY STRENGTHS

The Directors consider that the Company's products represent a significant breakthrough in MS technology. The Directors believe that the Company's competitive strengths are as follows:

- A first-to-market product offering;
 - Existing relationships with customers and sales channels in key target markets;
 - The product's significantly lower running costs compared with legacy MS systems;
 - The product may be easily maintained through replacement of chip consumables;
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- The Company developed its products in close co-operation with customers to ensure market acceptance, including development contracts with three of the top ten global pharmaceutical companies;
 - Proprietary technology, products and processes, which are protected by a large portfolio of patents;
 - The experience and expertise of its management team and workforce; and
 - The software application developed by the Company in close cooperation with customers over the last seven years.

5. STRATEGY

The Directors believe that the size and diversity of the separations and MS markets will provide a broad range of revenue streams for the Company's products. The Company's strategy is to generate additional revenue streams by introducing compact, deployable MS products, based on its patented chip technologies, into a series of markets and applications through partnerships with established sales channels. The Company is pursuing its objectives by:

- Partnering to market its products through established sales channels;
- Integrating its chip-scale technologies into next generation MS products targeting applications in environmental monitoring, food and drink, healthcare, energy and security;
- Ensuring its intellectual property is protected; and
- Sub-contracting manufacturing of its wafers and sub-systems to suppliers.

The Company has recently launched the Microsaic 3500 MiD at trade fairs in the UK and US and has, in parallel, been marketing its product to leading global pharmaceuticals businesses. The 3500 MiD was awarded the prestigious New Product Award by the US Society of Laboratory Automation and Screening. Potential customers have been highly receptive to the features of the 3500 MiD, and the launches have generated significant interest and multiple leads within the US and European markets.

An agreement has been signed with a leading supplier of micro LC equipment, for the marketing and sale of the Company's MS detectors, and a jointly-developed LC-MS system, in the US and Canada to pharmaceutical and biotechnology customers. This channel partner is a subsidiary of a market-leader in analytical instrumentation.

In addition, three leading vendors of separation tools have entered into negotiations with the Company and initial agreements, including orders for its products, are now in place.

The Company also intends, following Admission, to design and develop its next generation of products: tandem MS systems. Tandem MS systems are more sensitive than entry-level MS detectors, and permit the analysis of complex samples such as urine, blood plasma and food.

6. SUMMARY FINANCIAL INFORMATION

The Company has changed its accounting reference date to 31 December and has prepared financial information for the 7 months ended 31 December 2010. The prior periods were the years ended 31 May 2008, 2009 and 2010 and therefore the amounts presented in the financial information are not entirely comparable.

Investors should read the full text of this document and, in particular, Part 4 of this document and not rely on this summary.

	2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
	£	£	£	£
Income Statement Information:				
Revenue	710,935	622,263	396,098	196,737
Gross loss	(257,995)	(486,785)	(652,352)	(503,635)
Loss from operations	(1,232,178)	(1,358,465)	(1,351,121)	(898,512)
Total comprehensive loss for the year/period	(936,369)	(1,069,933)	(1,157,280)	(806,632)
Balance Sheet information:				
Net assets/(liabilities)	2,692,340	1,706,567	1,676,632	875,319

7. PLACING AND ADMISSION

Placing arrangements

The Company is proposing to raise £4 million before expenses, by way of a placing by Numis of up to 12,500,000 New Shares at the Placing Price to institutional and other investors. The New Shares will represent approximately 33.32 per cent. of the Enlarged Issued Share Capital and will rank pari passu in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions thereafter declared, made or paid.

Pursuant to the Placing Agreement, Numis has conditionally agreed to use reasonable endeavours to procure places to acquire 12,500,000 New Shares at the Placing Price as agent for the Company. In the event that Numis does not procure places to subscribe for at least 8,281,250 New Shares (the "Underwritten New Shares") it shall itself subscribe as principal at the Placing Price for such number of New Shares as is equal to the total number of Underwritten New Shares less the number of New Shares for which places have been procured.

In addition, the Selling Shareholders have conditionally appointed Numis to use reasonable endeavours to procure purchasers for up to 1,562,500 Sale Shares at the Placing Price pursuant to the Selling Shareholder Agreements. The Placing Shares will represent in aggregate approximately 37.48 per cent. of the Enlarged Issued Share Capital.

On Admission, the Directors directly and indirectly will hold in aggregate 11,236,920 Ordinary Shares, representing approximately 29.95 per cent. of the Enlarged Issued Share Capital. On Admission, at the Placing Price, the Company will have a market capitalisation of approximately £12 million (assuming the Placing is fully subscribed).

Lock-in arrangements

The Directors and other "related parties" and "applicable employees", as such terms are defined in the AIM Rules for Companies for the purposes of Rule 7 thereof, and certain employees and former employees of the Company, have undertaken with the Company and Numis (subject to certain exceptions): (i) not to dispose of any interest in any of their Ordinary Shares (amounting in aggregate to 15,309,680 Ordinary Shares, representing approximately 40.81 per cent. of the Enlarged Issued Share Capital) until the first anniversary of Admission; and (ii) to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares for a further period of twelve months thereafter.

Certain other shareholders who, in aggregate, following Admission, are expected to hold 5,447,380 Ordinary Shares (representing approximately 14.52 per cent. of the Enlarged Issued Share Capital) have undertaken with the Company and Numis (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares for six months following Admission.

Admission

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital of the Company to be admitted to trading on AIM. It is expected that Admission will take place, and dealings in the Enlarged Issued Share Capital will commence, on 11 April 2011. Definitive share certificates in respect of the Placing Shares are expected to be dispatched by 18 April 2011.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Professor Eric Morgan Yeatman (<i>Non-executive Chairman</i>) Colin James Nicholl (<i>Non-executive Deputy Chairman</i>) Alan Patrick John Finlay (<i>Chief Executive Officer</i>) Malcolm Richard Bateman (<i>Proposed Finance Director</i>) Peter Ivor Tudor Edwards (<i>Proposed Technical Director</i>) Peter Richard Selway (<i>Non-executive Director</i>) Professor Andrew Sean Holmes (<i>Non-executive Director</i>) Dr James Cumming Ramage (<i>Non-executive Director</i>) all of the registered office
Company Secretary	Professor Andrew Sean Holmes
Registered Office	GMS House Boundary Road Woking Surrey GU21 5BX
Telephone	+44 (0) 1483 751 577
Website on Admission	www.microsaic.com
Nominated Adviser and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Reporting Accountants	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Solicitors to the Company	Dorsey & Whitney (Europe) LLP 21 Wilson Street London EC2M 2TD
Solicitors to Numis	Cobbetts LLP No.1 Whitehall Riverside Leeds LS1 4BN
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Financial PR	Citigate Dewe Rogerson 3 London Wall Buildings London Wall London EC2M 5SY
Patents and Trade Mark Attorneys	Hanna Moore & Curley 13 Lower Lad Lane Dublin 2 Ireland

PLACING STATISTICS

Number of Ordinary Shares in issue at date of this document	25,015,400
Number of New Shares ⁽¹⁾	12,500,000
Number of Placing Shares ⁽¹⁾	14,062,500
Placing Price	32 pence
Estimated gross proceeds from the placing of the New Shares ⁽¹⁾	£4 million
Estimated net proceeds of the Placing receivable by the Company ⁽¹⁾	£3.23 million
Enlarged Issued Share Capital immediately following Admission ⁽¹⁾	37,515,400 Ordinary Shares
Percentage of Enlarged Issued Share Capital represented by the New Shares ⁽¹⁾	33.32 per cent.
Market capitalisation of the Company immediately following Admission at the Placing Price ⁽¹⁾	£12 million
ISIN	GB00B547ZY09
AIM Symbol	MSYS

(1) Assuming that the Placing is fully subscribed.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of Admission Document	5 April 2011
Expected date of Admission and dealings in Ordinary Shares on AIM	8.00 a.m. on 11 April 2011
CREST accounts to be credited	11 April 2011
Despatch of definitive share certificates (where applicable)	by 18 April 2011

Save for the date of publication of this document, each of the times and dates above is subject to change. Any such change will be notified to Shareholders by an announcement on a Regulatory Information Service.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“£”, “pounds” and “pence”	the legal currency for the time being of the United Kingdom
“\$” or “US Dollars”	the legal currency for the time being of the United States
“€” or “Euros”	the legal currency of the members of the European Union who have entered into an Economic and Monetary Union
“1985 Act”	the Companies Act 1985 (as amended)
“2006 Act”	the Companies Act 2006 (as amended)
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
“Admission Document”	this document
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time, which set out the rules, responsibilities and guidance notes in relation to companies whose shares are admitted to trading on AIM
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time
“Articles”	the articles of association of the Company adopted by special resolution on 1 April 2011, as amended from time to time
“Bonus Issue”	the issue, prior to the Subdivision, of 6,232,285 ordinary shares of £0.01 each in the capital of the Company by way of bonus issue to shareholders of the Company on the basis of 289 new shares issued for every 1 ordinary share of £0.01 each held, which took place on 1 April 2011
“Capital Reduction”	the reduction of the Company’s share premium account to nil which became effective on 1 April 2011
“Companies Acts”	the 2006 Act and any provisions of the 1985 Act which remain in force
“Company” or “Microsaic”	Microsaic Systems plc
“CREST”	the electronic system for the holding and transferring of shares and other securities in paperless form operated by Euroclear UK & Ireland Limited
“CREST Manual”	the compendium of documents entitled “CREST Manual” issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules (including CREST Rule 8), the CCSS Operations Manual and the CREST Glossary of Terms

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time)
“Directors” or “Board”	the directors and proposed directors of the Company, whose names appear on page 8 of this document
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA in exercise of its functions as competent authority pursuant to Part VI of FSMA
“EBT”	The Microsaic Systems Limited Employee Benefit Trust established in October 2004
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“EMI Schemes”	the Microsaic Systems Enterprise Management Incentive Schemes 2008 and 2010, pursuant to which options over Ordinary Shares have been granted by the Company and/or the Trustees
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company as it will be immediately following Admission consisting of the Existing Ordinary Shares and the New Shares (assuming the Placing is fully subscribed)
“Euroclear”	Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB
“Existing Ordinary Shares”	the 25,015,400 Ordinary Shares in issue at the date of this document
“FSA”	the Financial Services Authority
“FSA Rules”	the FSA Handbook of Rules and Guidance
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“HMRC”	Her Majesty’s Revenue & Customs
“IFRS”	International Financial Reporting Standards as adopted by the member states of the European Union
“Lock-in and Orderly Market Deeds”	the lock-in and orderly market deeds entered into by the Directors and certain Shareholders with the Company and Numis, details of which are set out in paragraph 9.1(c) of Part 5 of this document
“London Stock Exchange”	London Stock Exchange plc
“New Shares”	up to 12,500,000 new Ordinary Shares to be placed pursuant to the Placing Agreement
“Numis”	Numis Securities Limited of 10 Paternoster Square, London EC4M 7LT
“Ordinary Shares”	ordinary shares of £0.0025 each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares at the Placing Price pursuant to the terms of the Placing Agreement and the conditional sale of the Sale Shares at the Placing Price pursuant to the terms of the Selling Shareholder Agreements

“Placing Agreement”	the conditional agreement dated 1 April 2011 between the Company, Numis and the Directors relating to the placing of the New Shares, details of which are set out in paragraph 9.1(a) of Part 5 of this document
“Placing Price”	32 pence per Ordinary Share
“Placing Shares”	the New Shares and the Sale Shares
“QCA Guidelines”	the Corporate Governance Guidelines for Smaller Quoted Companies published in September 2010 by the Quoted Companies Alliance (as amended or replaced from time to time)
“Re-registration”	the re-registration of the Company as a public limited company effected on 1 April 2011 in accordance with the 2006 Act
“Reorganisation”	together the Bonus Issue, Subdivision, Capital Reduction and Re-registration
“Saffery Champness”	Saffery Champness of Lion House, Red Lion Street, London WC1R 4GB
“Sale Shares”	1,562,500 Existing Ordinary Shares to be sold pursuant to the Selling Shareholder Agreements
“SDI”	Strategic Directions International, Inc. of 6242 Westchester Parkway, Suite 100, Los Angeles, CA 90045, United States of America
“Selling Shareholder Agreements”	the conditional agreements dated 4 April 2011 between Numis and each of the Selling Shareholders relating to the sale of the Sale Shares
“Selling Shareholders”	Imperial Innovations Business LLP and Majedie Investments plc
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the EMI Schemes and the Unapproved Schemes together
“Subdivision”	the subdivision of the 6,253,850 ordinary shares of £0.01 each in issue in the capital of the Company following the Bonus Issue into 25,015,400 Ordinary Shares, which took place on 1 April 2011
“Takeover Code”	the City Code on Takeovers and Mergers (as amended from time to time)
“Takeover Panel” or “Panel”	the Panel on Takeovers and Mergers
“Trustees”	RM2 Trustees Limited and Peter Selway, in their capacity as trustees of the EBT
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (as amended from time to time)
“UK Listing Authority”	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA

“Unapproved Schemes”	the Microsaic Systems Unapproved Option Schemes 2008 and 2010, pursuant to which options over Ordinary Shares have been granted by the Company and the Trustees
“uncertificated”	recorded on a register of securities maintained by Euroclear in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“VCT Scheme”	Venture Capital Trust scheme under the provisions of Part 6 of the Income Tax Act 2007
“Venture Capital Schemes”	EIS and VCT schemes

All references to times in this document are to UK time unless otherwise stated. References to the singular shall include references to the plural, where applicable, and *vice versa*.

TECHNICAL GLOSSARY

The following defined technical terms are used throughout this document, unless the context otherwise requires:

“API”	atmospheric pressure interface
“CE”	capillary electrophoresis
“CRO”	contract research organisation
“DC voltage”	direct current voltage
“DRIE”	deep reactive ion etching
“ELSD”	evaporative light scattering detector
“ESI”	electrospray ionisation source
“GC”	gas chromatography
“GC-MS”	gas chromatography mass spectrometry
“HPLC”	high performance liquid chromatography
“IC”	ion chromatography
“kW”	kilowatt
“L”	litre
“LC”	liquid chromatography
“LC-MS”	liquid chromatography mass spectrometry
“mass to charge ratio”	for an ionised atom or molecule, the ratio of its mass to its charge
“MiD”	“molecular ion detector”
“MS”	mass spectrometer
“MS-MS”	tandem mass spectrometer
“OEM”	original equipment manufacturer
“QMS”	quadrupole mass spectrometer
“RF voltage”	radio frequency voltage
“SQ”	single quadrupole
“UV”	ultraviolet

PART 1

INFORMATION ON THE COMPANY

1. INTRODUCTION AND BACKGROUND

Overview

Microsaic Systems plc develops microengineered analytical instruments that are based on the scientific technique of mass spectrometry. MS is widely accepted as one of the most reliable methods for identifying chemicals, and MS systems are used to accurately identify the chemicals that make up gaseous, liquid and solid samples. MS is used across a range of sectors including government, energy, utilities, pharmaceuticals, environmental, food and drink, healthcare and industrial chemicals. Although fast and sensitive, typical MS systems – found in laboratories and used for the analysis of liquid mixtures – are large, heavy, energy intensive and expensive and, as a result, MS systems tend to be shared, central facilities.

The Company, established in 2001 as a spin-out from Imperial College London and based at headquarters in Woking since September 2004, has successfully developed chip-scale MS technologies. The Directors believe that Microsaic is the first and only company to have commercialised MS technology on a chip. The combination of the Company's patented MS technologies – spraychip®, vac-chip™ and ionchip® – allow production of MS detectors that are smaller, lighter, consume less energy, are easier to maintain and cheaper to run than conventional MS systems. The Company's technologies and processes are underpinned by more than ten years of research and development and are protected by 88 patent filings worldwide of which 36 have now been granted. The chip element of the technology is highly reproducible and is manufactured in volume in third party wafer foundries.

Microsaic positions its products in the market as molecular ion detectors, under the registered trademark MiD®. The Microsaic 3500 MiD® – a miniaturised, chip-based 'molecular ion detector' which has been developed in collaboration with customers and partners from industry – is the Company's current product offering. The beta product meets key performance specifications, and initial product batches are currently in assembly and testing for delivery during 2011.



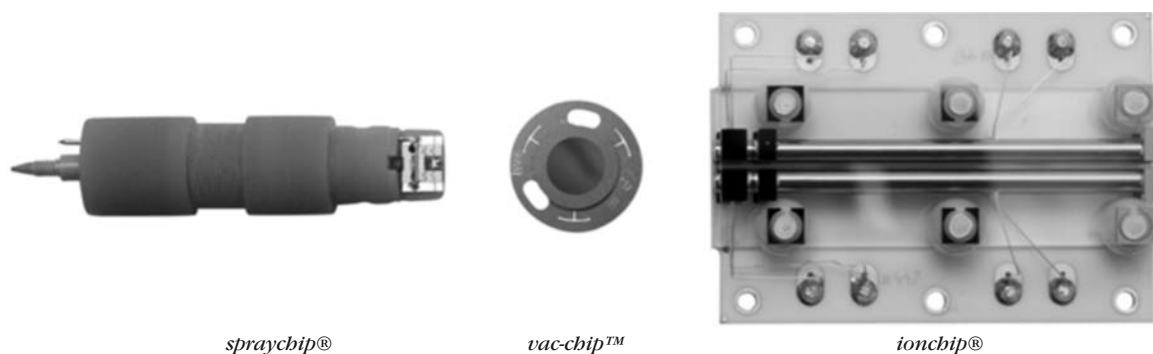
The Microsaic 3500 MiD®, the Company's current product offering

The initial applications for Microsaic's molecular ion detectors are within the market for separations equipment, which had approximate revenues of \$6.6 billion in 2010. Separation

equipment is used for analysis and purification of samples across industries including life sciences, petrochemicals and environmental testing. Separation techniques include high performance liquid chromatography, gas chromatography, ion chromatography and capillary electrophoresis. All separation tools require a detector, and MS is considered to be the 'gold standard' detector for identifying chemicals. System size, noise and high running costs continue to be a deterrent to widespread deployment of MS, such that only c.60,000 out of an installed user base of more than 440,000 separations systems are coupled to a MS detector. The Directors believe there to be significant unmet demand for robust, easy to use, miniaturised MS detectors throughout the separations market.

The Company's chip-based MS technologies are components that may be replaced by users, avoiding the expense and delay of requiring a skilled technician to clean the system, as is generally the case with today's MS products. The system can be maintained through replacement of these patented chip consumables, and the Directors believe that its size will ease deployment in laboratories and confined spaces. The Directors believe that the versatility, lower running costs and scalability of Microsaic's MS technology have the potential to significantly grow the global MS installed user base.

Key replaceable chip-scale technologies:



Following Admission, the Directors intend to focus on developing sales channels and creating enhancements to this first generation product, including additional features and functions, and on the development of the next generation of Microsaic products - tandem MS systems - which the Directors believe will allow the Company to reach wider markets and target additional applications for its technology in the healthcare, environmental, defence, security, food and drink sectors.

Company history

Key milestones in the Company's history include:

- March 2001 - Established by a team from Imperial College London to commercialise microsystems research
- September 2001 - Intellectual property pipeline agreement with Imperial College London (through Imperial Innovations Limited) pursuant to which the Company acquires a right, for a five-year period, to have exclusively assigned to it any past and future intellectual property arising from the academic founders' microsystems research
- August 2002 - Development of ionchip® technology initiated
- March 2003 - Major, multi-year contracts with UK Home Office and Ministry of Defence for development of ionchip® technology for various trace detection applications
- March 2004 - Alan Finlay becomes Chief Executive Officer

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- Summer 2004 - Expands headcount and relocates from Imperial College London to current headquarters in Woking; signs major contracts with the US Department of Homeland Security and others for development of miniature MS systems based on ionchip® technology for chemical sensing
 - March 2005 - £1.2 million DTI grant to a consortium led by Microsaic with partners GSK and Imperial College London to develop chip-based MS technologies for the pharmaceutical industry
 - November 2005 - MS detectors for gas analysis based on ionchip® technology shipped to UK Defence Science and Technology Laboratory and US Transport Security Administration
 - May 2006 - Private placing to institutional investors raises £4 million gross (£3.8 million net); Colin Nicholl joins the Company as non-executive deputy chairman
 - September 2006 - Significant contract with UK Ministry of Defence as sub-contractor to Smiths Group plc to develop vapour pre-concentrator for explosives detection
 - November/December 2006 - Development of MiD® products initiated for analysis of liquids; development contracts signed with two leading pharmaceutical companies for development of miniature MS detector for pharmaceutical applications
 - January 2007 - Agreement with Imperial Innovations Limited extends intellectual property pipeline arrangement with Imperial College London to May 2009 (note that all subject intellectual property created during the term of this agreement remains vested in the Company following expiry of the agreement)
 - March 2007 - Contract with US Office of Naval Research to develop GC-MS system
 - July 2007 - OEM agreement signed with a leading US-based supplier of LC products for the marketing and sale of the Company's MS detectors and a jointly-developed LC-MS system in the US and Canada to pharmaceutical and biotechnology customers
 - September 2008 - Follow-on contract with the UK Ministry of Defence for the development of vapour pre-concentrator
 - February 2009 - Part of a consortium awarded a major European Commission grant for the development of industrial sensors for bio-process monitoring
 - March 2010 - Private placing to existing shareholders and new investors raises £1.2 million gross (£1.1 million net)
 - April 2010 - Dr James Ramage appointed as a non-executive director
 - October 2010 - Leads consortium awarded €3.3 million European Commission grant to develop advanced miniature MS detectors for food, drink and healthcare applications
 - December 2010 - Beta product installed at customer site and UK launch of Microsaic 3500 MiD® product
 - January 2011 - Microsaic unveils the 3500 MiD® product at Lab Automation 2011 in the US; the Microsaic 3500 MiD® is awarded the prestigious New Product Award by the Society of Laboratory Automation and Screening
 - February 2011 - First orders received for the Microsaic 3500 MiD®

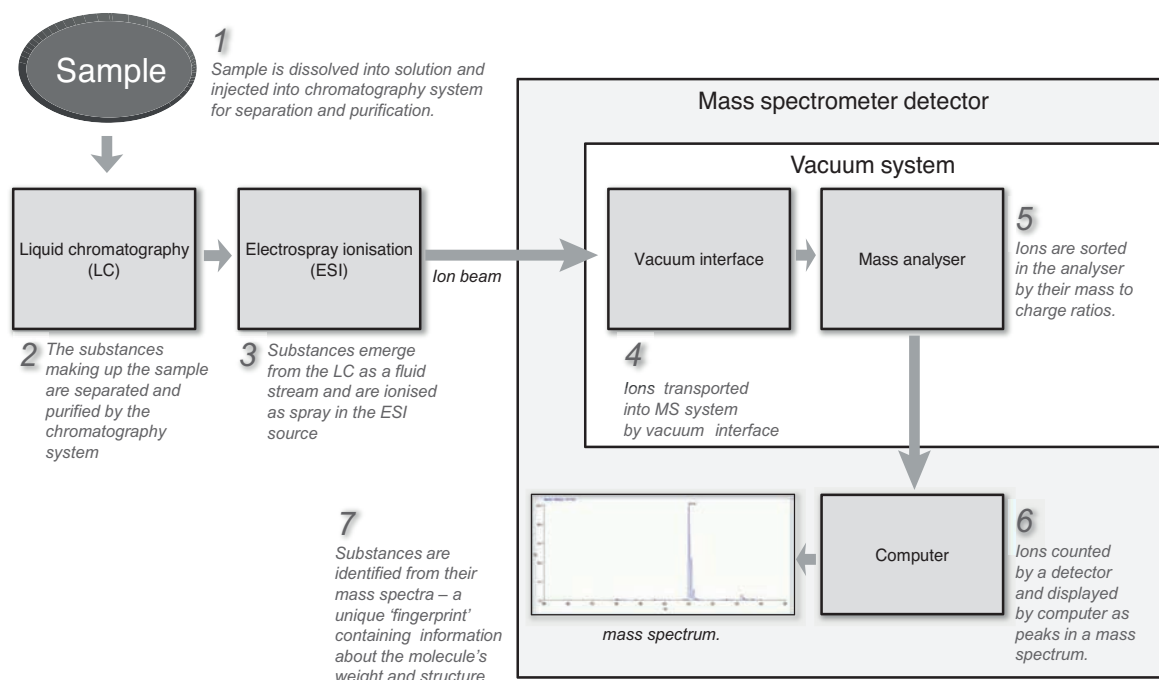
2. THE MICROSAIC TECHNOLOGY

Mass spectrometry is an established analytical technique used in many laboratories today, which enables the accurate identification and quantification of trace levels of chemical or biological compounds by recording their unique molecular weight. Today, mass spectrometry is the standard

means of measuring the composition of samples in pharmaceuticals and biotechnology, but is also widely used in healthcare, environmental, security, petrochemicals, mining, food and drink and other industries.

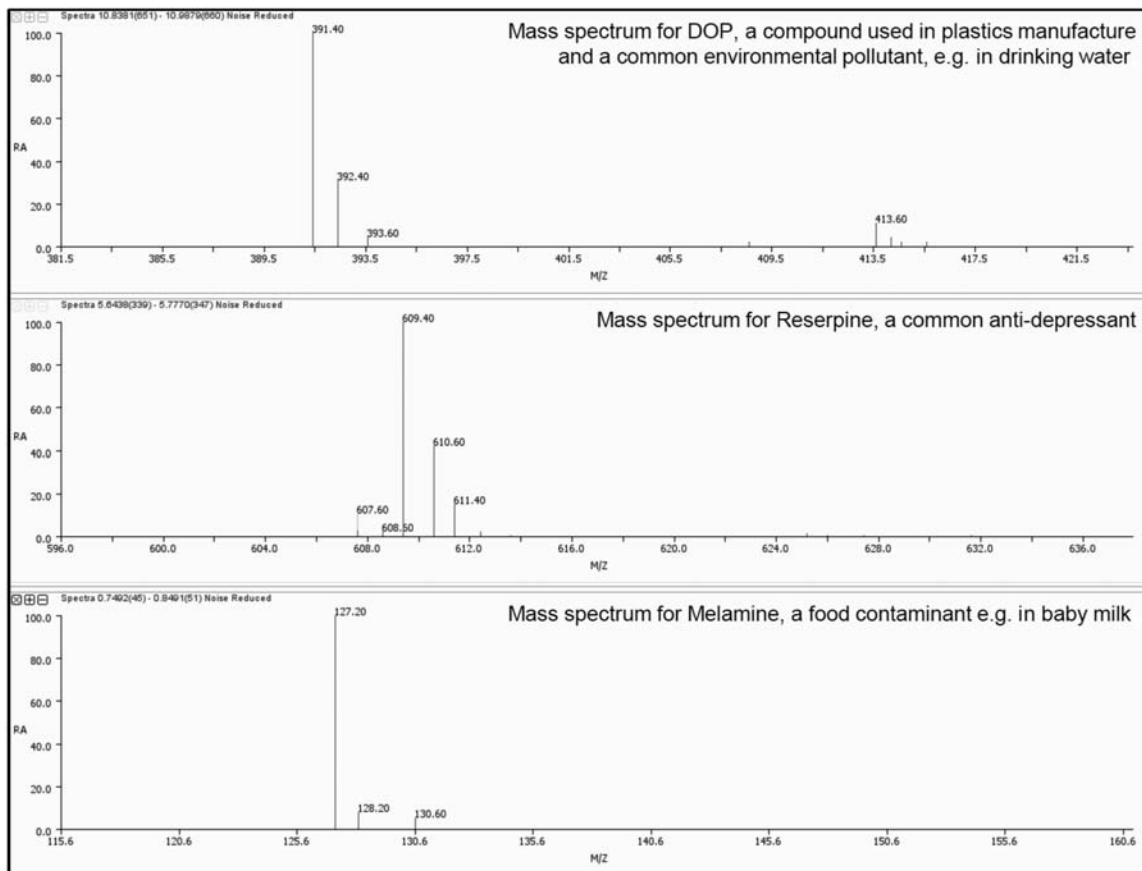
A mass spectrometer converts molecules into ions that are filtered by their mass to charge ratios, and the abundance of each ion is then measured. The major components of a MS system are the inlet, ion source, mass analyser, ion detector, vacuum system, electronics and a computer. Different MS inlets exist for liquid, gas and solid samples. Liquid chromatography is commonly used to separate and purify the chemicals in a liquid sample prior to ionisation and analysis by a MS, the combined systems being known as LC-MS.

In LC-MS, a liquid sample is injected into an LC column, which separates the substances that make up the sample mixtures. The separate chemical constituents of the sample emerge from the column and are ionised as a spray by an electrospray ionisation source. These ions are transported into the MS via a vacuum interface. The ions are filtered in the MS by their mass to charge ratios and the results are displayed by a computer as a spectrum.



How a LC-MS system works

The Quadrupole Mass Spectrometer (QMS) is a common type of MS and is based on four rods arranged in parallel. Ions are filtered by their mass to charge ratios by applying DC and RF voltages to the rods; ramping the RF voltage allows a range of mass to charge values to be scanned. A peak is generated by the presence of an ion, and a series of peaks together form a mass spectrum which includes information about molecular weight and structure: a unique fingerprint that positively identifies a substance.



Mass spectra for a pollutant, an anti-depressant drug and a food contaminant obtained using Microsaic 3500 MiD®

Although fast and sensitive, typical MS products are large, heavy, energy intensive and expensive to acquire and operate. The Company has successfully miniaturised a QMS onto a chip called ionchip®. Due to physical scaling laws associated with the miniaturisation of a QMS, the vacuum and power requirements are not as great as for a larger, conventionally-manufactured QMS. Systems based on Microsaic's technology are substantially smaller, lighter, consume less power and have a lower cost of ownership and operation.

The Company's ionchip® technology is the analytical engine at the core of the Microsaic MS products. The Directors believe that the Microsaic 3500 MiD® can capitalise on the market opportunity presented by the limitations of standard MS systems. The Directors believe that customers will benefit from reduced operating costs, increased productivity and throughput, improved turn-around times for sample analysis, easier maintenance and shorter system downtime.

3. INDUSTRY AND MARKET

The mass spectrometry market

The MS market is highly diversified and includes government, pharmaceuticals, environmental, food and drink, healthcare and industrial chemicals customers, with no segment forecast to represent more than 17 per cent. of the total current market. A primary factor in the resilience of demand is the fact that more than two-thirds of the market is directly or indirectly tied to government, healthcare and regulation-driven demand such as pharmaceuticals, healthcare, food and drink safety and environmental legislation. For instance, European food safety legislation and guidance recommends the use of MS for the confirmatory chemical analysis of food and animal products. The total MS market stood at nearly \$3.3 billion in August 2010, and was forecast to grow

8.5 per cent. between 2010 and 2011. The total MS market install-base was approximately 235,000 units in 2009, with approximately 18,000 units replaced per year.

The MS market is characterised by high barriers to entry including the cost, risk and length of product development programmes, the complexity of MS instruments, the funding required to successfully develop MS products, industry trade secrets and intellectual property, and the knowledge, skill and experience of industry research and development, sales and support personnel that is generated over many years.

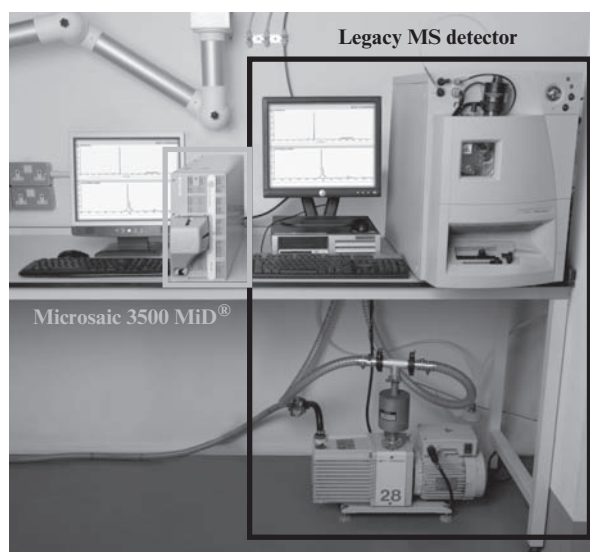
The leaders in the MS market are considered to be AB-Sciex (a subsidiary of Danaher Corporation), Waters Corporation, Agilent Technologies, Bruker and Thermo-Fisher.

North America and Europe are the largest regional markets, representing c. 38 per cent. and 32 per cent. of global demand in 2009 respectively. The Chinese market accounted for only c. 3.7 per cent. of overall MS demand in 2009, but was forecast to grow at c. 13 per cent. annually. The MS market includes a range of products and technologies ranging from entry-level MS systems, such as the Microsaic 3500 MiD®, to powerful mainframes. The largest market segment is the tandem LC-MS, which accounted for close to \$800 million of sales in 2009 and is forecast to grow by 8.5 per cent. in 2010-2011. Tandem LC-MS systems are very sensitive and have an average selling price of \$270,000. Demand for tandem LC-MS is driven by drug development by pharmaceutical companies, CROs and biotech businesses, and by regulation of the environmental, food and drink industries.

Current market for entry-level mass spectrometers

LC-MS is regarded as the 'gold-standard' technique for analysis of liquid samples and LC-MS systems are among the most widely installed of all MS systems. There are over 30,000 LC-MS detectors installed in laboratories worldwide, of which approximately 8,700 are entry-level SQ LC-MS detectors. The SQ LC-MS segment represented c. \$150 million of demand in 2009.

Typical entry level LC-MS systems cost on average \$80,000 and consume over 1 kW. The Microsaic 3500 MiD® will be priced to compete with such systems and consumes approximately 0.3 kW. In addition, the Company has demonstrated that significant ongoing savings can be made, by way of reduced energy, gas and solvent consumption, when compared with a typical, entry-level MS detector. A further advantage of the 3500 MiD® over legacy MS detectors is the absence of an external floor pump which is a source of additional noise and heat.



Size of the Microsaic 3500 MiD® compared with a legacy entry-level MS system

The separations equipment market

The initial applications for Microsaic's molecular ion detectors are within the market for separation equipment, which had approximate revenues of \$6.6 billion in 2010 and is forecast to grow by 4.7 per cent. to close to \$7 billion in 2011. Separation tools are used for the analysis and purification of samples across industries including life sciences, petrochemicals and environmental testing. Separation techniques include liquid chromatography, gas chromatography, ion chromatography and capillary electrophoresis. HPLC is the most commonly-used separation tool in the pharmaceutical industry, used in areas from drug research and development to manufacturing. The HPLC segment of the market for separations tools was worth in excess of \$3.5 billion in 2009.

HPLC systems are commonly used in laboratories to isolate and purify the chemicals that make up a liquid mixture, and calculate how much of each chemical is present by a function known as "quantitation". Over 200,000 HPLC systems are installed worldwide, with tens of thousands sold each year at a typical price of over \$50,000. Major pharmaceutical companies typically own thousands of HPLC instruments.

Separation tools require some kind of detector to quantitate the chemicals in the sample as they emerge. Most separation tools use ultraviolet detection but MS detection has emerged over the last ten years as the 'gold standard' tool for chemical detection. Unlike UV detectors, MS detectors identify chemicals with certainty, and can provide information on the structure of a molecule. A MS detector can be coupled with an HPLC system to identify the chemicals in a given sample. However, because of their large size and running costs, MS detectors are coupled to less than fifteen percent of separation systems, including HPLC systems, with the remaining 170,000 HPLC systems using more rudimentary detectors such as UV and ELSD.

Market opportunity

While there has been an increase in the number of deployed MS systems in laboratories in recent years, five major factors have limited the widespread deployment of MS systems:

- *Cost.* Legacy entry-level MS detectors are expensive to purchase and the ongoing running costs from solvent, gas and power consumption are high. Budget constraints hinder the deployment of MS detectors with every separation system and, consequently, legacy systems tend to be shared facilities rather than personal screening tools;
- *Size.* Laboratory space and infrastructure requirements such as high purity gas supplies, air-conditioning and sound-proofing come at a premium and limit the widespread deployment of MS throughout industry;
- *Complexity.* The performance of existing MS systems, and complexity of software, is considered by many users to be over-specified for everyday applications and not required for routine screening;
- *Working environment.* Power consumption and heat dissipation for current MS detectors is considerable, and the noise and heat generated by their external vacuum pumps curtail the number of systems that would be acceptable within a particular laboratory; and
- *Maintenance overhead.* Legacy MS systems require periodic maintenance and cleaning to ensure optimum performance. The service cost associated with these interventions can prohibit widespread installation of legacy MS detectors.

The Directors believe that a smaller, quieter, simpler to use and cheaper to run product will be attractive to users in the pharmaceuticals, biotechnology, healthcare, environmental, food and drink and other industries, and in CROs and academic research. The Directors believe that these advantages could permit such a product to be deployed as universally as chromatography is today, and that the Microsaic 3500 MiD® presents the Company with the ideal opportunity to expand the market for MS systems. Independent market research commissioned by the Company indicates

that demand for a smaller and more economical MS detector such as the 3500 MiD® has the potential to outstrip current demand for legacy systems.

The Directors believe that as a result of the lower running costs and greater deployability of Microsaic's 'molecular ion detector', the market opportunity for the Company's technology includes:

- the replacement of existing 'mainframe' MS systems;
- the install-base of 170,000 HPLC systems that are currently without the identifying power of MS detection; and
- the wider install-base of 200,000 separation, chromatography and purification tools based on other techniques that also lack the identifying power of MS detection.

User validation

To validate the Company's strategy and to update the product specifications, a US based independent provider of market intelligence to the life sciences industry conducted a detailed study of the market opportunity for the Company's MS technology. The November 2008 report was based on responses from 230 chemists engaged in pharmaceuticals research, mainly in the US and Canada, to an online survey conducted in October 2008. The following were some of the key results of the survey:

- In excess of 70 per cent. of respondents assigned the concept of a miniature MS at least 7 out of 10 in terms of usefulness to their work;
- Approximately 40 per cent. of respondents viewed such a system's size to be its principal advantage;
- 82 per cent. of industrial users would purchase at least one system, if available, during the next 12 months; and
- Only 7 per cent. of industrial users would not consider the purchase of the instrument over the next 36 months.

4. KEY STRENGTHS

The Directors consider that the Company's products represent a significant breakthrough in MS technology. The Directors believe that the Company's competitive strengths are as follows:

- A first-to-market product offering;
 - Existing relationships with customers and partners in key target markets;
 - The Company's products' lower running costs as compared to existing MS systems in use worldwide;
 - The customer-led nature of the Company's technology development, with development contracts being entered into with key commercial partners;
 - The depth of the Company's proprietary technology in its products and processes, which are protected by a large portfolio of patents;
 - The trade secrets necessary for the production of its proprietary chip-scale MS technologies;
 - The experience and expertise of its management team and workforce; and
 - The software application developed by the Company in close collaboration with customers over the last seven years.
-

5. STRATEGY

The Directors believe that the widespread use of MS detection and the size and diversity of the separations and MS markets provide significant potential applications for the Company's technologies and products. The Company's strategy is to generate additional revenue streams by introducing compact, highly deployable MS products, based on its core technology, into a series of markets and applications. Within these markets, the Company's strategy is to develop products addressing identified 'unmet' needs. The Company develops these products in close co-operation with customers and end-users with a view to ensuring market acceptance, including development contracts with three of the top ten global pharmaceutical companies.

The Company's strategy is to work with partners to market its products, in particular where the partner has a complementary product range, credible sales channel, field support and substantial customer base.

In order to minimise fixed costs, rapidly scale production and maximise capacity utilisation, the Company outsources manufacturing of its technology to wafer foundries, and various product sub-systems to contract manufacturers. Final assembly and testing is conducted in-house for quality control, and to retain know-how.

The Company is pursuing its objectives by:

- Partnering to market its products through established sales channels;
- Integrating its chip-scale technologies into next generation MS products addressing applications in environmental monitoring, food and drink, healthcare, energy and security;
- Ensuring its intellectual property is protected; and
- Sub-contracting manufacturing of its wafers and sub-systems to suppliers.

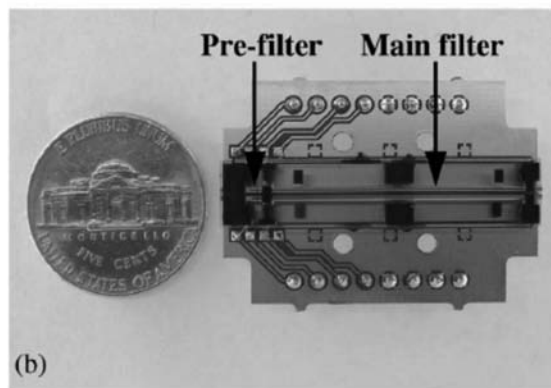
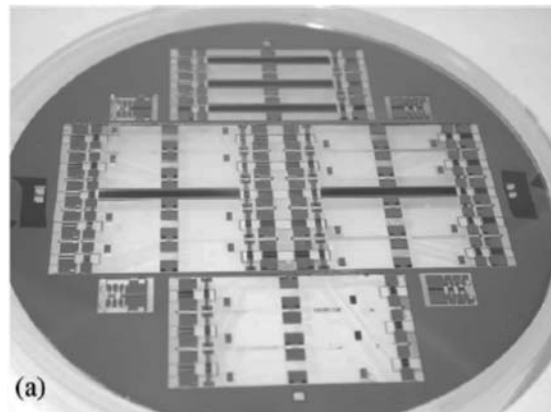
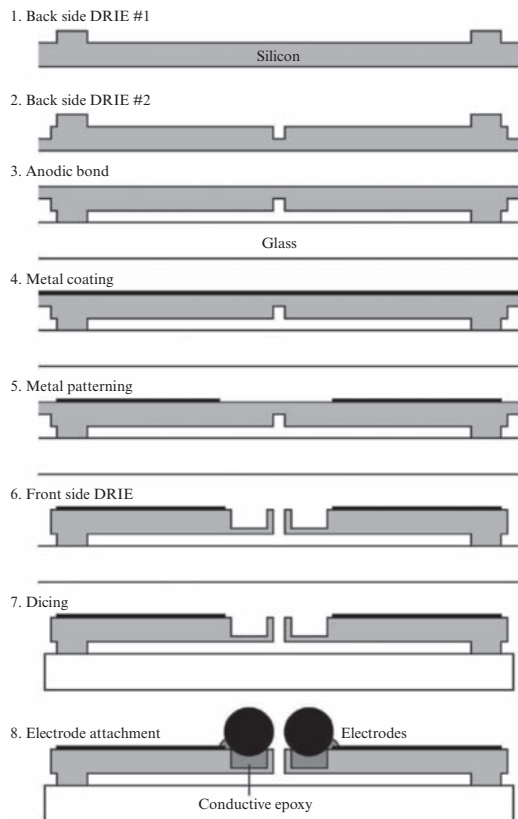
6. COMPANY OPERATIONS

The Company is based in Woking, Surrey and employs 19 full-time staff in the areas of research and development, product development, sales and marketing and management and operations. Microsaic's technology, and the molecular ion detector product, are the result of more than ten years of intensive research and development by the Company and in conjunction with key customers and partners, including three of the top ten leading global pharmaceutical businesses, some of which have contributed to the development programme in return for access to the first prototype instruments and discounts on future product sales.

Manufacturing and assembly

Microsaic's products integrate the core, chip-based technology with several supporting sub-systems. Rather than incur the significant capital expenditure, running costs and risks associated with building up semiconductor wafer production facilities, the Directors' strategy is to transfer production of the technology to third party facilities. The Company has already secured production of its wafers by a third party foundry. The finished wafer is diced into individual chips by the wafer foundry and shipped to the Company's Woking facility. The individual die are assembled, tested and packaged in clean-room facilities by the Company prior to being inserted into a product for operation. This strategy permits tight quality control and the retention of valuable trade-secrets relating to the testing and assembly of the chips while avoiding the high costs associated with building and operating a wafer foundry.

Microsaic's MS systems are assembled in-house by a small team of technicians, with the potential for sub-contracting production as volumes rise. With the exception of the patented, chip-scale components, most of the parts in the system are bought in. Electronic assemblies and machined parts are procured from external contract manufacturers on the basis of competitive tendering, while pumps and other parts are purchased directly from suppliers. Final system testing is performed in-house prior to shipping and installation.



Process for ionchip® fabrication on wafer; (a) complete wafer of ionchip die and (b) assembled ionchip.

7. INTELLECTUAL PROPERTY

The Company's portfolio of registered intellectual property rights consists of 88 granted or pending patent applications and 7 trademark applications of which 6 have proceeded to registration in one or both of Europe and the US.

The patent portfolio comprises 29 patent families representing applications directed to component technologies, operating regimes or specific applications, including some that the Directors believe relate to non-core technology of the Company. The core technology relates to aspects such as the configuration of MS devices; microengineering of MS components, arrangements for facilitating alignment of different components or compensating for any thermal mismatch between individual elements; interfaces between different components of the system; and preferred regimes for operation of MS systems developed by the Company.

The trademark portfolio protects the Company name in both Europe and the US. EU Community trademarks have also been secured for the word marks "ionchip", "spraychip" and "MiD". In the US, the Company has secured registration of the word mark "ionchip" and the Directors believe that "MiD" will shortly proceed to registration.

The Company's patent strategy is to base all applications as GB priority founding applications, with applications proceeding with corresponding filings in the US in most cases once a decision has been taken as to whether or not to pursue the patent. The Company has also used the US system of continuation and continuation-in-part applications to harvest applications for new patent claims that can benefit from early priority dates. Depending on the perceived geographical importance some cases will also proceed in Europe using the European patent system to obtain grant of patents in the UK, France, Germany and Switzerland, together with applications in Canada, Japan and/or China if the Directors deem it appropriate.

The Company has never encountered any third party observations or oppositions during the prosecution of their portfolio, and any difficulties encountered in examination have been in what can be considered to be the ordinary course of patent prosecution.

The Directors recognise the importance of intellectual property and its significance is reflected by the involvement of senior personnel within the decision making process. The Company has adopted internal policies to capture and reward invention, and has implemented a disclosure policy to ensure that the date of invention can be readily identified.

8. CURRENT TRADING AND PROSPECTS FOR THE COMPANY

The Company has recently exhibited the Microsaic 3500 MiD® at trade fairs in the UK and US and has, in parallel, been marketing its product to leading global pharmaceuticals businesses. Potential customers have been highly receptive to the features of the 3500 MiD®, and the launches have generated significant interest and multiple leads within the US and European markets. Several leading vendors of separation tools and analytical instruments have entered into discussions with the Company, and in some cases have placed orders for its products. The 3500 MiD® was awarded the SLAS' New Product Award at Lab Automation 2011 in the US in January 2011.

Wafers are now in production with a third party foundry and the Company has been working with another foundry since July 2010 to ensure back-up production. The first batches of wafers have already been received from the second foundry.

A beta system has been shipped to a lead customer site for extensive test and evaluation. Evaluations have been carried out by additional customers at the Company's premises. The lead customer, a global pharmaceutical company, has cooperated with the Company's engineers to effect further improvements to the product's ease of use, and to implement enhancements to its software application. The Company's engineers are implementing modifications to the Microsaic 3500 MiD® product in order to improve its performance, reliability and ease of production. In addition, optimised design of Microsaic's spraychip® and vac-chip™ technologies have been evaluated and will be implemented in future product releases.

US sales channel

The key market for the Microsaic 3500 MiD® is North America, which accounted for approximately 38 per cent. of worldwide entry level MS sales in 2009. Rather than incur the significant expense and risks associated with building up its own sales channel in the United States and Canada, the Directors' strategy is to partner with a non-competing business with an established sales team and a complementary suite of LC products.

An agreement has been signed with a leading supplier of micro LC equipment, for the marketing and sale of the Company's MS detectors and a jointly-developed LC-MS system in the US and Canada to pharmaceutical and biotechnology customers. This channel partner is a subsidiary of a market-leader in analytical instrumentation. The intention is to couple micro LC technology with the Company's MS products to offer customers micro LC-MS products.

The Company has granted this US channel partner the exclusive right to market and sell Microsaic's MS products to customers in the pharmaceuticals and biotechnology industries in the United States and Canada only. In return for agreeing annual sales targets and minimum order quantities, the partner may purchase MS systems from the Company at an agreed discount.

Developing additional sales channels

The Company is also developing relationships with commercial partners from other segments of the separations market. Initial agreements are now in place with three additional vendors of separation equipment. These vendors are the market leaders in their market segments. These agreements include provisions relating to the purchase of Microsaic 3500 MiD® products for evaluation, exclusive negotiation periods and modifications to Microsaic's products for specific applications.

Following Admission, the Directors intend to enter into agreements with additional partners with suitable sales channels, complementary products, and significant customer bases, and to increase the Company's direct sales capabilities.

Further development of first generation products

Following Admission, the Company intends to further develop its first generation of products, through research and development into improving performance and ease of use, improving the features available for users of its proprietary software and working with commercial partners and its in-house product development team to further enhance, miniaturise and mass produce the product design.

Development of next generation products

The Company also intends, following Admission, to design and develop its next generation of products, tandem MS systems. Tandem MS systems are more sensitive than SQ LC-MS detectors, and permit the analysis of complex, samples such as urine, blood plasma and food by suppressing chemical interferents that mask the chemical species of interest. Tandem MS systems would allow the Company to target applications which require the analysis of complex samples for very low concentrations of certain chemicals, such as the detection of contaminants, harmful substances or biomarkers. These scenarios are commonplace in the food and drink, environmental, security and healthcare sectors.

Based around the Company's current technology, a tandem MS system would be the logical evolution of the Microsaic product offering, and would, if developed, represent a significant market opportunity, targeting users for whom the running costs and the size of legacy tandem MS systems is untenable. The market for tandem MS systems stood at close to \$800 million in 2009, and the Directors believe the introduction of compact, user-maintainable tandem MS products based on the Company's technology has the potential to grow this market significantly by targeting applications not currently addressed by legacy systems.

The Company has recently led a consortium of partners that received a total of EUR 3.3 million funding from the European Commission, of which approximately EUR 1 million has been earmarked for the Company. The Company intends to use these funds to develop tandem MS products and to trial these products with certain partners.

Future manufacturing

The Company expects to continue its strategy of outsourcing production of its chip technology to wafer foundries by qualifying additional suppliers of finished wafers, so as not to rely on a single source, and to explore transfer of production to wafer foundries with greater capacity to increase volume and reduce cost. Outsourcing of the assembly of sub-systems (and eventually full systems), with final system test in-house, is planned and will be a priority following Admission.

As part of the Company's manufacturing strategy, a manufacturing engineering programme has been undertaken. This programme will be implemented over the next 18 months and will introduce economies of scale for the Company's consumables and products.

9. USE OF PROCEEDS

The net proceeds of the Placing will be approximately £3.23 million (after estimated expenses) and will be used by the Company to fund capital expenditure, manufacturing, sales and field support and new product development as well as ongoing working capital requirements.

10. DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

On Admission, the Board will comprise the following Directors:

Professor Eric Yeatman (Non-executive Chairman, 48) - Eric Yeatman is Professor of Micro-Engineering at Imperial College London. Professor Yeatman is a co-founder of the Company and has been Chairman of the Board since 2004. Professor Yeatman was educated at Dalhousie University (Halifax, Canada) and Imperial College London, where he has been a member of staff since 1989. Professor Yeatman specialises in micro-systems research and has acted as an advisor to two venture capital funds.

Colin Nicholl (Non-executive Deputy Chairman, 58) - Colin Nicholl joined the Board of the Company in 2005 and has served as Deputy Chairman of the Board since early 2006. Mr Nicholl was formerly a partner of Cazenove and Co. and Chief Investment Officer of Cazenove Asset Management. He is a non-executive director of IM Asset Management and was, until its recent takeover, Chairman of MET Limited. He also chairs the Board's audit committee and sits on the Board's remuneration committee.

Alan Finlay (Chief Executive Officer, 37) - Alan Finlay is a co-founder of the Company, initially served as Commercial Director and was later appointed Chief Executive in early 2004. Mr Finlay holds a B.Eng. and M.Eng.Sc. in mechanical engineering from University College Dublin (National University of Ireland), and has completed the Advanced Management Programme at Henley Management College. Prior to joining the Company he worked in technical sales for Agile Software Corporation (now part of Oracle, Inc), a supplier of business information systems to electronics manufacturers, supporting customers in the US and Western Europe.

Professor Andrew Holmes (Non-executive Director, 46) - Andrew Holmes is Professor of Micro-Electrical Mechanical Systems at Imperial College London and a co-founder of the Company. Professor Holmes was educated at Cambridge University and Imperial College London, where he has been a member of staff since 1995. Professor Holmes specialises in research into microfabrication and micropower technologies at Imperial College London. Professor Holmes has been company secretary of the Company since 2004.

Peter Selway (Non-executive Director, 69) - Peter Selway has served as a non-executive director of the Company since 2001. Mr Selway was educated at Southampton University and between 1963 and 1998 led an eminent career with Standard Telecommunications Laboratories which was later acquired by Northern Telecom (later known as Nortel) before finally serving as Director of Operations between 1994 and 1998. Mr Selway sits on the Board's audit and remuneration committees. Mr Selway's intention is to retire from the Board during 2012.

Dr. James Ramage (Non-executive Director, 60) - Dr. James Ramage was appointed as a director of the Company in April 2010. Dr. Ramage is also Chairman of Tesla Engineering, a manufacturer of high value magnetic components for MRI scanners and other products. Dr. Ramage is a veteran of the analytical instrumentation industry and served as a director and divisional MD of VG Instruments plc and Fisons plc prior to becoming chairman of Tesla. Dr. Ramage sits on the Board's audit and remuneration committees.

Proposed Directors

Following Admission, the following will be appointed as additional directors of the Company:

Malcolm Bateman (Proposed Finance Director, 44) - Malcolm Bateman was appointed as Financial Controller to the Company in 2006. Mr Bateman is a graduate in chemistry from Cambridge University and is a Chartered Accountant. Prior to joining the Company, Malcolm served in various senior executive roles with RMC Group plc (later acquired by Cemex) for over 10 years. Prior to joining RMC Group, Mr Bateman spent six years with the audit practice of Touche Ross & Co., London. The Board intends to appoint Mr Bateman as an additional director of the Company

within two months of Admission, although no specific date has been set for such appointment. Mr Bateman is currently retained for two days per week and his time commitment is expected to increase in line with increased trading.

Peter Edwards (Proposed Technical Director; 54) - Peter Edwards joined the Company as Head of Research and Development in 2007. Mr Edwards, a Chartered Engineer, was awarded a BSc degree in Engineering at Kingston Polytechnic, and between 1987 and 2007 served in senior positions with Applied Materials Inc., a Fortune 500 company and the global leader in nano-manufacturing technology solutions and a supplier of semiconductor manufacturing equipment. Between 2001 and 2005 he served as Engineering Director and was responsible for development of Applied Material's ion implanter products, before finally serving as Key Product Unit Director. The Board intends to appoint Mr Edwards as an additional director of the Company within two months of Admission, although no specific date has been set for such appointment.

Senior Management

The following persons are considered by the Board to be members of the Company's management team:

Andrew Malcolm (Product Development Manager) - Andrew Malcolm was appointed as Product Development Manager of the Company in April 2004. Mr Malcolm specialises in electronic design and precision mechanical engineering. Since joining the Company five years ago he has led the engineering and development of its miniature MS systems. Prior to joining the Company, Mr Malcolm was Engineering Director for over ten years at KLA-Tencor, a US developer of semiconductor processing equipment, and ran teams of engineers and technicians.

Tom Wallace (Operations Manager) - Tom Wallace was appointed as Operations Manager of the Company in 2009. Prior to joining the Company, Mr Wallace served as Manufacturing Manager with Thruvision Ltd, a business developing people-scanning equipment for the security market. Between 1997 and 2005 Mr Wallace served in various production management positions with Psion Plc where he was responsible for design and manufacturing hand-held computer products. From 1990 to 1997 he was a team leader with two business units of Philips where he had responsibility for bringing various communications products into production.

11. CORPORATE GOVERNANCE

The Board recognises the value of good governance and intends, following Admission, to comply with the provisions of the UK Corporate Governance Code so far as is practicable for a company of its size, stage of development and nature as a company whose securities are traded on AIM. In any event, the Board intends to comply with the provisions of the QCA Guidelines.

The Company has adopted a Share Dealing Code for the Board and employees of the Company which is in conformity with the requirements of Rule 21 of the AIM Rules for Companies. The Company will take steps to ensure compliance by the Board and applicable employees with the terms of such code.

Immediately following Admission the Board will consist of six directors, five of whom are non-executive, and three of whom, Colin Nicholl, James Ramage and Peter Selway, are considered by the Board to be independent. The Board currently meets once a month, and the Directors expect that to continue following Admission. The Board will be responsible, among other things, for strategy, budget, performance, approval of major capital expenditure and the framework of internal controls. It is proposed that Malcolm Bateman, the Company's financial controller, will be appointed as Finance Director and that Peter Edwards, the Company's Head of Research & Development, will be appointed as Technical Director, in each case within two months of Admission, although no specific date has been set for such appointments. Further, Peter Selway has informed the Board of his intentions to retire from the Board during 2012.

The Company has established an audit committee, comprising Colin Nicholl, Peter Selway and James Ramage. The audit committee is chaired by Mr Nicholl and will meet at least twice each year following Admission. The audit committee's responsibilities will include ensuring the appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Company's auditors and reviewing their reports and accounts and the Company's internal controls.

The Company has established a remuneration committee, comprising Colin Nicholl, Peter Selway and James Ramage. The remuneration committee is chaired by Mr Selway and will meet at least twice each year following Admission. The remuneration committee's responsibilities will include reviewing the performance of the executive Directors, setting their remuneration levels, determining the payment of bonuses and considering the grant of options under the Share Option Schemes.

In view of the size of the Board, the responsibility for proposing and considering candidates for appointment to the Board will continue to be retained by the Board.

12. DIVIDEND POLICY

The Company has never declared or paid cash dividends on the Ordinary Shares. The payment of any future dividends will depend on the future earnings of the Company. The Board's current intention is that the Company shall only pay a cash dividend to Shareholders when the Board believes it is appropriate to do so.

13. TAXATION

The attention of Shareholders is drawn to the further information regarding taxation set out in paragraph 10 of Part 5 of this document. These details are, however, intended only as a general guide to the current tax position for UK resident Shareholders under UK taxation law and Shareholders should seek independent advice if they are in any doubt as to their tax position and/or if they are subject to tax in a jurisdiction other than the UK.

14. VENTURE CAPITAL SCHEMES

The Company has received advance assurance from HMRC that the Placing Shares placed with VCTs are expected to constitute a qualifying holding for such VCTs. HMRC has also confirmed that the New Shares should satisfy the requirements for tax relief under EIS. Eligibility is also dependent on a Shareholder's own position and not just that of the Company. Accordingly, Shareholders and potential investors should take their own independent advice and they are referred in particular to paragraphs 10.6 and 10.7 of Part 5 of this document.

15. RISK FACTORS

Your attention is drawn to the Risk Factors set out in Part 3 of this document and to the section entitled "Forward Looking Statements" on page 1 of this document. Prospective investors should, in addition to all other information set out in this document, carefully consider the risks described in those sections before making a decision as to whether to invest in the Company.

16. ADDITIONAL INFORMATION

Prospective investors should read the whole of this document, which provides additional information on the Company, the Placing and Admission, and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part 3 of this document which contains a summary of the risk factors relating to an investment in the Company, to Part 4 of this document which contains historical financial information of the Company and an accountants' report thereon, and to Part 5 of this document which contains further information on the Company.

PART 2

THE PLACING

THE PLACING

The Company is proposing to raise £4 million before expenses, by way of a placing by Numis of up to 12,500,000 New Shares at the Placing Price to institutional and other investors. The New Shares will represent approximately 33.32 per cent. of the Enlarged Issued Share Capital and will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions thereafter declared, made or paid.

In addition, the Selling Shareholders have conditionally appointed Numis to use reasonable endeavours to procure purchasers for up to 1,562,500 Sale Shares at the Placing Price pursuant to the Selling Shareholder Agreements. The Placing Shares will represent in aggregate approximately 37.48 per cent. of the Enlarged Issued Share Capital.

Pursuant to the Placing Agreement, Numis has conditionally agreed to use reasonable endeavours to procure placees to acquire 12,500,000 New Shares at the Placing Price as agent for the Company. In the event that Numis does not procure placees to subscribe for at least 8,281,250 New Shares (the “**Underwritten New Shares**”) it shall itself subscribe as principal at the Placing Price for such number of New Shares as is equal to the total number of Underwritten New Shares less the number of New Shares for which placees have been procured.

Under the terms of the Placing Agreement, the Company has agreed to pay to Numis: (i) a corporate finance fee of £250,000; (ii) a placing commitment commission of £150,000; and (iii) an underwriting commission of 0.75 per cent. of the gross proceeds of the Underwritten New Shares. All such sums are exclusive of VAT.

The agreement is conditional on, *inter alia*, Admission becoming effective on or before 11 April 2011 or such later time as the Company and Numis agree being, in any event, not later than 9 May 2011. The Company and the Directors have, under the Placing Agreement, given warranties (which, so far as the Directors are concerned, are limited in terms of the amount of liability), in favour of Numis. In addition, the Company has given Numis a commercial indemnity which applies in certain circumstances.

The Placing Agreement may be terminated by Numis in certain specified circumstances prior to Admission, including, *inter alia*, for a breach of the terms of the Placing Agreement by the Company or the Directors or if an event occurs or a matter arises prior to Admission which renders any of the warranties untrue or incorrect or in the event of force majeure arising.

On Admission, the Directors directly and indirectly will hold in aggregate 11,236,920 Ordinary Shares, representing approximately 29.95 per cent. of the Enlarged Issued Share Capital. On Admission, at the Placing Price, the Company will have a market capitalisation of approximately £12 million (assuming the Placing is fully subscribed).

LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Directors and other “related parties” and “applicable employees”, as such terms are defined in the AIM Rules for Companies for the purposes of Rule 7 thereof, and certain employees and former employees of the Company, have undertaken with the Company and Numis (subject to certain exceptions): (i) not to dispose of any interest in any of their Ordinary Shares (amounting in aggregate to 15,309,680 Ordinary Shares, representing approximately 40.81 per cent. of the Enlarged Issue Share Capital) until the first anniversary of Admission; and (ii) to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares for a further period of twelve months thereafter.

Certain other shareholders who, in aggregate, following Admission, are expected to hold 5,447,380 Ordinary Shares (representing approximately 14.52 per cent. of the Enlarged Issued Share Capital) have undertaken with the Company and Numis (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares for six months following Admission.

ADMISSION, SETTLEMENT AND CREST

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital of the Company to be admitted to trading on AIM. It is expected that Admission will take place, and dealings in the Enlarged Issued Share Capital will commence, on 11 April 2011. Definitive share certificates in respect of the Placing Shares are expected to be dispatched by 18 April 2011. The International Securities Identification Number or “ISIN” for the Ordinary Shares is GB00B547ZY09.

The Articles permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. CREST is a paperless settlement system enabling title to securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations. Settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates are still able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB. Trading in Ordinary Shares on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange.

PART 3

RISK FACTORS

AN INVESTMENT IN ORDINARY SHARES IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. THE ATTENTION OF PROSPECTIVE INVESTORS IS DRAWN TO THE FACT THAT THE COMPANY IS SUBJECT TO A VARIETY OF RISKS WHICH, IF ANY WERE TO OCCUR, COULD HAVE A MATERIALLY ADVERSE EFFECT ON THE COMPANY'S BUSINESS AND/OR FINANCIAL CONDITION, RESULTS OR FUTURE OPERATIONS. IN SUCH CASE, THE MARKET PRICE OF THE ORDINARY SHARES COULD DECLINE AND INVESTORS MIGHT LOSE SOME OR ALL OF THEIR INVESTMENT.

In addition to the information set out in the rest of this document, the following risk factors in this Part 3 should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. Additionally, there may be risks not mentioned in this document of which the Board is not aware or believes to be immaterial but which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities in the UK or another appropriate financial adviser in the jurisdiction in which such investor is located.

1. RISKS RELATING TO THE COMPANY AND THE BUSINESS

The Company is at an early stage of development

Although the Directors believe that the Board has experience in early-stage businesses and has developed robust financial and operational processes, the Company is still at an early stage of its development and existence. There are a number of operational, strategic and financial risks associated with early stage companies. There can be no certainty that the Company will achieve or sustain revenues, profitability or positive cash flow from its operating activities. The Company faces risks frequently encountered by developing companies. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to expand and improve operational, financial and management information, quality control systems and its sales and marketing function on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

Profitability depends on the success and market acceptance of current and new products

Whilst the Directors believe there exists a viable market for the Company's products, there can be no assurance that the technology will prove to be an attractive addition or alternative to conventional MS systems. The development of a market for the Company's products is affected by many factors, some of which are beyond the Company's control, including the emergence of newer, more competitive technologies and products, the cost of the Company's products themselves, regulatory requirements, customer perceptions of the efficacy and reliability of its products and customer reluctance to buy a new product or reliance on competitors' proprietary systems. If a market fails to develop or develops more slowly than anticipated, the Company may

be unable to recover the losses it will have incurred in the development of the new products which it intends to develop or is developing and may therefore never achieve profitability. In addition, the Directors cannot guarantee that the Company will continue to develop, manufacture or market its products or components if market conditions do not support the continuation of the product or component.

The Company currently only has a limited product offering, and problems with the initial product following commercial launch could impact on future product roll-outs

Reflecting its early-stage nature, the Company only has one product offering at the date of this document. Should the product fail to sell in sufficient volumes the Company is unlikely to have alternative sources of revenue until new products are fully developed by the Company. The Directors are actively seeking alternative sources of revenue, through development of product variants based on its current products and core technologies but with applications in different markets, although there can be no guarantee of the timing or implementation of such product development.

Beta products have been tested and evaluated by the Company's commercial partners, improvements and enhancements to the product and its software application have been effected and further improvements are in progress. However, customers may find the overall performance and reliability of the Company's products to be less than they desire following wider commercial launch, particularly if improvements currently in progress are not satisfactorily achieved in a timely manner, and this could have a material adverse effect on the Company's business, financial condition and results of operations. With new product variants being based on the Company's current product platform and its core technology, any problems with the initial product following its commercial launch could adversely impact on the timing or nature of the Company's future product launches. The development and commercialisation of any such future products could also be adversely impacted in the event that more research and development is required than the Directors currently anticipate.

Competition

The Company's competitors and potential competitors include producers of conventional mass spectrometers and other detectors and other companies which may have substantially greater resources than those of the Company. Competitors and potential competitors may develop technologies and products that are less costly and/or more effective than the technology or products of the Company or which may make those of the Company obsolete or uncompetitive. The Company may face competition from companies that have greater research, development, marketing, financial and personnel resources than the Company. Other manufacturers of mass spectrometers may discount the price of their product such that the Company may lose any pricing advantage of its product against alternative or competing products. Technologies developed by the Company may have a shorter commercial life than anticipated, if any, due to the invention or development of more successful technology or applications by competitors who may have greater financial, marketing, operational and technological resources than the Company.

The capital expenditure required by the Company may be more than currently anticipated

The Company has planned significant organic growth and there is a risk that the amounts the Company anticipates will be needed to fund such growth will be insufficient, that the anticipated timing of such investment may prove incorrect, or that the Company may be unable to raise the amounts required (if at all). The Company may not be able to generate revenues at the times targeted. Costs may be greater than planned, or timings may vary from those targeted.

The Company may not be able to secure necessary funding in the future, if needed

The Company may require additional financing to develop its technology. The Company's capital requirements depend on numerous factors, including the rate of market acceptance of its

technologies and its ability to attract customers. It is therefore difficult for the Directors to predict the timing and amount of capital required with accuracy. The Company may be unable to obtain adequate financing on acceptable terms, if at all. Although not presently anticipated by the Directors, the Company may, in the future, need to raise further equity funds to finance working capital requirements or to finance its growth through future stages of development. Any additional share issue may have a dilutive effect on Shareholders, including if they are unable or choose not to subscribe by taking advantage of rights of pre-emption that may be available. Further, there can be no guarantee or assurance that additional equity funding will be forthcoming when required, nor as to the terms and price on which such funds would be available.

The Company has received grant and consortium funding income that may be required to be repaid

The Company has a history of obtaining grant income and funding from successful participation in EU-wide consortia projects. Although the Directors do not anticipate it being the case, there are circumstances in which such income or funding is required to be repaid or given up by the Company, which would have an adverse effect on its financial position.

Dependence on key executives and personnel

The Directors believe that the future success of the Company will depend in part upon the expertise and continued service of certain key executives and technical personnel, including the Directors. Furthermore, the Company's ability to successfully develop commercial products will also depend on its ability to attract and retain suitable management, marketing and sales personnel. Competition for these types of employees is often intense due to the limited number of qualified professionals.

The Company has attempted to reduce this risk by implementing share option schemes and entering into contracts which contain limited non-competition provisions with key personnel. However, these measures do not guarantee that key personnel will stay employed with the Company. The Company does not currently consider key-man insurance to be cost-effective, but will keep this under review.

The loss of, or changes affecting, the Company's relationships with distribution or sales partners could adversely affect the Company's results of operations.

The Company is reliant on licensing and distribution arrangements with channel partners for the sale of its products in the United States - the key target market for the Company's initial product offering - and there are inherent risks associated with this business strategy.

The Company has granted a third party the exclusive right to market and sell Microsaic's MS products to customers in the pharmaceuticals and biotechnology industries in the United States and Canada. In return for agreeing annual sales targets and minimum order quantities, the Company's channel partner may purchase MS systems from the Company at an agreed price. The Company and its partner may terminate this arrangement, with or without cause, in certain circumstances and its initial term expires in June 2012.

While the Company is negotiating with other distributor and original equipment manufacturing partners in a number of jurisdictions and in respect of a number of applications and market segments, both complementary and alternative, there can be no guarantee that the Company will retain its existing distribution or channel rights. Further, there can be no guarantees as to the level of performance under any agreements entered into with such third parties or the long-term viability of any of its relationships with distribution, license and sales partners. If the Company's partners do not reach minimum sales levels or otherwise perform as expected, revenues and profitability would be materially adversely affected. Also, if agreements are cancelled or the Company is unable to renew them as they expire, it would cause a material disruption in the Company's distribution and sales networks in key geographic areas which in turn would have a material adverse impact on the Company's business, financial condition and results of operations.

The Company relies on third-party manufacturers and suppliers, and this dependence could make management of marketing and distribution efforts inefficient or unprofitable and the failure of any of them to perform could have a material adverse effect on performance.

The success of the Company's business depends in part on its ability to cost-effectively and efficiently manufacture products on a commercial scale. In addition, the production of its products entails the use of third party manufacturers. The establishment of new manufacturing relationships involves numerous uncertainties, including those relating to payment terms, costs of manufacturing, adequacy of manufacturing capacity, quality control and timeliness of delivery. Failure to achieve consistent, large-scale, economic production of its products could have a material adverse effect on the Company's business, financial condition and results of operations. In particular, electronic assemblies and machined parts are procured from external contract manufacturers on the basis of competitive tendering, while pumps and other parts are purchased directly from suppliers. Should the Company's relationships with such manufacturers or suppliers be terminated or the terms on which the Company purchases from such third parties become more onerous and/or less profitable, the Company may not be in a position to seek appropriate alternative sources for the relevant parts on a timely basis (or at all), which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The size of the Company may put the Company at a competitive disadvantage in negotiation as to pricing and terms with larger contract manufacturers and licensees. Competition for subcontract manufacturing business is tight, and this could make it more difficult for the Company to obtain new or replacement manufacturers, or to locate back-ups, in the various distribution areas, and could also affect the economic terms of manufacturing agreements. The failure to establish and maintain effective relationships for a distribution area could increase manufacturing costs and thereby materially reduce profits realised from the sale of products in that area. To the extent demand for products exceeds available inventory and the capacities produced by contract manufacturing arrangements, or orders are not submitted on a timely basis, the Company will be unable to fulfil distributor orders on demand. Conversely, the Company may produce more product than warranted by the actual demand for it, resulting in higher storage costs and the potential risk of inventory spoilage. Any failure by the Company to accurately predict and manage its contract manufacturing requirements may impair relationships with independent distributors and key accounts, which, in turn, may have a material adverse affect on the ability to maintain profitable relationships with those distributors and key accounts.

2. RISKS RELATING TO THE TECHNOLOGY AND THE INTELLECTUAL PROPERTY

The Company may not be able to enforce its intellectual property rights, and others may claim that the Company is infringing their intellectual property rights

The Company's competitive position and its ability to effectively commercialise its products and technology depend on its ability to acquire, protect and, if necessary, enforce its intellectual property. The Company relies on a combination of patents, know-how, copyright, confidentiality and other legal rights to protect its technology. The Company has made 88 patent filings of which 36 have been granted.

Despite precautions taken by the Company to protect its technology, unauthorised parties may attempt to copy or obtain and use its technology for incorporation in their own products. There can be no assurance that the Company's patents are broad enough to prevent third parties designing competing or similar products or technologies around the Company's patents (thereby avoiding any possible infringement of the Company's patents). There can be no assurance that the Company would be able to protect its confidential know-how and trade secrets against misuse by third parties or that its technology could not be legitimately reversed-engineered by third parties. There is also a risk that the Company's technology could be superseded by alternative technological solutions or technological advances introduced by competitors. To the extent that the Company's products are protected by intellectual property rights or confidentiality, costly litigation

may be necessary to enforce such rights and could result in losses to, and diversion of effort by, the Company. Unfavourable outcomes in such legal proceedings could limit the Company's intellectual property rights and could give rise to liability to competitors for legal costs.

In the case of patent applications, it is possible that the scope of the claims may be narrowed during the process of examination. Patent applications may be refused completely, and even if granted, it is possible for their scope to be further narrowed down or for a patent to be fully or partially invalidated, usually as a result of a challenge by a third party. The Company will protect its patent position in a way which the Directors consider appropriate and, although the Company does not currently have patent insurance, the Directors will continue to assess the need to obtain it as part of this protection. Where a patent application is pending, there is a risk that a patent office may identify prior art documents, raise objections based on the sufficiency of the description of the technology in the patent application or flaws in the application process, or raise other issues which may force the Company to limit the scope of its patent applications or result in certain applications being refused or revoked. In addition, it should be noted that the validity and hence enforceability of every patent is open to challenge throughout its life (and following its expiry, throughout the limitation period within which patent infringement proceedings can be issued in respect of infringements occurring during the term of the patent). Any attempt by the Company to enforce its patents against third parties or to assert the patents with a view to obtaining licensing revenue or other commercial benefits will potentially instigate a challenge against the patent's validity.

Because it is possible that third parties may have obtained or filed applications for patents or other intellectual property rights which cover the Company's technology, or aspects of it, if such rights arose or such applications were filed before the Company filed its own patent applications, or if such technologies were published before such date, such earlier rights or publications could provide grounds for the Company's patent applications to be wholly or partially refused and for its granted patents to be wholly or partially invalidated. There can be no assurance that the Company's patents and patent applications will not become involved in opposition or revocation or interference proceedings instituted by third parties. If such proceedings were initiated, the defence of such rights could involve substantial costs and the outcome could not be predicted. The Company cannot be certain that it was the first to make the inventions covered by each of its patent applications or that it was the first to file applications for such inventions or that such inventions were not published by third parties before the filing date. It cannot therefore be certain that pending patent applications will proceed to grant or that granted patents will be valid or enforceable and they may fail to provide the competitive advantage hoped for. The Company has taken measures that the Directors deem appropriate in order to mitigate the risks outlined above, but there can be no guarantees that such measures will have been successful.

A granted patent gives its owner a right to prevent other persons from carrying out certain acts or making certain products which come within the scope of the patent in the territory for which it is granted. It does not give its owner the right to carry out such acts or make such products if to do so would infringe a third party's patent or other intellectual property right. Although the Directors are not aware of any third party patent which the Company would infringe (in the absence of a licence) by exploiting its core technologies, such third party patents or patent applications may exist.

Third-party patent applications or granted patents that may exist and that contain claims having a scope that is interpreted to cover any of the Company's technologies or products, or other intellectual property rights that may cover the Company's technology or its products, could significantly limit the Company's ability to pursue research and development, the commercialisation of its products and the licensing of its intellectual property and the Company may be enjoined from pursuing such activities or may be required to obtain licences, if available, to these patents or may have to develop or obtain alternative technology. If competitors or other persons control patents or patent applications covering any part of the Company's technology or products, the

Company may not be able to obtain the rights it would need to those patents or patent applications in order to further develop and commercialise its technology or products. Although the Directors believe the products and technologies of the Company do not infringe any proprietary rights of others, such infringements are possible and any infringement claim against the Company, its licensees or customers, with or without merit, could result in costly litigation and may prevent the Company from commercialising its technologies or products, or may require the Company to enter into royalty or licensing agreements, which may not be available at a reasonable cost or on terms acceptable to the Company. The Company could, in some circumstances, also be held liable in damages for patent or other intellectual property infringement, it could be held liable for legal costs and it could be held liable to customers, licensees and other contract counter-parties under implied or express indemnities or warranties in connection with such infringements.

A university spin-out company historically made a specific allegation of infringement

An allegation of patent infringement in relation to certain patents was made by a spin-out company from a UK university in 2004. The Company refuted the allegation as being groundless and unsubstantiated, including on the basis of advice received from independent patent attorneys in 2002 in relation to one of the patents in question. The allegation has not been repeated since it was made in 2004 and the Directors, having considered the matter thoroughly, do not consider there to be any merit in the allegation. In addition, the Directors do not consider the patents in question to cover any material aspect of the Company's current or planned future business. There remains a risk that the UK university and/or the spin-out company may resurrect the allegation, which could have cost implications for the Company.

The inability to protect trade secrets may prevent the Company from successfully marketing its products and competing effectively

The Company protects aspects of its technology by way of trade secrets. Technology protected in this way only retains its commercial value for as long as it remains confidential and the disclosure of its trade secrets could have an adverse effect on the Company. The Company has taken and takes steps to protect its proprietary rights and information, including the use of confidentiality and other agreements with its employees and consultants and in its academic and commercial relationships. However, these steps may not be adequate to prevent or deter infringement or other misappropriation of such rights and information, agreements may be violated, or there may be no adequate remedy available for a violation of an agreement. Due to the Company's size and limited cash resources, it may not be able to detect and prevent infringement of its intellectual property or breaches of confidentiality duties owed to it.

There may in the future be regulatory or national interest restrictions imposed on the Company's products and/or technology or their development

There is a risk that some or all of the Company's technology may become deemed to be of strategic national interest for defence purposes, and that this may result in the imposition of limitations on the Company's trading activities. Although not currently anticipated, it may be the case that the Company's products (now or in the future) could become subject to regulatory or other restrictions from regulatory bodies in target industry sectors or with respect to target applications. Should this occur, the Company may incur further research and/or development costs, or be required to apply for regulatory approvals, that could have a material adverse effect on its financial position or prospects.

3. RISKS RELATING TO THE COMPANY'S SECURITIES

General

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and

should only constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in the Ordinary Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

Conditionality of the Placing

The Placing is conditional upon, among other things, admission to trading on AIM of the Ordinary Shares. In the event that any condition to which the Admission is subject is not satisfied or, if capable of waiver, waived, the Admission will not be implemented.

No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

EIS/VCT

Advance assurance has been sought and obtained from HMRC that the Company should be a qualifying company and the New Shares are eligible shares for the purposes of EIS provisions. Advance assurance has also been obtained that the Placing Shares may form part of a qualifying holding for VCT purposes. The actual availability of relief under the EIS and VCT qualifying status will be contingent upon certain conditions being met by both the Company and the relevant investors. Neither the Company nor the Company's advisers give any warranties or undertakings that EIS relief or VCT qualifying status will be available or that, if given, such relief or status will not be withdrawn. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost. Additional information on the EIS and on VCT qualifying status is included in paragraph 10 of Part 5 of this document.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves EIS relief (including capital gains tax reliefs) or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder.

If the Company does not employ the proceeds of an EIS/VCT share issue for qualifying purposes within 24 months, the EIS shares would cease to be eligible shares and all of the EIS tax reliefs of investors would be withdrawn. In respect of share subscriptions made by a VCT, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade for EIS and VCT relief, this could prejudice the qualifying status of the Company (as referred to above) under the VCT Scheme or under the EIS if this occurred during the three year period from the last issue of shares to EIS investors. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Share price volatility and liquidity

Following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions

or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Company's actual financial, trading or operational performance. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the restrictions contained in certain Lock-in and Orderly Marketing Deeds), legislative changes and market, economic, political or regulatory conditions. The share price for publicly traded companies, particularly those at an early stage of development, such as the Company, can be highly volatile. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in and Orderly Market Deeds, details of which are set out in paragraph 9.1(c) of Part 5 of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

There is no guarantee that the Company will maintain its listing on AIM

The Company cannot assure investors that the Company will always retain a listing on AIM. If it fails to retain such a listing, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Investment in AIM traded securities

The Ordinary Shares will be traded on AIM rather than admitted to the Official List of the UK Listing Authority. The AIM market is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than those admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List, and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

Issuance of additional Ordinary Shares

Although the Company's business plan does not involve the issuance of Ordinary Shares other than in the Placing, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest, and hence the proportionate voting interest, of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis.

PART 4

FINANCIAL INFORMATION ON THE COMPANY

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL
INFORMATION OF THE COMPANY**



Saffery Champness

CHARTERED ACCOUNTANTS

Lion House, Red Lion Street, London WC1R 4GB
DX 287 – Chancery Lane, London

Telephone: 020 7841 4000
Facsimile: 020 7841 4100
E-mail: info@saffery.com
Website: www.saffery.com

5 April 2011

The Directors and Proposed Directors
Microsaic Systems Limited
GMS House
Boundary Road
Woking
GU21 5BX

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Dear Sirs

ACCOUNTANTS' REPORT ON MICROSAIC SYSTEMS PLC ("THE COMPANY")

We report on the financial information set out in this Part 4. The financial information has been prepared under the accounting policies set out in note 1 for inclusion in the admission document dated 5 April 2011 ("Admission Document"), of the Company in connection with the placing and admission of its share capital to trading on AIM. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

RESPONSIBILITY

The Directors of the Company are responsible for preparing the financial information on the basis set out in note 1 to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information set out in this Part 4 gives, for the purposes of the Admission Document, a true and fair view of the state of the affairs of the Company, as at 31 May 2008, 2009, 2010 and 31 December 2010 and of its results and cash flows for the periods then ended in accordance with IFRS and the accounting policies set out in note 1.

DECLARATION

We are responsible for this report as part of the Admission Document and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Saffery Champness
Chartered Accountants

STATEMENTS OF COMPREHENSIVE INCOME

		2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
		£	£	£	£
Revenue	3	710,935	622,263	396,098	196,737
Cost of sales		<u>(968,930)</u>	<u>(1,109,048)</u>	<u>(1,048,450)</u>	<u>(700,372)</u>
Gross loss		(257,995)	(486,785)	(652,352)	(503,635)
Administrative expenses		<u>(974,183)</u>	<u>(871,680)</u>	<u>(698,769)</u>	<u>(394,877)</u>
Loss from operations	4	(1,232,178)	(1,358,465)	(1,351,121)	(898,512)
Finance income	5	<u>151,162</u>	<u>71,472</u>	<u>7,756</u>	<u>6,752</u>
Loss before tax		(1,081,016)	(1,286,993)	(1,343,365)	(891,760)
Taxation	6	<u>144,647</u>	<u>217,060</u>	<u>186,085</u>	<u>85,128</u>
Total comprehensive loss for the year/period		<u>(936,369)</u>	<u>(1,069,933)</u>	<u>(1,157,280)</u>	<u>(806,632)</u>
Loss per share attributable to the equity holders of the Company					
Basic and diluted loss per share	21	<u>(60.76)</u>	<u>(69.43)</u>	<u>(70.69)</u>	<u>(37.40)</u>

All operations are continuing operations.

The Company has changed its accounting reference date to 31 December and has prepared financial information for the 7 months ended 31 December 2010. The prior periods were the years ended 31 May 2008, 2009 and 2010 and therefore the amounts presented in the financial information are not entirely comparable.

STATEMENTS OF CHANGES IN EQUITY

	<i>Issued capital</i>	<i>Share premium</i>	<i>Share option reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	£	£	£	£	£
At 1 June 2007	154	3,790,214	474,609	(887,119)	3,377,858
Loss for the year	-	-	-	(936,369)	(936,369)
Share based payments - Share options	-	-	250,851	-	250,851
At 31 May 2008	154	3,790,214	725,460	(1,823,488)	2,692,340
Loss for the year	-	-	-	(1,069,933)	(1,069,933)
Share based payments - share options	-	-	84,160	-	84,160
At 31 May 2009	154	3,790,214	809,620	(2,893,421)	1,706,567
Shares issued	62	1,114,069	-	-	1,114,131
Loss for the year	-	-	-	(1,157,280)	(1,157,280)
Share based payments - share options	-	-	13,214	-	13,214
At 31 May 2010	216	4,904,283	822,834	(4,050,701)	1,676,632
Loss for the period	-	-	-	(806,632)	(806,632)
Share based payments - Share options	-	-	5,319	-	5,319
At 31 December 2010	216	4,904,283	828,153	(4,857,333)	875,319

STATEMENTS OF FINANCIAL POSITION

		2008	As at 31 May 2009	2010	As at 31 December 2010
		£	£	£	£
ASSETS					
Non-current assets					
Intangible assets	7	97,152	120,056	121,276	129,942
Property, plant and equipment	8	200,949	185,377	130,361	103,567
		<u>298,101</u>	<u>305,433</u>	<u>251,637</u>	<u>233,509</u>
Current assets					
Inventories	9	3,669	27,773	10,213	7,307
Trade and other receivables	10	369,378	179,630	205,193	184,236
Corporation tax receivable		87,900	155,000	135,000	220,128
Cash and cash equivalents		2,233,696	1,233,838	1,251,686	674,212
		<u>2,694,643</u>	<u>1,596,241</u>	<u>1,602,092</u>	<u>1,085,883</u>
Total assets		<u>2,992,744</u>	<u>1,901,674</u>	<u>1,853,729</u>	<u>1,319,392</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	13	154	154	216	216
Share premium	14	3,790,214	3,790,214	4,904,283	4,904,283
Share option reserve	14	725,460	809,620	822,834	828,153
Retained earnings	14	(1,823,488)	(2,893,421)	(4,050,701)	(4,857,333)
		<u>2,692,340</u>	<u>1,706,567</u>	<u>1,676,632</u>	<u>875,319</u>
Provisions	12	-	-	-	-
Current liabilities	11	<u>300,404</u>	<u>195,107</u>	<u>177,097</u>	<u>444,073</u>
Total equity and liabilities		<u>2,992,744</u>	<u>1,901,674</u>	<u>1,853,729</u>	<u>1,319,392</u>

STATEMENTS OF CASH FLOWS

		2008	<i>Year ended 31 May</i>		<i>7 months ended</i>
		£	2009	2010	<i>31 December</i>
		£	£	£	2010
					£
Cash flows from operating activities					
Cash consumed by operations	19	(1,001,810)	(1,047,806)	(1,211,959)	(534,448)
Tax reclaimed		56,747	149,960	206,085	-
Net cash used in operating activities		<u>(945,063)</u>	<u>(897,846)</u>	<u>(1,005,874)</u>	<u>(534,448)</u>
Cash flows from investing activities					
Purchases of intangible assets		(48,400)	(60,924)	(46,380)	(34,048)
Purchases of property, plant and equipment		(99,000)	(106,226)	(51,935)	(15,730)
Sale of property, plant and equipment		-	-	150	-
Interest received		151,162	71,472	7,756	6,752
Net cash flow from/(used in) investing activities		<u>3,762</u>	<u>(95,678)</u>	<u>(90,409)</u>	<u>(43,026)</u>
Cash flows from financing activities					
Proceeds from share issues		-	-	1,114,131	-
Net finance lease obligations		(19,000)	(6,334)	-	-
Net cash flow (used in)/from financing activities		<u>(19,000)</u>	<u>(6,334)</u>	<u>1,114,131</u>	<u>-</u>
Net cash (decrease)/increase in cash and cash equivalents		(960,301)	(999,858)	17,848	(577,474)
Cash and cash equivalents at beginning of the year/period		3,193,997	2,233,696	1,233,838	1,251,686
Cash and cash equivalents at the end of the year/period		<u>2,233,696</u>	<u>1,233,838</u>	<u>1,251,686</u>	<u>674,212</u>

NOTES TO THE FINANCIAL INFORMATION

1. Significant accounting policies

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

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with interpretations of the International Accounting Standards and Standing Interpretations Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

The financial information has been prepared on the historical cost basis, except where financial instruments are required to be carried at fair value under IFRS.

The financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Company to continue in operational existence for at least 12 months. As at 31 December 2010 the Company had sufficient cash to fund the current level of activities through to mid-2011, and since the period end it had secured additional funding commitments to enable it to continue for the foreseeable future.

Revenue recognition

Revenue represents amounts receivable from the sale of goods and services and from development contracts net of value added tax and net trade discounts.

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods passes to the customer, which is normally upon delivery.

Revenue from rendering services is recognised in the period in which the service is provided.

Revenue from development contracts is recognised under the percentage-of-completion method.

Income receivable in respect of government grants is also included within revenue, and is recognised in the same period as the related costs.

Segmental reporting

The Company currently has one business segment, being the research and development of microengineered systems and devices, which is wholly carried out within the United Kingdom. Therefore the segmental analysis of turnover, profits/losses on ordinary activities before tax and net assets do not need to be separately analysed.

Intangible assets

Trademarks and patents are stated at historic cost of registration less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost in equal annual instalments over 5 years, which is considered to be a prudent estimate of their useful economic lives.

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 their estimated useful economic lives as follows:

- Plant and equipment - 20% to 33.3% on a straight line basis
- Fixtures and fittings - 33.3% on a straight line basis

Pensions

The Company operates a defined contribution scheme for the benefit of its 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.

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.

Tax receivable in respect of research and development cash tax credits is recognised when the decision has been taken to claim such amounts in cash. Until such a decision is made, the potential tax benefit arising from research and development expenditure is included in tax losses carried forward.

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.

Government grants

Grants towards revenue expenditure are released to the statement of comprehensive income as the related expenditure is incurred.

Financial instruments

The Company has adopted both IAS 32 and IAS 39.

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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 group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the comprehensive statement of income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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 proceeds received, net of direct issue costs.

Derivative financial instruments

The Company uses derivative financial instruments as appropriate to manage the risks associated with foreign currency fluctuations from its activities. This is achieved by the use of foreign currency contracts. Derivative financial instruments are held at fair value. The Company does not use derivative financial instruments for speculative purposes.

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised and depreciated over their useful lives. Obligations under such agreements are included in liabilities net of the finance charges allocated to future periods.

All other leases are considered operating leases, and the costs of which are expensed on a straight line basis over the lease term. Rent free periods and other incentives are spread on a straight line basis over the lease term.

Research and development

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

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.

Adoption of new and revised International Financial Reporting Standards

At 5 April 2011 the following Standards which have not been applied in the financial information presented, were in issue but not yet effective:

IFRS 7 (Amended) – Financial Instruments: Disclosure – effective for periods commencing on or after 1 January 2011

IFRS 9 – Financial Instruments – effective for periods commencing on or after 1 January 2013

IAS 1 (Revised) – Presentation of Financial Statements – effective for periods commencing on or after 1 January 2011

IAS 24 (Revised) – Related Party Disclosures – effective for periods commencing on or after 1 January 2011

The Directors anticipate that the adoption of these Standards in future periods will not have a material impact on the financial information of the Company.

2. 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Revenue recognition

The revenue recognised from development contracts reflects management's best estimate about the contract's outcome and stage of completion. The Company's management assesses the contracts at each balance sheet date, including the costs to completion, which are subject to estimation uncertainty.

Amortisation of trademarks and patents

Capitalised costs relating to trademarks and patents are amortised over their estimated useful economic 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 5 years. This assumption is reviewed at each balance sheet date and amended if required.

Share based payments

The calculation of the share based payments expense utilises assumptions and estimates (for example volatility, future exercise rates) which may differ from actual results. Details of the assumptions are set out in note 20.

Research and development tax credits

The Company recognises R&D tax credits as current assets under the heading Corporation tax receivable. These credits are subject to acceptance by HM Revenue & Customs and the resulting cash receipt from HM Revenue & Customs may be greater or less than this amount.

3. Revenue

The revenue of the Company has been derived from its principal activity undertaken in the United Kingdom, being that of the research and development of microengineered systems and devices.

Although the Company's operations are solely in the United Kingdom, some of the Company's revenues sourced from other geographic markets are analysed as follows:

		Year ended 31 May		7 months ended
	2008	2009	2010	31 December
	£	£	£	2010
				£
United States of America	585,305	281,923	122,189	4,122
United Kingdom and Europe	125,630	340,340	273,909	192,615
	<u>710,935</u>	<u>622,263</u>	<u>396,098</u>	<u>196,737</u>

Government grants recognised in the statements of comprehensive income are as follows:

	2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
	£	£	£	£
Government grants	-	120,914	273,909	192,615

On 17 February 2004 the Company was awarded a grant of up to £24,373 by the Department of Trade and Industry to undertake a collaborative programme in relation to MEMS technologies for fast storage network switch fabrics. Revenue of £20,115 has been recognised since 1 June 2007. This project has been completed and all monies due have been received.

On 18 March 2009 the Company was awarded a grant of up to €360,000 under the European Commission's 7th framework programme as part of a consortium to develop analytical devices for monitoring industrial bioprocesses. Revenue of £273,977 has been recognised as the Company believes it has fulfilled its practical and administrative obligations under this project and is committed to fulfilling its future obligations, which are subject to European Commission reviews annually and final project sign-off in 2012.

On 31 May 2009 the Company was awarded a grant of up to £170,259 by the Technology Strategy Board under the European Commission's "Eurostars" programme. Revenue of £170,259 has been recognised. The Company believes this project to have been satisfactorily completed and is currently awaiting acceptance and payment of the final claim from the Technology Strategy Board.

On 3 November 2010 the Company was awarded a grant of up to €964,000 under the European Commission's 7th framework programme as part of a consortium for research into advanced microsystems for analysis of clinical, food, environmental and waste samples. Revenue of £123,086 has been recognised as the Company believes it has fulfilled its practical and administrative obligations under this project and is committed to fulfilling its future obligations, which are subject to European Commission reviews annually and final project sign-off in 2013.

4. Loss from operations

	2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
	£	£	£	£
Loss from operations is stated after charging:				
Amortisation of intangible assets (included within administrative expenses)	27,679	38,020	45,160	25,382
Depreciation of property, plant and equipment	101,071	121,798	106,671	45,524
Share based payments - equity settled	250,851	84,160	13,214	5,319
Operating lease rentals	63,285	75,507	69,544	35,200
Exchange loss/(gain)	9,792	(9,009)	2,852	1,456
Research and development expenditure	968,930	1,109,048	1,048,450	700,372
Fees payable to the Company's auditor for the audit of the financial statements	5,000	4,750	5,000	5,000
Fees payable to the Company's auditor for tax and other services	1,750	5,950	5,450	2,500
Directors' emoluments	164,000	154,980	148,067	96,368

5. Finance income

	2008	Year ended 31 May		7 months ended
	2008	2009	2010	31 December
	£	£	£	2010
	£	£	£	£
Bank interest receivable	151,162	71,472	7,756	6,752

6. Taxation

	2008	Year ended 31 May		7 months ended
	2008	2009	2010	31 December
	£	£	£	2010
	£	£	£	£
Domestic current period tax				
UK Corporation tax	(87,900)	(155,000)	(135,000)	(80,000)
Adjustment for prior years	(56,747)	(62,060)	(51,085)	(5,128)
Current tax credit	(144,647)	(217,060)	(186,085)	(85,128)
Deferred tax				
Deferred tax credit	-	-	-	-
	(144,647)	(217,060)	(186,085)	(85,128)
Factors affecting the tax credit for the period				
Loss before tax	(1,081,016)	(1,286,993)	(1,343,365)	(891,760)
Loss before tax multiplied by standard rate of UK Corporation tax of 21% (2008: 20%)	(216,203)	(270,269)	(282,107)	(187,270)
Effects of:				
Non deductible expenses	50,492	17,802	3,179	1,555
Depreciation	20,214	25,577	22,401	8,930
Capital allowances	(19,656)	(23,029)	(11,400)	(3,783)
R&D expenditure	(14,649)	(62,522)	(28,595)	(20,683)
Tax losses carried forward	91,902	157,441	161,522	121,251
Previous period R&D tax credit	(56,747)	(62,060)	(51,085)	(5,128)
Current tax credit	(144,647)	(217,060)	(186,085)	(85,128)

The Company had estimated tax losses of £2,945,986 at 31 December 2010 available for carry forward against future trading profits. A deferred tax asset in respect of these losses has only been recognised to the extent of the deferred tax liability in respect of accelerated capital allowances (see note 12).

7. Intangible assets

Intangible assets relate to patents and trademarks owned by the Company. They are amortised on a straight line basis over a five year period as this has been judged as their estimated useful life.

	£
Cost	
At 1 June 2007	112,740
Additions	48,400
	<hr/>
At 31 May 2008	161,140
Additions	60,924
Disposal	(13,013)
	<hr/>
At 31 May 2009	209,051
Additions	46,380
Disposals	(6,300)
	<hr/>
At 31 May 2010	249,131
Additions	34,048
	<hr/>
At 31 December 2010	283,179
	<hr/>
Amortisation	
At 1 June 2007	36,309
Charge for the year	27,679
	<hr/>
At 31 May 2008	63,988
Charge for the year	38,020
Disposals	(13,013)
	<hr/>
At 31 May 2009	88,995
Disposals	(6,300)
Charge for the year	45,160
	<hr/>
At 31 May 2010	127,855
Charge for the period	25,382
	<hr/>
At 31 December 2010	153,237
	<hr/>
Net book value	
At 31 December 2010	129,942
	<hr/>
At 31 May 2010	121,276
	<hr/>
At 31 May 2009	120,056
	<hr/>
At 31 May 2008	97,152
	<hr/>

8. Property, plant and equipment

	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£
Cost			
At 1 June 2007	271,098	53,584	324,682
Additions	39,972	59,028	99,000
At 31 May 2008	311,070	112,612	423,682
Additions	105,531	695	106,226
At 31 May 2009	416,601	113,307	529,908
Additions	50,035	1,900	51,935
Disposals	-	(630)	(630)
At 31 May 2010	466,636	114,577	581,213
Additions	15,730	-	15,730
At 31 December 2010	482,366	114,577	596,943
Depreciation			
At 1 June 2007	115,017	6,645	121,662
Charge for the year	72,480	28,591	101,071
At 31 May 2008	187,497	35,236	222,733
Charge for the year	85,862	35,936	121,798
At 31 May 2009	273,359	71,172	344,531
Disposals	-	(350)	(350)
Charge for the year	72,824	33,847	106,671
At 31 May 2010	346,183	104,669	450,852
Charge for the period	34,294	8,230	42,524
At 31 December 2010	380,477	112,899	493,376
Net book value			
At 31 December 2010	101,889	1,678	103,567
At 31 May 2010	120,453	9,908	130,361
At 31 May 2009	143,242	42,135	185,377
At 31 May 2008	123,573	77,376	200,949

9. Inventories

	<i>2008</i>	<i>As at 31 May</i>		<i>As at 31 December</i>
	£	<i>2009</i>	<i>2010</i>	<i>2010</i>
	£	£	£	£
Consumables	3,669	27,773	10,213	7,307

10. Trade and other receivables

	2008	As at 31 May 2009	2010	As at 31 December 2010
	£	£	£	£
Trade receivables	72,397	132,841	33,333	3,428
Other receivables	279,135	39,637	148,325	172,421
Taxes and social security	17,846	7,152	23,535	8,387
	<u>369,378</u>	<u>179,630</u>	<u>205,193</u>	<u>184,236</u>

11. Current liabilities

	2008	As at 31 May 2009	2010	As at 31 December 2010
	£	£	£	£
Trade payables	114,926	95,482	113,075	51,121
Taxes and social security	28,587	29,652	30,930	31,951
Other payables	5,693	4,245	3,876	4,518
Accruals and deferred income	144,864	65,728	29,216	356,483
Net obligations under finance leases	6,334	-	-	-
	<u>300,404</u>	<u>195,107</u>	<u>177,097</u>	<u>444,073</u>

12. Provisions

Deferred tax

	£
Balance at 31 May 2008, 2009, 2010 and 31 December 2010	<u>-</u>

Deferred taxation provided in the financial statements is as follows:

	2008	As at 31 May 2009	2010	As at 31 December 2010
	£	£	£	£
Accelerated capital allowances	36,291	46,942	32,799	25,372
Tax losses carried forward	(36,291)	(46,942)	(32,799)	(25,372)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. Share capital

	2008	As at 31 May 2009	2010	As at 31 December 2010
	£	£	£	£
Authorised				
10,000,000 Ordinary shares of 1p each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid				
21,565 (2008 & 2009: 15,411) Ordinary shares of 1p each	<u>154</u>	<u>154</u>	<u>216</u>	<u>216</u>

The following share options, which include Directors' and advisors' share options, were outstanding on 31 December 2010:

<i>Exercise price</i>	<i>Exercise period</i>	<i>Number of shares over which options granted</i>
£3.55	Exercisable up to October 2014	640
£3.39	Exercisable up to March 2012	225
£3.05	Exercisable up to March 2012	490
£500.00	Exercisable up to May 2013	300
£1,167.77	Exercisable up to May 2013	216
£1,500.00	Exercisable up to February 2018	330
£300.00	Exercisable up to December 2020	400
		2,601

14. Statement of movements on reserves

	<i>Share premium account</i> £	<i>Share option reserve</i> £	<i>Retained earnings</i> £
Balance at 1 June 2007	3,790,214	474,609	(887,119)
Loss for the year	-	-	(936,369)
Share based payments	-	250,851	-
	3,790,214	725,460	(1,823,488)
Balance at 31 May 2008	3,790,214	725,460	(1,823,488)
Loss for the year	-	-	(1,069,933)
Share based payments	-	84,160	-
	3,790,214	809,620	(2,893,421)
Balance at 31 May 2009	3,790,214	809,620	(2,893,421)
Premium on shares issued	1,199,968	-	-
Costs of raising equity	(85,899)	-	-
Loss for the year	-	-	(1,157,280)
Share based payments	-	13,214	-
	4,904,283	822,834	(4,050,701)
Balance at 31 May 2010	4,904,283	822,834	(4,050,701)
Loss for the period	-	-	(806,632)
Share based payments	-	5,319	-
	4,904,283	828,153	(4,857,333)
Balance at 31 December 2010	4,904,283	828,153	(4,857,333)

15. Operating lease commitments

The Company had annual commitments under non-cancellable operating leases as follows:

	<i>2008</i> £	<i>As at 31 May 2009</i> £	<i>2010</i> £	<i>As at 31 December 2010</i> £
Expiry date:				
Within one year	-	-	17,694	-
Between two and five years	65,000	65,000	-	60,000
	65,000	65,000	17,694	60,000

16. Capital commitments

The Company had capital commitments as follows:

	2008	As at 31 May 2009	2010	As at 31 December 2010
	£	£	£	£
Contracted for but not provided in the financial statements	-	-	-	2,229

17. Directors' emoluments

	2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
	£	£	£	£
Salaries and fees	160,000	150,680	143,767	93,797
Pension costs	4,000	4,300	4,300	2,571
Salaries, fees and pension costs	164,000	154,980	148,067	96,368

During the year ended 31 May 2008, the Company issued 100 share options to Directors with an exercise price of £1,500. No Directors exercised any share options in the year.

During the years ended 31 May 2009 and 2010, no options were issued to the Directors and no director exercised any options.

During the seven months ended 31 December 2010, the Company issued 50 share options to Directors with an exercise price of £300. No director exercised any share options during the period.

18. Employees and Directors

Numbers of employees and Directors

	2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
	Number	Number	Number	Number
The average numbers of employees and Directors during the period were:				
Employees	19	20	20	20
Directors	6	5	5	6

Employment costs (including Directors)

	2008	Year ended 31 May 2009	2010	7 months ended 31 December 2010
	£	£	£	£
Wages and salaries	894,935	963,239	928,248	605,135
Social security costs	97,916	104,610	100,249	66,186
Other pension costs	29,332	32,758	32,008	18,638
Employment related share based payments	250,851	84,160	13,214	5,319
	1,273,034	1,184,767	1,073,719	695,278

19. Cash consumed by operations

	Year ended 31 May			7 months ended
	2008	2009	2010	31 December 2010
	£	£	£	£
Loss from operations	(1,232,178)	(1,358,465)	(1,351,121)	(898,512)
Amortisation of intangible assets	27,679	38,020	45,160	25,382
Depreciation of property, plant and equipment	101,071	121,798	106,671	42,524
Loss on disposal of property, plant and equipment	-	-	130	-
Share based payments	250,851	84,160	13,214	5,319
Decrease/(Increase) in inventories	20,725	(24,104)	17,560	2,906
(Increase)/Decrease in trade and other receivables	(127,128)	189,748	(25,563)	20,957
(Decrease)/Increase in trade and other payables	(42,830)	(98,963)	(18,010)	266,976
	<u>(1,001,810)</u>	<u>(1,047,806)</u>	<u>(1,211,959)</u>	<u>(534,448)</u>

20. Share-based payment transactions

The Company operates approved and unapproved share option schemes as a means of encouraging ownership and aligning interests of staff and external shareholders.

	Number of options	Weighted average exercise price
		£
Outstanding at 1 June 2007	1,809	184.83
Granted during the year	420	1,500.00
Exercised during the year	-	-
Outstanding at 31 May 2008	2,229	432.64
Granted during the year	-	-
Cancelled during the year	(50)	1,500.00
Exercised during the year	-	-
Outstanding at 31 May 2009	2,179	408.15
Granted during the year	-	-
Cancelled during the year	(40)	1,500.00
Exercised during the year	-	-
Outstanding at 31 May 2010	2,139	387.74
Granted during the period	462	416.45
Cancelled during the period	-	-
Exercised during the period	-	-
Outstanding at 31 December 2010	2,601	392.84
Exercisable at 31 December 2010	1,202	747.39

The estimated fair value was calculated by applying the Black Scholes model. The period of exercise for all options granted is between 6 and 10 years from date of grant and the vesting periods last up to 3 years from the date of grant. The model inputs were:

Date of grant	<i>Share price</i> £	<i>Risk free rate</i> %	<i>Expected volatility</i> %	<i>Gross dividend yield</i> %
October 2004	3	5.25	35	-
March 2006	3	5.25	35	-
May 2006	1,247	5.25	35	-
February 2008	1,500	5.25	35	-
December 2010	300	1.50	75	-

Date of grant	<i>Exercise price</i> £	<i>Latest exercise date</i>	<i>Estimated fair value</i> £	<i>Number of options as at 31 December 2010</i>
Director and employee share scheme				
October 2004	3.55	October 2014	2	640
March 2006	3.39	March 2012	498	225
March 2006	3.05	March 2012	498	490
May 2006	500.00	May 2013	922	300
February 2008	1,500.00	February 2018	309	330
December 2010	300.00	December 2020	132	400
Advisor share option				
May 2006	1,167.77	May 2013	624	216
				2,601

21. Loss per share

	<i>Year ended 31 May</i>			<i>7 months ended 31 December 2010</i>
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2010</i>
	£	£	£	£
Loss after tax attributable to equity holders of the Company	(936,369)	(1,069,933)	(1,157,280)	(806,632)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	15,411	15,411	16,372	21,565
Basic and diluted loss per share	(60.76)	(69.43)	(70.69)	(37.40)

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.

22. Financial instruments

The Company's financial instruments comprise cash and various items such as 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 interest rate, currency and liquidity. The Board oversees the management of these risks, which are summarised below.

Liquidity risk

Until the Company becomes cash generative, it is financing its operations by raising equity financing and investing the proceeds on a short term basis. The Company seeks to manage financial risk to ensure sufficient liquidity to meet foreseeable requirements and to invest cash profitably and at low risk.

The Company holds investments in bank deposits as a liquid resource to fund its operations. The Company's strategy for managing cash is to maximise interest income whilst ensuring availability to match the profile of the Company's expenditure.

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 and competitive rates of return whilst investing funds safely.

Credit risk

The Company's credit risk is primarily 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 has limited exposure to credit risk, as the majority of its trade and other receivables are due from national governmental bodies and major international corporations.

The Company manages its credit risk in cash and cash equivalents by holding surplus funds in creditworthy financial institutions.

Foreign currency risk

The Company is based in the United Kingdom and the majority of its costs 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 comprise 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. The Company retains small balances of US dollar and Euro currencies to settle these liabilities. The risks and sums involved are considered to be immaterial.

Where a significant transaction in a foreign currency is anticipated with a high degree of certainty, the Company take out a forward exchange contract to mitigate the risk of currency fluctuation. No such instruments were held at 31 December 2010.

Fair values

The Directors consider that there is no material difference between the book value and the fair value of the financial instruments.

Capital management

The Company's capital base comprises equity attributable to shareholders, particularly as represented by cash. As the Company's activity has been focussed on research and development, the primary objective in managing cash spend is to achieve progress on product development in a cost efficient manner.

23. Control

As at 31 December 2010, no individual shareholder had a controlling shareholding in the Company.

PART 5

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose full names are set out on page 8 of this document, accept responsibility (both individually and collectively) for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated in England and Wales under the Companies Act 1985 on 21 May 1998 as a private company limited by shares, with the name Dynamic Jewels Limited and registration number 3568010.
- 2.2 The Company changed its name to Microsaic Systems Limited on 23 February 2001.
- 2.3 The Company was re-registered as a public limited company under the Companies Act 2006 on 1 April 2011 with the name Microsaic Systems plc.
- 2.4 The liability of the Company's members is limited to the amount, if any, unpaid on Ordinary Shares held by them. The principal legislation under which the Company operates is the 2006 Act.
- 2.5 The registered office and head office of the Company is GMS House, Boundary Road, Woking, Surrey GU21 5BX and will remain so on Admission. The telephone number of the Company is +44 (0) 1483 751 577 and will remain so on Admission.
- 2.6 The Company's web address is www.microsaic.com and will remain so on Admission.

3. SHARE CAPITAL

- 3.1 The Company's ordinary share capital as at the date of this document and as it will be immediately following Admission, is as follows:

	<i>At the date of this document</i>		<i>Immediately following Admission⁽¹⁾</i>	
	<i>Number</i>	<i>Nominal Value (£)</i>	<i>Number</i>	<i>Nominal Value (£)</i>
Fully paid ordinary shares in issue	25,015,400	0.0025	37,515,400	0.0025

(1) Assuming that the Placing is fully subscribed.

- 3.2 The authorised share capital of the Company as of 1 June 2007 was £100,000 made up of 10,000,000 ordinary shares of £0.01 each and there were no variations in the authorised share capital of the Company between 1 June 2007 and 31 December 2010. Pursuant to a special resolution passed on 1 April 2011 in general meeting, the Company amended its articles of association by deleting references to the Company having an authorised share capital.
- 3.3 The following changes in the issued share capital of the Company have taken place between 1 June 2007 and the date of this document:
- (a) On 30 March 2010 the Company issued an aggregate of 6,154 ordinary shares of £0.01 each in connection with a placing;

-
- (b) On 1 April 2011 the Company issued an aggregate of 6,232,285 ordinary shares of £0.01, credited as fully paid up, being the Bonus Issue; and
 - (c) On 1 April 2011, the 6,253,850 ordinary shares of £0.01 each in issue following the Bonus Issue were subdivided into 25,015,400 Ordinary Shares, being the Subdivision.

3.4 The number of ordinary shares of the Company in issue at the beginning and end of the financial year ended 31 May 2010 (the date to which the last annual financial statements were made up) and at the end of the seven-month period ended 31 December 2010 (the date of the most recent balance sheet included in the historical financial information presented in this document) was as follows:

	<i>Year to</i>
	<i>31 May 2010</i>
Ordinary shares of £0.01 each in issue at commencement of period	15,411
Ordinary shares of £0.01 each in issue at end of period	21,565
	<i>Period to</i>
	<i>31 December 2010</i>
Ordinary shares of £0.01 each in issue at end of period	21,565

3.5 On 19 February 2010, resolutions of the Company were passed for the following purposes:

- (a) to generally and irrevocably authorise the directors of the Company, subject to Prior Consent (as defined in the Investor Rights Agreement dated 11 May 2006 relating to the Company), in accordance with section 551 of the 2006 Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for shares in the Company, up to an aggregate nominal amount of £6,154 in relation to the issue of ordinary shares of one pence each to investors who participated in the proposed placing to be effected by the Company.
- (b) to empower the directors of the Company pursuant to section 570 and section 573 of the 2006 Act to allot equity securities (within meaning of section 560 of the 2006 Act) for cash pursuant to the authority to allot above as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that the power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £6,154 in relation to the issue of ordinary shares of one pence each to investors who participate in the proposed placing to be effected by the Company.

3.6 On 18 November 2010, an ordinary resolution of the Company was passed, subject to Prior Consent (as defined in the Investor Rights Agreement dated 11 May 2006 relating to the Company), to generally and unconditionally authorise the directors of the Company, in accordance with section 550 of the 2006 Act, to exercise any power of the Company to allot shares in the Company or to grant rights to subscribe for shares in the Company up to a maximum of 600 ordinary shares of one pence each to employees under the provisions of the EMI Schemes pursuant to Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003, and to non-employees through the award of unapproved options under the Unapproved Schemes.

3.7 On 1 April 2011, resolutions of the Company were passed for the following purposes:

- (a) paying up in full an amount equal to £62,322.85 out of the Company's share premium account in respect of a bonus issue of an aggregate of 6,232,285 ordinary shares of £0.01 each in the capital of the Company, to be issued credited as fully paid up at par to all shareholders in the proportion of 289 new ordinary shares for each existing ordinary share of £0.01 each in the capital of the Company held by each shareholder of record at 11 a.m. on 30 March 2011;
-

-
- (b) authorising a subdivision of the Company's share capital pursuant to which all 6,253,850 ordinary shares of £0.01 each in issue in the capital of the Company following the Bonus Issue were subdivided into 25,015,400 Ordinary Shares;
 - (c) generally and unconditionally authorising the Directors in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot: (i) new ordinary shares of £0.01 each in the capital of the Company in connection with the Bonus Issue; (ii) the New Shares; and (iii) Relevant Securities (as defined in the relevant sections of the 2006 Act) in addition to those referred to in (i) and (ii) above up to an aggregate nominal amount representing one third of the Enlarged Issued Share Capital,

such authority (unless renewed, varied or extended by the Company in general meeting) to expire on the date which is 18 months after the date on which this resolution is passed or, if earlier, on the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry, and the directors may allot such Relevant Securities in pursuance of such offer or agreement as if this authority had not expired, and provided further that this authority shall revoke and replace all unexercised authorities previously granted to the directors to allot shares but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities;

- (d) to amend the articles of association of the Company by deleting the reference in the Company's memorandum of association to the Company having an authorised share capital, which, by virtue of section 28 of the Companies Act 2006, is treated as forming part of Company's articles of association;
- (e) to effect a reduction of the Company's share capital through a reduction in the share premium account to nil;
- (f) conditional on Admission becoming effective (other than in respect of the allotment of shares pursuant to the Bonus Issue referred to in sub-paragraph (a) above), that the directors of the Company be empowered, pursuant to section 570 of the Companies Act 2006 Act, to allot:
 - (i) new ordinary shares of £0.01 each pursuant to the Bonus Issue as if section 561(1) of the 2006 Act did not apply to such allotments;
 - (ii) the New Shares for cash as if section 561(1) of the 2006 Act did not apply to such allotment;
 - (iii) equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by sub-paragraph (c)(iii) above or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:
 - (1) the allotment of equity securities pursuant to an offer or issue by way of rights, open offer or other pre-emptive offer:
 - (A) to the holders of ordinary shares in the capital of the Company and other person entitled to participate therein in proportion (as nearly as may be practicable) to their respective holdings; and
 - (B) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- (2) the allotment (otherwise than pursuant to sub-paragraphs (f)(i), (ii) and (iii)(1) above) of equity securities (as defined by section 560 of the 2006 Act) up to an aggregate nominal amount representing 5 per cent. of the Enlarged Issued Share Capital as if section 561(1) of the 2006 Act did not apply to such an allotment,

and such power shall expire (if it has not previously expired by non-fulfilment of conditions) on the date which is 18 months after the date on which this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. The resolution referred to in this sub-paragraph (f)(iii) revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the 1985 Act or section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

- 3.8 The Ordinary Shares have no redemption or conversion provisions.
- 3.9 Save as described in this document, the Company does not have in issue any convertible securities, exchangeable securities or securities with warrants.
- 3.10 There are no shares in the capital of the Company that do not represent capital and no shares in the capital of the Company are held by or on behalf of the Company.
- 3.11 The holders of Existing Ordinary Shares will be diluted by the issue of the New Shares. The effect of the issue of the New Shares (assuming that the Placing is fully subscribed) will be that holders of Existing Ordinary Shares at the date of this document will own 66.68 per cent. of the Enlarged Issued Share Capital following Admission (with the dilutive effect being less for those Shareholders, if any, acquiring Placing Shares).
- 3.12 Save as disclosed in paragraphs 4 and 9.3(b) of this Part 5 and any obligation to allot the New Shares pursuant to the Placing, there are no acquisition rights and/or obligations in existence pursuant to which the Company would be required to issue further shares.
- 3.13 Save as disclosed in paragraphs 4 and 9.3(b) of this Part 5, no capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 3.14 A Shareholder is required pursuant to Rule 5 of the Disclosure and Transparency Rules to notify the Company if, as a result of an acquisition or disposal of shares or financial instruments, the Shareholder's percentage of voting rights of the Company reaches, exceeds or falls below, 3 per cent. of the nominal value of the Company's share capital or any 1 per cent. threshold above that.

4. SHARE OPTION SCHEMES

- 4.1 The Company currently operates the Share Option Schemes, the key provisions of which are summarised below, under which it has granted options over its Ordinary Shares to current and former directors and employees. Prior to the adoption of the Share Option Schemes, the

Company granted options to current and former directors and employees pursuant to individual option agreements on substantially similar terms as those provided for in the Share Option Schemes.

The Company has also granted an option to Numis to subscribe for Ordinary Shares, the terms of which are summarised in paragraph 9.3(b) of this Part 5.

The number of shares subject to option and the exercise price per share payable on exercise of options were adjusted in consequence of the Reorganisation and Saffery Champness, in their capacity as the Company's auditors, confirmed by letter dated 1 April 2011 that the adjustments (which are reflected in the tables below) are fair and reasonable.

(a) **The EMI Schemes and other EMI Option Grants**

Summary

The Company adopted the Microsaic Systems Enterprise Management Incentive Scheme 2008 on 20 February 2008 to enable the Company to grant options to management and employees under the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003. The Company later adopted the Microsaic Systems Enterprise Management Incentive Scheme 2010 on 18 October 2010.

As at the date of this document there are outstanding options over an aggregate of 2,320,000 Ordinary Shares (following appropriate adjustments in connection with the Reorganisation) granted by the Company or the EBT under the EMI Schemes or under individual option agreements entered into prior to the adoption of the EMI Schemes but on substantially similar terms. The number of Ordinary Shares subject to such outstanding options will remain the same immediately following Admission.

<i>Date of Grant</i>	<i>Option Shares⁽¹⁾</i>	<i>Earliest Exercise Date</i>	<i>Lapse Date</i>	<i>Exercise price (p)⁽¹⁾</i>
31 March 2006	284,200 ⁽²⁾	Admission	31 March 2012	0.263
31 March 2006	284,200 ⁽²⁾	Admission ⁽³⁾	31 March 2012	0.263
31 March 2006	130,500	Admission	31 March 2012	0.292
31 March 2006	130,500	Admission ⁽³⁾	31 March 2012	0.292
20 February 2008	342,200 ⁽⁴⁾	Admission	20 February 2018	129.3
3 December 2010 ⁽⁵⁾	742,400	Admission	15 October 2014	0.306
3 December 2010	406,000 ⁽⁶⁾	3 December 2012 (as to 33 per cent.) 3 December 2013 (as to 100 per cent.)	3 December 2020	25.86

(1) Following a revaluation in connection with the Reorganisation

(2) Granted by EBT

(3) Subject to the Company achieving income of £500,000 in one year from product sales

(4) Of which 226,200 granted by EBT

(5) Options granted on 15 October 2004. Exercise period extended in December 2010 and treated as cancellation and new grant for purposes of the EMI legislation

(6) Of which 348,000 granted by EBT

Eligibility

Options may be granted to any employee or director of the Company provided that such person meets the eligibility requirements detailed in the scheme rules.

Performance conditions

Options may be granted subject to performance criteria to be met before the share options vest and/or become exercisable, subject to the discretion of the Board and set out in individual option agreements.

Options granted in March 2006 remain subject to performance criteria as referred to in the above table. Options granted in February 2008 were subject to performance criteria all of which have since been met, and those options have now fully vested and become exercisable in accordance with the terms of the EMI Schemes (or the relevant individual option agreements). Options granted in December 2010 are not subject to any performance criteria.

Vesting and exercise

Options granted under the EMI Scheme 2008 and otherwise under individual option agreements prior to February 2008 on substantially similar terms are exercisable from the day following the earliest of: (i) any specific vesting events set out in an option agreement; (ii) the date of cessation of employment, to the extent vested; (iii) death, to the extent vested; (iv) the date of certain trigger events, namely a company reorganisation, a majority share sale, a business sale and Admission; and (v) the Company passing a winding up resolution.

Options granted under the EMI Scheme 2010 are exercisable from the day following the earliest of: (i) any specific vesting events set out in an option agreement; (ii) the date of cessation of employment, to the extent vested; (iii) death, to the extent vested; (iv) the date of certain trigger events, namely a company reorganisation, a majority share sale and a business sale; and (v) the Company passing a winding up resolution. The options granted in December 2010 vest and become exercisable as to up to 33 per cent. on the second anniversary of the date of grant and as to up to 100 per cent. on the third anniversary of the date of grant.

Options may be exercised in whole or in part provided that the option may be exercised over no fewer than the lesser of: (i) 25 per cent. of the shares over which the option has vested; and (ii) the total number of shares over which the option remains exercisable. In the event of exercise of part only of the option, the balance remains exercisable on the same terms.

Exercise of options

Limited rights of exercise arise on a change of control, compromise or compulsory acquisition subject to certain conditions as to the time of exercise and the ability of the participant to elect (or an offeror or proposed holding company electing) to replace the options with new options in an acquiring company or proposed holding company.

Adjustments

In the event of any capitalisation, rights issue, subdivision, consolidation or reduction of capital of the Company, the number of shares over which an option is granted and the exercise price thereof shall be adjusted in such manner as the auditors confirm in writing to be fair and reasonable provided that the exercise price for a share is not reduced below its nominal value and (i) the market value of the shares subject to the option (as agreed with HMRC) is not increased; and (ii) the shares continue to satisfy the conditions specified in paragraph 35 of Schedule 5 ITEPA.

Lapsing of options

An option shall cease to be exercisable and lapse (unless otherwise set out in an option agreement) on the earliest of: (i) the tenth anniversary of the date of grant (or the sixth anniversary of the date of grant in the case of options granted in March 2006); (ii) the date of cessation of employment (or 6 months later if the participant is a 'good leaver'); or (iii) death of the participant.

(b) The Unapproved Schemes and other Unapproved Option Grants

Summary

The Company adopted the Microsaic Systems Unapproved Option Scheme 2008 on 20 February 2008 to enable the Company to grant options to management and employees outside the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003. The Company later adopted the Microsaic Systems Unapproved Option Scheme 2010 on 18 October 2010.

As at the date of this document there are outstanding options over an aggregate of 446,600 Ordinary Shares (following appropriate adjustments in connection with the Reorganisation) granted by the Company or the EBT under the Unapproved Schemes or under individual option agreements entered into prior to the adoption of the Unapproved Schemes but on substantially similar terms. The number of Ordinary Shares subject to such outstanding options will remain the same immediately following Admission.

<i>Date of Grant</i>	<i>Option Shares⁽¹⁾</i>	<i>Earliest Exercise Date</i>	<i>Lapse Date</i>	<i>Exercise price (p)⁽¹⁾</i>
24 May 2006	348,000	24 May 2009	24 May 2013 (as to 116,000) 24 May 2014 (as to 116,000) 24 May 2015 (as to 116,000)	43.1
20 February 2008 ⁽²⁾	40,600	1 December 2010	20 February 2018	129.3
3 December 2010 ⁽²⁾	58,000	3 December 2012 (as to 33 per cent.) 3 December 2013 (as to 100 per cent.)	3 December 2020	25.86

(1) Following a revaluation in connection with the Reorganisation

(2) Granted by EBT

Performance conditions

Options may be granted subject to performance criteria to be met before the share options vest and/or become exercisable, subject to the discretion of the Board and set out in individual option agreements.

The above options granted in May 2006 under individual option agreements outside the rules of the Unapproved Schemes, and the above options granted in February 2008, were subject to performance criteria or time-based milestones all of which have since been met, and in each case those options have now fully vested and become exercisable in accordance with the terms of the Unapproved Schemes (or the relevant individual option agreements). The above options granted in December 2010 are not subject to any performance criteria.

Vesting and exercise

Options granted under the Unapproved Scheme 2008 and otherwise under individual option agreements prior to February 2008 on substantially similar terms are exercisable from the day following the earliest of: (i) any specific vesting events set out in an option agreement; (ii) the date of cessation of employment, to the extent vested; (iii) death, to the extent vested; (iv) the date of certain trigger events, namely a company reorganisation, a majority share sale, a business sale and Admission; and (v) the Company passing a winding up resolution.

Options granted under the Unapproved Scheme 2010 are exercisable from the day following the earliest of: (i) any specific vesting events set out in an option agreement; (ii) the date of cessation of employment, to the extent vested; (iii) death, to the extent vested; (iv) the date of certain trigger events, namely a company reorganisation, a majority share sale and a business sale; and (v) the Company passing a winding up resolution. The options granted in December 2010 vest and become exercisable as to up to 33 per cent. on the second anniversary of the date of grant and as to up to 100 per cent. on the third anniversary of the date of grant.

Options may be exercised in whole or in part provided that the option may be exercised over no fewer than the lesser of: (i) 25 per cent. of the shares over which the option has vested; and (ii) the total number of shares over which the option remains exercisable. In the event of exercise of part only of the option, the balance remains exercisable on the same terms.

Exercise of options

Limited rights of exercise arise on a change of control, compromise or compulsory acquisition subject to certain conditions as to the time of exercise and the ability of the participant to elect (or an offeror or proposed holding company electing) to replace the options with new options in an acquiring company or proposed holding company.

Adjustments

In the event of any capitalisation, rights issue, subdivision, consolidation or reduction of capital of the Company, the number of shares over which an option is granted and the exercise price thereof shall be adjusted in such manner as the auditors confirm in writing to be fair and reasonable provided that the exercise price for a share is not reduced below its nominal value.

Lapsing of options

An option shall cease to be exercisable and lapse (unless otherwise set out in an option agreement) on the earliest of: (i) the tenth anniversary of the date of grant (or the seventh anniversary of the earliest exercise date in the case of options granted in May 2006, as outlined in the table above); (ii) the date of cessation of employment; or (iii) death of the participant.

- 4.2 The Company set up the EBT and entered into a trust deed with the Trustees on 15 October 2004. Pursuant to the trust deed, and a number of individual deeds and memoranda of wishes, the Company has historically granted a number of the options that remain outstanding (as referred to in the tables set out in paragraph 4.1 of this Part 5), with the Company in each case granting the Trustees an irrevocable right to subscribe for the relevant number of shares (prior to the Reorganisation) by way of the Company funding the EBT to effect such subscription or by allotting the relevant shares to the EBT.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

5.1 Memorandum of association

Under the 2006 Act, as from 1 October 2009, all provisions of the Company's memorandum of association are deemed to form part of the Company's articles of association including, in particular, the statement of objects and the statement of authorised share capital. The 2006 Act does not require a company to set out its objects. It provides that, unless the articles of association state otherwise, a company's objects will be unrestricted. The 2006 Act also removes the requirement for a company to have an authorised share capital. Pursuant to a special resolution passed on 1 April 2011 in general meeting, all of the provisions of the Company's memorandum of association, that were deemed to form part of the Company's articles of association, were deleted. The Company's articles of association do not contain an objects clause and accordingly, pursuant to the provisions of the 2006 Act, the Company's objects are unrestricted.

5.2 Articles of association

The following summary, which does not purport to be complete or exhaustive, contains a description of the significant rights attached to the Ordinary Shares as set out in the Articles adopted by special resolution of the Company on 1 April 2011. The Articles specifically incorporate provisions limiting members' liability to any amount unpaid on shares held by them.

(a) *Votes of members*

Subject to the provisions of the Companies Acts and to any special rights or restrictions as to voting attached to any shares or class of shares or otherwise provided by the Articles:

(i) on a show of hands:

- (A) every member who is present in person shall have one vote;
- (B) where a proxy is appointed by more than one member (provided that, where some only of those members by whom the proxy is appointed instruct the proxy to vote in a particular way, those members all instruct such proxy to vote in the same way on a resolution (either "for" or "against")) such proxy shall be entitled to cast a second vote the other way in relation to any discretionary vote(s) given to him by other members by whom such proxy is appointed; and
- (C) every corporate representative present who has been duly authorised by a corporation shall have the same voting rights as the corporation would be entitled to; and

(ii) on a poll every member who is present in person or by duly appointed proxy or corporate representative shall have one vote for every share of which he is the holder or in respect of which his appointment of proxy or corporate representative has been made.

(b) *Restriction on rights of members where calls outstanding*

No member shall be entitled to receive any dividend or to be present and vote at any general meeting either personally or (save as proxy for another member) by proxy, or be reckoned in a quorum or to exercise any other privilege as a member unless and until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

(c) ***Transfer of shares***

(i) ***Form of transfer***

Each member may transfer all or any of his shares, in the case of certificated shares, by instrument of transfer in writing in any usual form or in any form approved by the Board, or, in the case of uncertificated shares, without a written instrument in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/37555) (“Uncertificated Regulations”). Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members of the Company in respect of it.

(ii) ***Right to refuse registration***

The Board may in its absolute discretion refuse to register any transfer of a certificated share unless it is:

- (A) in respect of a share which is fully paid up;
- (B) in respect of a share on which the Company has no lien;
- (C) in respect of only one class of shares;
- (D) in favour of a single transferee or not more than four joint transferees;
- (E) duly stamped (if so required); and
- (F) delivered for registration to the registered office for the time being of the Company, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a financial institution where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

(d) ***Dividends***

(i) ***Declaration of dividends***

Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board.

(ii) ***Interim dividends***

Subject to the provisions of the Companies Acts and of the Articles, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution and the position of the Company. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares

conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer in consequence of the declaration of, or by the lawful payment of, any interim dividend on any shares ranking after those with preferential rights.

(iii) *Accrual of dividends*

Except as otherwise provided by the Articles and by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.

(iv) *Dividends not to bear interest*

Unless otherwise provided by the rights attached to the share no dividend or other moneys payable by the Company or in respect of a share shall bear interest as against the Company.

(v) *Payment of dividends*

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such other date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares.

(vi) *Waiver of dividends*

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death, bankruptcy or mental disorder of the holder or otherwise by operation of law) and delivered to the Company and only if or to the extent that the same is accepted as such or acted upon by the Company.

(vii) *Unclaimed dividends*

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

(viii) *Distribution in specie*

The Company in general meeting may, on the recommendation of the Board, by ordinary resolution direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of

such ways. Where any difficulty arises in regard to such distribution the Board may settle it as it thinks fit. In particular, subject to the provisions of the Companies Acts, the Board may:

- (A) issue fractional certificates or authorise any person to sell and transfer any fractions or disregard fractions altogether;
- (B) fix the value for distribution of such assets or any part of them and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and
- (C) vest any such assets in trustees on trust for the persons entitled to the dividend.

(e) ***Capitalisation of reserves***

The Board may with the authority of an ordinary resolution of the Company:

- (i) subject as provided in this article, resolve to capitalise any profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of share premium account or capital redemption reserve or other undistributable reserve;
- (ii) appropriate the sum resolved to be capitalised on the date specified in the resolution to the holders of Ordinary Shares in proportion to the nominal amount of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum was then distributable and was distributed by way of dividend, and apply such sum on their behalf in or towards paying up the amount, if any, for the time being unpaid on any share held by them respectively and/or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those holders of Ordinary Shares or as they may direct in those proportions provided that:
 - (A) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may, for the purposes of this article, only be applied in paying up unissued shares to be allotted to holders of Ordinary Shares credited as fully paid; and
 - (B) in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment of it;
- (iii) resolve that any shares so allotted to any member in respect of a holding by him of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends;

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- (iv) make such provision by the issue of fractional certificates (or by ignoring fractions or by accruing the benefit of such fractions to the Company rather than to the holders of Ordinary Shares concerned) or by payment in cash or otherwise as it thinks fit in the case of shares or debentures becoming distributable in fractions; and
 - (v) generally do all acts and things required to give effect to such resolution.

The Directors may appoint any person to sign any contract with the Company on behalf of those who are entitled to shares under the resolution.

(f) ***Share capital***

(i) ***Variation of Rights***

Subject to the provisions of the Companies Acts, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with:

- (A) the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class; or
- (B) with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles (but not otherwise).

The foregoing provisions of this article shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or to cease to be a Participating Security.

In this article:

“Participating Security” means a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of an Uncertificated System in accordance with the Uncertificated Regulations; and

“Uncertificated System” means a relevant system (as such is defined in the Uncertificated Regulations).

(ii) ***Class meetings***

Save as provided in the Companies Acts, all the provisions in the Articles as to general meetings shall *mutatis mutandis* apply to every meeting of the holders of any class of shares, save that in the case of a meeting held in connection with the variation or abrogation of the rights attached to the shares of the class:

- (A) subject to paragraph (D) of this article, the quorum at every such meeting shall be not less than two persons present holding or representing by proxy at least one-third in nominal value of the issued

shares of the class in question (excluding any shares of that class held as treasury shares);

- (B) every holder of shares of the class in question present in person or by proxy may demand a poll;
- (C) each such holder shall on a poll be entitled to one vote for every share of the class held by him;
- (D) if at any adjourned meeting of such holders, such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum; and
- (E) where a person is present by proxy or proxies, he is treated as holding only the shares in respect of which those proxies are authorised to exercise voting rights.

(iii) *Deemed variation*

Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Companies Acts and the Articles.

(g) ***Forfeiture of shares***

(i) *Notice if call not paid*

If any member fails to pay the whole of any call or any instalment of any call on or before the day appointed for payment the Board may at any time serve a notice in writing on such member, or on any person entitled to the shares by transmission, requiring payment, on a date not less than 14 clear days from the date of the notice, of the amount unpaid and any interest which may have accrued on it and any reasonable costs, charges and expenses incurred by the Company by reason of such non-payment.

(ii) *Forfeiture for non-compliance*

If the notice referred to in the above paragraph g(i) (Notice if call not paid) is not complied with, any share in respect of which it was given may, at any time after the date appointed for payment pursuant to the notice, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or other moneys payable in respect of the forfeited shares and not paid before the forfeiture, and shall be deemed to occur at the time of the passing of the said resolution of the Board.

(iii) *Notice after forfeiture*

When any share has been forfeited notice of the forfeiture shall be served on the person who was before forfeiture the holder of the share or the person entitled to such share by transmission (as the case may be). An entry of such notice having been given and of the forfeiture with the date of it shall forthwith be made in the register of members of the Company in respect of

such share together with a note that dealings are not permitted in the share. However, no forfeiture shall be invalidated by any omission to give such notice or to make such entry as aforesaid.

(iv) *Forfeiture may be annulled*

The Board may at any time before any share so forfeited has been cancelled or sold, re-allotted or otherwise disposed of annul the forfeiture, on the terms that payment shall be made of all calls and interest due thereon and all expenses incurred in respect of the share and on such further terms (if any) as the Board shall see fit.

(v) *Surrender*

The Board may accept a surrender of any share liable to be forfeited under the Articles upon such terms and conditions as may be agreed and, subject to any such terms and conditions, a surrendered share shall be treated as if it had been forfeited. In such case, references in the Articles to forfeiture shall include surrender.

(vi) *Disposal of forfeited shares*

Every share which shall be forfeited shall thereupon become the property of the Company. The Company shall not exercise any voting rights in respect of such a share. Subject to the provisions of the Companies Acts, any such share may be sold, re-allotted or otherwise disposed of either to the person who was before forfeiture its holder or entitled to it or to any other person on such terms and in such manner as the Board shall determine and, in the case of re-allotment, whether with or without all or any part of the amount previously paid up on the share being treated as so paid up. The Board may, for the purposes of the disposal in the case of certificated shares, authorise some person to transfer the share in question and may enter the name of the transferee in respect of the transferred share in the register of members of the Company notwithstanding the absence of any share certificate being lodged in respect of it and may issue a new certificate to the transferee in respect of certificated shares transferred to it. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of or the person entitled by transmission to the share. In the case of uncertificated shares the Board may exercise any power conferred on it by article 19.5 of the Articles (Forfeiture and sale) to effect a transfer of the shares. The Company may, if the Board considers it just and equitable to do so, receive the consideration (if any) given for the share on its disposal.

(vii) *Effect of forfeiture*

A member whose shares have been forfeited shall cease to be a member in respect of the shares forfeited and shall in the case of a certificated share surrender to the Company for cancellation the certificate for such shares. He shall nevertheless be liable (unless payment is waived in whole or in part by the Directors) to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest on them from the date of the forfeiture to the date of payment at the rate at which interest was payable on those amounts before the forfeiture or, if no interest was so payable, at such rate not exceeding 15 per cent. per annum as the Board may determine, in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) claims, demands and liabilities which the Company might have enforced in respect of the shares at the time of forfeiture without any

reduction or allowance for the value of the shares at the time of forfeiture or for any consideration received on the disposal.

(viii) *Extinction of claims*

The forfeiture of a share shall include all dividends and other payments or distributions declared in respect of the forfeited shares and not paid or distributed before forfeiture.

(ix) *Evidence of forfeiture*

A statutory declaration by a Director or the secretary that a share has been forfeited in pursuance of the Articles and stating the date on which it was forfeited shall as against all persons claiming to be entitled to the share adversely to its forfeiture, be conclusive evidence of the facts stated in it. The declaration, together with the receipt of the Company for the consideration (if any) given for the share on its sale or disposition and a certificate for the share delivered to the person to whom it is sold or disposed of, shall (subject if necessary to the execution of an instrument of transfer) constitute a good title to the share. Subject to the execution of any necessary transfer in the case of a certificated share, such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition and shall not be bound to see to the application of the purchase money or other consideration (if any) nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture or disposal of the share. Such person shall not (except by express agreement with the Company) become entitled to any dividend which might have accrued on the share before the completion of the sale or disposition thereof.

(h) **Directors**

Unless and until otherwise determined by the Company by ordinary resolution the number of Directors (other than any alternate Directors) shall be not less than two or more than 10.

(i) *Share qualification*

A Director shall not be required to hold any shares of the Company.

(ii) *Directors' fees*

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £200,000 per annum in aggregate or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day.

(iii) *Additional remuneration*

If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of a lump sum or by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

(iv) *Directors' expenses*

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

(v) *Remuneration of executive Directors*

The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director pursuant to the Articles.

(vi) *Directors' pensions and other benefits*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for or to institute and maintain any institution, association, society, club, trust, other establishment or profit sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a Director of the Company or any company which is a subsidiary company of or allied to or associated with the Company or any such subsidiary or any predecessor in business of the Company or of any such subsidiary and for any member of his family (including a spouse or former spouse or civil partner or former civil partner) and any person who is or was dependent on him. For such purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the provisions of the Companies Acts, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with, any of the aforesaid matters or bodies. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under this Article and shall not be obliged to account for it to the Company.

(vii) *Disclosure of interests to the Board*

(A) A Director must declare the nature and extent of his interest to the other Directors in any matter of situation in which the Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it).

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- (B) If a Director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other Directors.
- (C) If a Director is in any way, directly or indirectly, interested in a transaction or arrangement which has already been entered into by the Company, he must declare the nature and extent of his interest to the other Directors.

The declaration of interest must (in the case of paragraph (C) of this article) and may, but need not (in the case of (A) or (B) of this article), be made: (i) at a meeting of the Directors; or (ii) by notice to the Directors in accordance with: (a) Section 184 of the 2006 Act (*Notice in writing*); or (b) Section 185 of the 2006 Act (*General notice*).

No declaration is required in relation to an interest of which the Director is not aware, or where the Director is not aware of the transaction or arrangement in question. For this purpose, a Director is treated as being aware of matters of which he ought reasonably to be aware.

(i) ***Appointment and retirement of directors***

(i) *Power of Company to appoint directors*

Subject to the provisions of the Articles and to the Companies Acts, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy, or as an addition to the existing Board, and may also determine the rotation in which any additional Directors are to retire, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

(ii) *Power of Board to appoint directors*

Without prejudice to the power of the Company to appoint any person to be a Director pursuant to the Articles, the Board shall, subject to the provisions of the Companies Acts, have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting.

(iii) *Retirement by rotation*

(A) Any Director appointed by the Board shall retire at the annual general meeting of the Company next following his appointment.

(B) At any annual general meeting of the Company, any Director who has not been appointed or re-appointed at either two previous annual general meetings of the Company shall retire and be required to seek re-election.

(C) If, at any annual general meeting of the Company, the number of Directors required to retire pursuant to paragraph (B) of this article above is less than one third of the total number of Directors calculated in accordance with paragraph (D) of this article (rounded down to the nearest whole number (the "Relevant Proportion"), such number of additional Directors ("Additional Directors") as is required (when taken

together with the Directors required to retire pursuant to paragraph (D) of this article) to constitute the Relevant Proportion shall retire at such annual general meeting of the Company. Subject to the penultimate sentence of article 84 of the Articles (*Removal by ordinary resolution*), the Additional Directors to retire shall be those who have been the longest to have held office since their appointment or re-appointment but, as between persons who were appointed or were last appointed or re-appointed Directors on the same day, those to retire shall (unless otherwise agreed between them) be determined by lot.

(D) In calculating the “total number of Directors” for the purposes of article (iii)(C) above, any Director who:

- (i) wishes to retire and not be re-elected; or
- (ii) is subject to re-election in accordance with paragraph (A) of this article,

shall be disregarded.

(iv) *Re-election of retiring directors*

A Director who retires at an annual general meeting of the Company (whether by rotation or otherwise) may, if willing to act, be re-appointed. If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy created by his retirement, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is expressly resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost or unless the retiring Director has given notice in writing to the Company that he is unwilling to be re-elected or unless the default in filling the vacancy is due to the moving of a resolution in contravention of the above article (*Resolution for appointment*).

(v) *Timing of retirement*

The retirement of any Director retiring at an annual general meeting in accordance with the Articles shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost in which case the retirement shall take effect at the time of election of his replacement or the time of the losing of that resolution as the case may be. A retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

(vi) *Vacation of office by Director*

Without prejudice to any provisions for retirement contained in the Articles, the office of a Director shall be vacated if:

- (A) he resigns by notice in writing delivered to the company secretary at the registered office of the Company or tendered at a Board meeting in which event he shall vacate that office on the service of that notice on the Company or at such later time as is specified in the notice or he offers in writing to resign from his office and the Directors resolve to accept such offer; or
- (B) he ceases to be a Director by virtue of any provision of the Companies Acts, is removed from office pursuant to the Articles or becomes prohibited by law from being a Director; or

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- (C) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the Court for an interim order under Section 253, Insolvency Act 1986 in connection with a voluntary arrangement under that Act; or
 - (D) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or
 - (E) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so far more than three months; or
 - (F) he shall be absent, without the permission of the Board, from Board meetings for six consecutive months (whether or not an alternate Director appointed by him attends) and the Board resolves that his office be vacated; or
 - (G) he is requested to resign by notice in writing addressed to him at his address as shown in the register of Directors and signed by all the other Directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company); or
 - (H) he is convicted of an indictable offence and the Directors shall resolve that it is undesirable in the interests of the Company that he remains a Director of the Company; or
 - (I) the conduct of that Director (whether or not concerning the affairs of the Company) is the subject of an investigation by an inspector appointed by the Secretary of State or by the Serious Fraud Office (or any successor body or body equivalent in any foreign jurisdiction thereto) and the Board shall resolve that it is undesirable that he remains a Director; or
 - (J) notice is given to terminate his contract of employment or engagement with the Company where he is in breach of such contract; or
 - (K) he has been disqualified from acting as a director.

(vii) *Removal by ordinary resolution*

The Company may by ordinary resolution (of which special notice has been given in accordance with Section 312, 2006 Act) remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and, without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, may (subject to the Articles and the provisions of the Companies Acts) by ordinary resolution (of which special notice has been given in accordance with Section 312, 2006 Act) appoint another person at that meeting who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire by rotation, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director. In default of such appointment the vacancy arising upon the removal of a Director from office may be filled by a casual vacancy.

(viii) *Resolution as to vacancy conclusive*

A resolution of the Board declaring a Director to have vacated office under the terms of paragraph vi above (*Vacation of office by Director*) shall be conclusive as to the fact and grounds of vacation stated in the resolution.

(ix) *Meetings and proceedings of directors*

Subject to the provisions of the Articles and the Companies Acts, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. One Director may and the company secretary at the request of a Director shall summon a Board meeting at any time. Notice of a Board meeting shall be deemed to be properly given to a Director if is given to him personally or by word of mouth or sent in writing (whether in hard copy form or electronic form) to him at his last known address or any other address (including electronic address) given by him to the Company for this purpose.

(j) *Borrowing powers*

Subject as provided by the Articles, the directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company or any other party. The directors shall so restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries as to secure (so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all sums borrowed by the Company and its subsidiaries (exclusive of sums borrowed from or owing to the Company or any such subsidiary) shall not at any time exceed an amount equal to three times the share capital and consolidated reserves (as defined in article 107 of the Articles) without the previous sanction of an ordinary resolution of the Company in general meeting.

(k) *Shareholder meetings*

Subject to the provisions of the Companies Acts, annual general meetings of the Company shall be held at such time and place as the Board may determine. An annual general meeting must be convened, unless all shareholders entitled to attend and vote agree to short notice, on giving 21 clear days' notice in writing to the members of the Company.

The Board may convene a general meeting whenever it thinks fit. A general meeting must be convened, unless a majority in number of the members having a right to attend and vote at the meeting (being a majority who hold together not less than 95 per cent. in nominal value of the shares giving that right) agree to short notice, on giving 14 clear days' notice in writing to the members of the Company.

6. DIRECTORS' AND KEY SHAREHOLDERS' INTERESTS

- 6.1 The interests of the Directors (all of which are beneficial), their immediate family members and persons connected with them (within the meaning of sections 252 to 255 of the 2006 Act) in the share capital of the Company, excluding any options in respect of such capital (details of which are set out at paragraph 6.2 of this Part 5), the existence of which is known to or could with reasonable diligence be ascertained by that Director, whether or not held through another party, as at the date of this document, and as they are expected to be immediately following Admission, are as follows:

<i>Director</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares (%)</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital (%)⁽¹⁾</i>
Eric Yeatman	3,097,200	12.38	3,097,200	8.26
Alan Finlay	2,342,040	9.36	2,342,040	6.24
Andrew Holmes	2,888,400	11.55	2,888,400	7.70
Malcolm Bateman	N/A	N/A	N/A	N/A
Peter Edwards	N/A	N/A	N/A	N/A
Colin Nicholl	2,378,000	9.51	2,378,000	6.34
James Ramage	148,480	0.59	148,480	0.40
Peter Selway	382,800	1.53	382,800	1.02
Total	11,236,920	44.92	11,236,920	29.95

(1) Assuming that the Placing is fully subscribed.

6.2 The following options over Ordinary Shares have been granted to the Directors (both as at the date of this document and immediately following Admission), the options held by Mr Finlay and Mr Edwards having been granted as “EMI” options and the options held by Mr Nicholl and Mr Bateman having been granted as unapproved options (in each case as further described in paragraph 4.1 of this Part 5).

<i>Director</i>	<i>Date of Grant</i>	<i>Option Shares⁽¹⁾</i>	<i>Earliest Exercise Date</i>	<i>Lapse Date</i>	<i>Exercise price (p)⁽¹⁾</i>
Alan	31 March 2006	130,500	Admission	31 March 2012	0.292
Finlay	31 March 2006	130,500	Admission ⁽²⁾	31 March 2012	0.292
	20 February 2008	116,000	Admission	20 February 2018	129.3
	3 December 2010	58,000	3 December 2012 (as to 33 per cent.) 3 December 2013 (as to 100 per cent.)	3 December 2020	25.86
	3 December 2010 ⁽³⁾	742,400	Admission	15 October 2014	0.306
Colin Nicholl	24 May 2006	348,000	24 May 2009	24 May 2013 (as to 116,000) 24 May 2014 (as to 116,000) 24 May 2015 (as to 116,000)	43.1
Malcolm Bateman	20 February 2008	40,600	1 December 2010	20 February 2018	129.3
	3 December 2010	58,000	3 December 2012 (as to 33 per cent.) 3 December 2013 (as to 100 per cent.)	3 December 2020	25.86
Peter Edwards	20 February 2008	191,400	Admission	20 February 2018	129.3
	3 December 2010	232,000	3 December 2012 (as to 33 per cent.) 3 December 2013 (as to 100 per cent.)	3 December 2020	25.86

(1) Following a revaluation in connection with the Reorganisation

(2) Subject to the Company achieving income of £500,000 in one year from product sales.

(3) Options granted on 15 October 2004. Exercise period extended in December 2010 and treated as cancellation and new grant for purposes of the EMI legislation

6.3 Save as described in this paragraph 6, none of the Directors (or any member of their respective families, nor any person connected with the Directors within the meaning of sections 252 to 255 of the 2006 Act) has any interest, beneficial or non-beneficial, in the share capital of the Company.

6.4 The directorships or partnerships of the Directors currently held and held over the five years' preceding the date of this document (other than the Company) are as follows:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Eric Yeatman	None	46-48 Prince of Wales Drive Limited
Alan Finlay	None	None
Andrew Holmes	None	None
Malcolm Bateman	None	None
Peter Edwards	Foxwood Management (Kingsfold) Ltd	Applied Materials UK Limited
Colin Nicholl	IM Asset Management Limited	Evonik Membrane Extraction Technology Limited Global Medical Network Limited
James Ramage	Tesla Limited Tesla Engineering Limited Tesla Medical Limited Tesla Magnetic Limited Tesla Trustees Limited Radway Engineering Limited Storrington Industries Limited Futura Composites BV (Netherlands) Everson Tesla Inc. (USA)	Instrumentation Management Limited
Peter Selway	None	EPIIC Limited

6.5 Save as stated in paragraph 6.4 of this Part 5, none of the Directors is or has been a director or partner in companies or partnerships at any time in the period of five years immediately preceding the date of this document.

6.6 James Ramage was a non-executive director of Analytical Precision Limited (“APL”), a scientific instrument business. During 1999 APL experienced cashflow problems and could not trade out of its difficulties, and its directors invited National Westminster Bank plc (“NatWest”) to appoint administrative receivers. NatWest were owed approximately £220,000 by APL and had a fixed and floating charge over the company’s assets secured by a debenture dated 17 November 1995. On appointment of the administrative receivers APL had an estimated deficiency as regards its creditors of approximately £830,000. Following recovery of certain sums, the receivers ceased to act in April 2001 and APL was dissolved in August 2002.

6.7 Save as disclosed in this paragraph 6, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) any bankruptcy order made against him or entered into any individual voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors’ voluntary liquidation, administration, been subject to a company

voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
 - (f) been publicly criticised by any statutory or regulatory authority, including recognised professional bodies, or been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 6.8 There are no outstanding loans granted by the Company to any of the Directors or granted by any Director to the Company nor has any guarantee been provided by the Company for their benefit.
- 6.9 No Director nor any member of a Director's family (which, in relation to this paragraph 6 means a spouse, any child where such child is under the age of 18 years, any trust in which such individuals are trustees or beneficiaries and any company over which they have control of more than 20 per cent. of its voting or equity rights in general meeting, but excluding any employee share or pension scheme where such individuals are beneficiaries rather than trustees) holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.
- 6.10 So far as is known to the Company, the persons other than the Directors who directly or indirectly hold three per cent. or more of the voting rights in respect of the Ordinary Shares in issue, as at the date of this document and as they are expected to be immediately following Admission, are as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares (%)</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital (%)⁽¹⁾</i>
Richard Rodney Anthony Syms	3,735,200	14.93	3,735,200	9.96
Imperial Innovations Businesses LLP	2,320,000	9.27	1,160,000	3.09
Nigel William Wray	1,803,800	7.21	1,803,800	3.22
JM Finn Nominees Limited	1,165,800	4.66	1,165,800	2.83

(1) Assuming that the Placing is fully subscribed

- 6.11 The Shareholders listed in paragraph 6.10 of this Part 5 do not have different voting rights from other Shareholders.
- 6.12 So far as the Company is aware, the Company is not owned or controlled directly or indirectly by any entity. The Company is not aware of any other persons who, immediately following Admission, will directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

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- 6.13 In addition, so far as the Company is aware, there are no arrangements in place, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.14 Numis Corporation plc, the parent company of Numis Securities Limited the Company's nominated adviser and broker, holds 544,040 Ordinary Shares as at the date of this document (representing approximately 2.17 per cent. of the Existing Ordinary Shares and approximately 1.45 per cent. of the Enlarged Issued Share Capital. Please also refer to paragraph 9.3(b) of this Part 5 for details of an option to acquire Ordinary Shares granted to Numis Securities Limited.

7. DIRECTORS' TERMS OF APPOINTMENT

- 7.1 Set out below are summary details of the Company's current terms of appointment with each Director (including the proposed Directors):
- (a) Eric Yeatman and the Company entered into a consultancy agreement on 1 April 2006, pursuant to which Prof. Yeatman makes available all his expertise and knowledge in connection with the business of the Company as reasonably required by the Company. Prof. Yeatman is the Company's non-executive Chairman and chairs the monthly meetings of the Board. The Company pays Prof. Yeatman an annual consulting fee of £15,600, payable monthly in arrears, and reasonable out-of-pocket expenses incurred in the course of his duties under the agreement. The agreement with Prof. Yeatman is terminable by the Company on three months' notice and with immediate effect in certain circumstances including dishonesty, breach, bankruptcy or long-term sickness or injury on the part of Prof. Yeatman. Pursuant to the agreement, Prof. Yeatman is required to disclose improvements, inventions or discoveries made during the course of providing his services to the Company or otherwise in relation to existing intellectual property rights of the Company and that relate directly or indirectly to the business of the Company, and to hold the same on trust for the Company and assign relevant rights to the Company in respect of the same. Prof. Yeatman is subject to customary obligations regarding the Company's confidential information, and to non-compete and non-solicitation restrictions during the term of his appointment and for 6 months thereafter.
- (b) Colin Nicholl was appointed non-executive director of the Company pursuant to a letter of appointment dated 24 April 2006. His appointment is terminable by either party on giving three months' notice to the other, and (i) is terminable by the Company immediately on notice should Mr Nicholl be unable to carry out his obligations for a continuous period of 12 weeks or more due to illness or accident; and (ii) terminates immediately in certain circumstances, including Mr Nicholl's removal as director in general meeting or by the other Directors, resignation, breach of duty and fraud. Pursuant to the letter of appointment Mr Nicholl is to undertake usual non-executive director duties and to devote no less than 24 days per annum, including attendance at a minimum of 6 Board meetings per annum and meetings of the Board's audit and remuneration committees (Mr Nicholl sits on both and chairs the audit committee). Mr Nicholl is entitled to receive fees of £13,520 per annum and reasonable out of pocket expenses including travel. Mr Nicholl is not permitted to be engaged with, concerned in or interested in, a business in competition with the Company without the Board's prior written consent during the term of the agreement and is subject to customary obligations regarding the Company's confidential information.
- (c) Alan Finlay has been employed by the Company since 2001 and was promoted to Chief Executive Officer in March 2004. As part of the Company updating its terms and conditions of employment, the terms governing Mr Finlay's employment with the Company are set out in terms and conditions dated July 2010 (the "Employment

Terms”). Mr Finlay’s employment is terminable by him or the Company giving the other party six months’ notice in writing, and is otherwise terminable by the Company summarily without notice or payment in lieu in certain circumstances, including breach of confidentiality obligations, long-term illness or injury or gross misconduct. The current annual salary payable to Mr Finlay is £88,500 which will increase to £100,000 from March 2011, conditional upon Admission. The Company contributes twice Mr Finlay’s contribution to a group personal pension scheme (up to a maximum of 7.5 per cent. of basic salary). Mr Finlay is entitled to participate in an executive bonus scheme paying up to 30 per cent. of basic salary, conditional upon the achievement of certain personal and company targets. In accordance with the Employment Terms, Mr Finlay is restricted from being engaged with or be concerned or interested in any other business during the term of his employment without the Company’s prior written consent, and is prohibited from: (i) being employed, engaged or interested in a business in competition with the Company during the term of his employment and for 3 months thereafter; (ii) soliciting business from customers of the Company during the term of his employment and for 6 months thereafter; (iii) soliciting employees of the Company during the term of his employment and for 6 months thereafter. The Employment Terms also subject Mr Finlay to customary obligations regarding the Company’s confidential information, and require him to disclose intellectual property created during the course of his employment that relates to or is capable of being used in the Company’s business, and to assign relevant rights to the Company in respect of the same.

- (d) Peter Edwards has been employed by the Company since November 2007 as Head of Research and Development. The Board intends to appoint Mr Edwards as an additional director of the Company within two months of Admission, although no specific date has been set for such appointment. Mr Edwards’ employment is terminable by him or the Company giving the other party three months’ notice in writing, and is otherwise terminable by the Company summarily without notice or payment in lieu in certain circumstances, including breach of confidentiality obligations, long-term illness or injury or gross misconduct. The current annual salary payable to Mr Edwards is £87,500 which will increase to £95,000 from 1 March 2011, conditional on Admission. The Company contributes twice Mr Edwards’ contribution to a group personal pension scheme (up to a maximum of 7.5 per cent. of basic salary). Mr Edwards is entitled to participate in an executive bonus scheme paying up to 30 per cent. of basic salary, conditional upon the achievement of certain personal and company targets. Mr Edwards is otherwise subject to the Employment Terms summarised in paragraph (c) above.
- (e) Malcolm Bateman has been engaged by the Company since September 2006 as a part-time financial controller in accordance with a consultancy agreement. Mr Bateman’s engagement is terminable by either party giving the other four weeks’ written notice, and is otherwise terminable by the Company by written notice with immediate effect in certain circumstances including Mr Bateman’s gross misconduct, long-term sickness or injury or bankruptcy. Mr Bateman receives a daily gross pay rate of £360, which will increase to £380, conditional on Admission, together with reasonable travelling and out-of-pocket expenses properly incurred in the course of his duties. He provides his services to the Company for an average of 2 working days per week during the course of a year. Pursuant to the agreement, Mr Bateman is required to disclose intellectual property rights created, discovered or devised during the course of providing his services to the Company and that relate to the business of the Company or are actually or potentially useful to the business of the Company, and to hold the same on trust for the Company and assign relevant rights to the Company in respect of the same. Mr Bateman is subject to customary obligations regarding the Company’s

confidential information, and shall not undertake any other activities during the term of his engagement with the Company that may materially interfere with or detract from his duties.

The Board intends to appoint Mr Bateman as an additional director of the Company within two months of Admission, although no specific date has been set for such appointment. Mr Bateman will enter into a contract of employment with the Company in connection with such appointment at the relevant time. This contract is anticipated to be on the basis of an average three days per week to be increased as and when the Company's needs dictate. Mr Bateman will also be entitled to participate in the Company's group personal pension scheme.

- (f) Peter Selway was appointed non-executive director of the Company in April 2002 and has been engaged by the Company as a consultant since September 2002 in accordance with a consultancy agreement to advise in the field of the commercial development and exploitation of technology relating to microengineered devices and systems. Mr Selway's engagement is terminable by either party giving the other one month's written notice, and is otherwise terminable by the Company by written notice with immediate effect in certain circumstances including Mr Selway's gross misconduct, long-term sickness or injury or bankruptcy. Mr Selway receives annual fees of £9,360 for his services, together with reasonable travelling and out-of-pocket expenses properly incurred in the course of his duties, and provides his services to the Company for up to 4 working days per month. Pursuant to the agreement, Mr Selway is required to disclose intellectual property rights created, discovered or devised during the course of providing his services to the Company and that relate to the business of the Company or are actually or potentially useful to the business of the Company, and to hold the same on trust for the Company and assign relevant rights to the Company in respect of the same. Mr Selway is subject to customary obligations regarding the Company's confidential information, and shall not undertake any other activities during the term of his engagement with the Company that may materially interfere with or detract from his duties (it being acknowledged that Mr Selway's teaching and research activities for Imperial College London are not affected by his engagement with the Company). Mr Selway is prohibited from: (i) being employed, engaged or interested in a business in competition with the Company during the term of his engagement and for 3 months thereafter; (ii) soliciting business from customers of the Company during the term of his engagement and for 6 months thereafter; (iii) soliciting employees of the Company during the term of his engagement and for 6 months thereafter.

Mr Selway sits on the Board's audit and remuneration committees and chairs the latter.

- (g) Andrew Holmes and the Company entered into a consultancy agreement on 1 April 2006, pursuant to which Prof. Holmes makes available all his expertise and knowledge in connection with the business of the Company as reasonably required by the Company. Prof. Holmes is a member of the Board and is company secretary. The Company pays Prof. Holmes an annual consulting fee of £15,600, payable monthly in arrears, and reasonable out-of-pocket expenses incurred in the course of his duties under the agreement. The agreement with Prof. Holmes is terminable by the Company on three months' notice and with immediate effect in certain circumstances including dishonesty, breach, bankruptcy or long-term sickness or injury on the part of Prof. Holmes. Pursuant to the agreement, Prof. Holmes is required to disclose improvements, inventions or discoveries made during the course of providing his services to the Company or otherwise in relation to existing intellectual property rights of the

Company and that relate directly or indirectly to the business of the Company, and to hold the same on trust for the Company and assign relevant rights to the Company in respect of the same. Prof. Holmes is subject to customary obligations regarding the Company's confidential information, and to non-compete and non-solicitation restrictions during the term of his appointment and for 6 months thereafter.

- (h) James Ramage was appointed non-executive director of the Company pursuant to a letter of appointment dated 21 June 2010. His appointment is terminable by either party on giving three months' notice to the other, and (i) is terminable by the Company immediately on notice should Dr. Ramage be unable to carry out his obligations for a continuous period of 12 weeks or more due to illness or accident; and (ii) terminates immediately in certain circumstances, including Dr. Ramage's removal as director in general meeting or by the other Directors, resignation, breach of duty and fraud. Pursuant to the letter of appointment Dr. Ramage is to undertake usual non-executive director duties and to attend a minimum of 6 Board meetings per annum and Board committee meetings. Dr. Ramage sits on the Board's audit and remuneration committees. Dr. Ramage is entitled to receive fees of £10,000 per annum and to reasonable out of pocket expenses including travel. Dr. Ramage is not permitted to be engaged with, concerned in or interested in, a business in competition with the Company without the Board's prior written consent during the term of the agreement and is subject to customary obligations regarding the Company's confidential information. Pursuant to his letter of appointment, Dr. Ramage is required to disclose improvements, inventions or discoveries made during the course of providing his services to the Company or otherwise in relation to existing intellectual property rights of the Company, and to hold the same on trust for the Company and assign relevant rights to the Company in respect of the same.

- 7.2 The Board considers that the levels of executive and non-executive board remuneration are below those typical in companies admitted to trading on AIM. The Board proposes no increases in remuneration for directors in 2011 save as set out in paragraph 7.1 of this Part 5, but will consider raising remuneration levels as the Company's commercial success and finances allow.
- 7.3 No Director is entitled to receive any benefits upon termination of his service agreement or letter of appointment other than salary and benefits accrued on the date of such termination.
- 7.4 The Company operates an annual performance-based bonus scheme for its executive directors and senior management. The remuneration committee of the Board makes recommendations as to the award of any such bonus payments.
- 7.5 Except as disclosed in this paragraph 7, there are no existing or proposed service agreements or consultancy agreements between any Director and the Company, whether providing for benefits upon termination of employment or otherwise, and no such agreements have been entered into, replaced or amended within the six months preceding the date of this document.

8. EMPLOYEES

The Company employs 19 full-time staff (including executive Directors) in the areas of research and development, product development, sales and marketing and management and operations, and engages the services of consultants and part-time staff from time to time as and when required.

The average numbers of employees during the years ended 31 May 2008, 31 May 2009 and 31 May 2010 was 19, 20 and 20 respectively and the average number of employees during the period ended 31 December 2010 was 20.

9. MATERIAL CONTRACTS

The Company has entered into the following contracts, not being contracts entered into in the ordinary course of business, in the two year period preceding the publication date of this document which are material to the Company and at any other time under which the Company has any obligation or entitlement which is material to the Company:

9.1 Contracts relating to Admission and the Placing

(a) *Placing Agreement*

A placing agreement, dated 1 April 2011, between the Directors, the Company and Numis pursuant to which the Numis has agreed to use reasonable endeavours to procure places to acquire 12,500,000 New Shares at the Placing Price as agent for the Company. In the event that Numis does not procure places to subscribe for at least 8,281,250 New Shares (the “**Underwritten New Shares**”) it shall itself subscribe as principal at the Placing Price for such number of New Shares as is equal to the total number of Underwritten New Shares less the number of New Shares for which places have been procured.

Under the terms of the agreement, the Company has agreed to pay to Numis: (i) a corporate finance fee of £250,000; (ii) a placing commitment commission of £150,000; and (iii) an underwriting commission of 0.75 per cent. of the gross proceeds of the Underwritten New Shares. All such sums are exclusive of VAT.

The agreement is conditional on, *inter alia*, Admission becoming effective on or before 11 April 2011 or such later time as the Company and Numis agree being, in any event, not later than 9 May 2011. Under the agreement, the Company and the Directors have given certain warranties (which, so far as the Directors are concerned, are limited in terms of the amount of liability) and undertakings, *inter alia*, as to the accuracy of this document, and the Company has given certain indemnities, in each case that are customary in an agreement of this kind. The agreement may be terminated by Numis (at its absolute discretion) if certain conditions are not satisfied or in certain other circumstances, including certain force majeure events.

(b) *Nominated Adviser and Broker Agreement*

A nominated adviser agreement, dated 5 April 2011, between Numis, the Company and the Directors pursuant to which Numis has agreed to act as nominated adviser and broker to the Company following Admission. The Company has agreed to pay Numis an annual retainer, of £50,000 in the first year, £60,000 in the second year and £70,000 in the third year of such appointment, for its services rendered in connection with such appointment. Under the agreement, the Company and the Directors have given customary undertakings and commitments in favour of Numis, and the Company has given customary indemnities in favour of Numis. The agreement may be terminated by either party giving one month’s written notice to the other following an initial twelve-month period.

(c) *Lock-in and Orderly Market Deeds*

(i) A lock-in and orderly marketing deed dated 5 April 2011 between the Company, Numis and each of the Directors, other “related parties” and “applicable employees”, as such terms are defined in the AIM Rules for Companies for the purposes of Rule 7 thereof, and certain employees and former employees of the Company (together, the “**Management Covenantors**”), pursuant to which the Management Covenantors have agreed with Numis and the Company that they will not (save in certain specific circumstances) dispose of, or agree to dispose of, any Ordinary Shares or interest in Ordinary Shares, for a period ending on the first anniversary of Admission. In addition, the Management Covenantors

have agreed, except in limited circumstances, not to dispose of their Ordinary Shares other than through Numis for a further period of one year thereafter.

The Management Covenantors hold 15,309,680 Ordinary Shares at the date of this document (representing approximately 61.20 per cent. of the Existing Ordinary Shares and approximately 40.81 per cent. of the Enlarged Issued Share Capital).

- (ii) Lock-in and orderly marketing deeds dated between 11 March 2011 and 5 April 2011 between the Company and Numis and each of the following shareholders: Imperial Innovations Businesses LLP, Mr Nigel William Wray, RBC Trustees (CI) Limited (P0608), JM Finn Nominees Limited, Majedie Investments plc, Giltspur Nominees Limited and Numis Corporation plc (together, the “**Covenantors**”), pursuant to which the Covenantors have agreed with Numis and the Company that they will not (save in certain specific circumstances) dispose of, or agree to dispose of, any Ordinary Shares or interest in Ordinary Shares, for a six-month period following Admission.

The Covenantors are expected to hold 5,447,380 Ordinary Shares following Admission (representing approximately 21.78 per cent. of the Existing Ordinary Shares and approximately 14.52 per cent. of the Enlarged Issued Share Capital).

9.2 Contracts relating to the 2010 Placing

- (a) In connection with a placing of new ordinary shares of £0.01 each in the capital of the Company to existing and new investors in the Company that was completed in March 2010, Numis and the Company signed an engagement letter dated 13 April 2010. Pursuant to the engagement letter, Numis agreed to provide assistance to the Company in connection with investor relations, marketing and project management of the placing in consideration of a corporate finance fee of £76,050 payable as to £4,875 in cash and as to £71,175 by the issue to Numis of 365 ordinary shares of £0.01 each in the capital of the Company.

9.3 Other material contracts

- (a) ***Investor Rights Agreement***

The Company entered into an investor rights agreement (the “**Investor Rights Agreement**”) on 11 May 2006 with each of its then directors, Imperial Innovations Limited (“**Innovations**”) and Numis, in its capacity as shareholder representative of investors who participated in a placing of new shares in the capital of the Company that completed on 24 May 2006.

Pursuant to the Investor Rights Agreement, which will terminate automatically on Admission, each of Richard Syms, Andrew Holmes and Eric Yeatman shall be entitled, for as long as he holds 5 per cent. or more of the issued share capital of the Company, to require the appointment of any person as director of the Company (and the removal of such person).

Innovations is also entitled, pursuant to the Investor Rights Agreement, to require the appointment of any person as director of the Company (and the removal of such person) for as long as they hold 5 per cent. or more of the issued share capital of the Company. Peter Selway was appointed as director of the Company in 2001 as Innovations’ appointee.

The Investor Rights Agreement further provides that the overall direction, supervision and management of the Company shall be the responsibility of its Board. The agreement, however, sets out a number of matters that require the prior written consent of shareholders holding 80 per cent. or more of the total issued share capital,

including not less than 75 per cent. of the investors who participated in the May 2006 placing (“**Prior Consent**”), including a number of matters for which Prior Consent was obtained in connection with the Placing and Admission.

(b) ***Numis Option Agreement***

On 11 May 2006, the Company granted Numis Securities Limited, for a consideration of £1, a right (the “**Numis Option**”) to subscribe for “Option Shares” at £1,167.77 per “Option Share” subject to the terms of the Numis Option Agreement. The number of Option Shares over which the Numis Option is exercisable is such number of Ordinary Shares as is equal to 1 per cent. of the issued share capital of the Company at the time at which the Numis Option is exercised less any shares issued by the Company for the sole purpose of funding any consideration payable in respect of a company or business acquisition by the Company (the “**Unexercised Percentage**”). The Numis Option is exercisable in whole or in part, and the Unexercised Percentage shall be reduced accordingly in the event of partial exercise.

The Numis Option is exercisable at any time during the period commencing on 11 May 2006 and ending on the earlier of: (i) 24 May 2013; and (ii) the 2nd anniversary of Admission. In the event of any variation of share capital of the Company, the number of Option Shares and/or the exercise price of the option is to be adjusted by the Company’s auditors on a fair and reasonable basis. In this regard, Saffery Champness in their capacity as the Company’s auditors, confirmed by letter dated 1 April 2011 that the exercise price of the Numis Option would be adjusted to £1.0067 per Ordinary Share in connection with the Reorganisation.

10. TAXATION

10.1 General

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this document. The comments apply to Shareholders who are resident and ordinarily resident for tax purposes in the UK (except in so far as express reference is made to the treatments of non-UK residents) who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident shareholders should consult their own tax advisers.

The position of Shareholders who are employees of the Company is not considered in this section as employee Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

10.2 Taxation of chargeable gains made by shareholders

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor, in the case of individuals, ordinarily resident in the UK.

Individuals

Where an individual Shareholder disposes of the Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£10,100 for 2010/11) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's income and gains are less than the upper limit of the income tax basic rate band (currently £37,400 after the personal allowance, subject to any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the annual exempt amount (currently £5,050 in 2010/11) will be charged at a flat rate of 28 per cent.

Where a Shareholder disposes of the Ordinary shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains.

Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 28 per cent.). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

10.3 Taxation of dividends

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

Individuals

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e the net dividend received plus a notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band (currently £37,400, after the personal allowance, subject to any gift aid payments made) will be subject to dividend income tax at the rate of 10 per cent., so that such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income exceeds £37,400, after the personal allowance of £6,475, and pay income tax at 40 per cent.) will be subject to dividend income tax at 32.5 per cent. After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000, after the personal allowance of £6,475, and pay income tax at 50 per cent.) will be subject to dividend income tax at 42.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 36.11 per cent. on the net dividend received.

Dividends payable to trustees and personal representatives of deceased persons will be subject to dividend income tax at 42.5 per cent.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or part of it) from the Revenue.

Companies

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. United Kingdom resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to payment in cash of the tax credit.

10.4 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

There is no stamp duty or SDRT on the issue of shares.

A sale of shares will generally be subject to ad valorem stamp duty at the rate of 0.5 per cent. rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.

When Ordinary Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.

When Ordinary Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will generally be payable.

Where a change in beneficial ownership of Ordinary Shares held in uncertificated form occurs and such change is for consideration in money or money’s worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

10.5 Inheritance Tax

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax (“IHT”) on the value of any Ordinary Shares

held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the shareholder, on any gifts made during the seven years prior to the death of the shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief (“BPR”) may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company’s shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

10.6 Venture Capital Schemes generally

HMRC has granted the Company provisional assurance, on the basis of information supplied, that the New Shares should be eligible for EIS purposes, subject to the submission of the relevant claim form in due course. Such a claim by the Company does not guarantee EIS qualification for an individual, whose claim for relief will be conditional upon his or her own circumstances and is subject to holding the shares throughout the relevant three year period. In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to those shares.

On the basis of information provided to HMRC, HMRC has given provisional confirmation that the Company will comply with the requirements of Part 5 of the Income Tax Act 2007 and that the Ordinary Shares will be eligible shares for the purposes of the VCT Scheme. The status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, upon the Company continuing to satisfy the relevant requirements.

It is the Directors’ intention that the Company will continue to meet the Venture Capital Scheme provisions so that it continues to be a qualifying company for these purposes. However, the Directors cannot give any warranty or undertaking that the Company will continue to meet the conditions, including in the event that the Directors believe that the interests of the Company are not best served by preserving the Venture Capital Scheme status, or as a result of changes in legislation.

10.7 EIS

The following provides an outline of the EIS tax reliefs available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor in relation to their own particular set of personal circumstances.

In summary, EIS relief may be available where a qualifying company issues new shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.

EIS income tax relief is available to individuals only – the relief is 20 per cent. of the amount subscribed for EIS shares to be set against the individual’s income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £500,000 in EIS subscriptions per tax year. This relief can be ‘carried back’ one tax year. This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription. It was announced, as part of the budget on 23 March 2011, that the income tax relief for EIS investors will increase from 20 per cent. to 30 per cent. in respect of shares issued on or after 6 April 2011. This proposed increase is subject to EU state aid approval and assuming the changes announced in the budget are enacted in the Finance Act as described.

Very broadly, an individual is connected with the issuing company if he is an employee or director or has an interest in more than 30 per cent. of the Company's ordinary share capital.

Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year.

Individuals and trustees who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the company (as outlined above) to obtain capital gains tax deferral relief.

10.8 Summary

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his or her tax position, who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

11. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

12. LITIGATION

The Company is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this document, which have had in the recent past, or may have, significant effects on the Company's financial position or profitability.

13. RELATED PARTY TRANSACTIONS

As far as the Directors are aware, there have been and are currently no agreements or other arrangements between the Company and individuals or entities that may be deemed to be related parties, for the period from 1 June 2007 until the date of this document.

14. INFORMATION ON HOLDINGS

The Company does not hold a proportion of capital in any undertakings which are likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

15. SIGNIFICANT CHANGE

15.1 Net expenditure incurred and estimated by the Directors to be incurred in the ordinary course of business will result in the Company's net cash balance decreasing from £674,212 on 31 December 2010 to approximately £396,000 on 31 March 2011. The Directors estimate that the Company's net cash balance immediately following Admission will be £3.57 million, taking into account further net expenditure to be incurred by the Company between 31 March 2011 and the date of Admission and the proceeds of the Placing net of the estimated expenses referred to in paragraph 17.1 of this Part 5.

15.2 Save as disclosed in paragraph 15.1 of this Part 5, there has been no significant change in the financial or trading position of the Company since 31 December 2010 being the end of the last financial period for which audited financial information has been published.

16. MANDATORY BIDS, SQUEEZE-OUT AND SELL OUT RULES

16.1 Mandatory bid

The Takeover Code will apply to the Company from Admission. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of The Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

16.2 Squeeze-out

Under the 2006 Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it would compulsorily acquire their Ordinary Shares. Six weeks later, it would be entitled to execute a transfer of the outstanding Ordinary Shares to it and pay the consideration to the Company, which would hold it on trust for outstanding shareholders. The consideration offered to the shareholders whose Ordinary Shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

16.3 Sell-out

The 2006 Act would also give minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held (or had agreed to acquire) not less than 90 per cent. of the shares, any shareholder to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Ordinary Shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on those rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period under the offer. If a shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

17. GENERAL

17.1 Assuming Admission takes place, the total costs and expenses payable by the Company in connection with Admission and the Placing (including professional fees, the cost of printing and the fees payable to the Company's legal and other professional advisers) are estimated at approximately £769,000, including irrecoverable VAT.

17.2 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with the Company) has:

- (a) received, directly or indirectly, from the Company, within the twelve months preceding the Company's application for Admission; or

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- (b) entered into any contractual arrangement (not otherwise disclosed in this document), to receive, directly or indirectly, from the Company on or after Admission, any of the following:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.3 The information in this document that has been sourced from a third party has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no material facts have been omitted which would render the reproduced information inaccurate or misleading. These sources include SDI.
- 17.4 The accounting reference date of the Company is 31 December. The auditors of the Company for each of the financial years ended 31 May 2008, 31 May 2009 and 31 May 2010, and for the seven month period ended 31 December 2010, were Saffery Champness of Lion House, Red Lion Street, London WC1R 4GB, a member of the Institute of Chartered Accountants in England and Wales.
- 17.5 Saffery Champness has given and not withdrawn its written consent to the inclusion of its name, and its report in Part 4 of this document, each in the form and in the context in which they are included, and has authorised the contents of its report for the purposes of Schedule 2 of the AIM Rules for Companies.
- 17.6 Numis has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and in the context in which they appear.
- 17.7 Save as set out in this document, the Directors are not aware of any patents or intellectual property rights, licences or industrial, commercial or financial contracts or new technological processes which may be of material importance to the Company's business or profitability.
- 17.8 The Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 17.9 There have been no takeover offers (within the meaning of Part 28 of the 2006 Act) by third parties for any of the Company's Ordinary Shares during the last financial year and the current financial year.
- 17.10 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the financial year ending 31 December 2011.

18. AVAILABILITY OF DOCUMENT

A copy of this document will be available, free of charge, during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered office of the Company from the date of this document for a period of one month from the date of Admission. A copy of this document is also available free of charge on the Company's website www.microsaic.com

5 April 2011

