Microsaic Systems plc
Annual Report 2011

compact analysis™

Microsaic Systems

CONTENTS

	Page
Company information and advisers	2
Chairman's and Chief Executive's statement	3
Directors' report	5
Corporate governance report	10
Independent auditors' report	13
Statement of comprehensive income	15
Statement of changes in equity	16
Statement of financial position	17
Statement of cash flows	18
Notes to the financial statements	19
Notice of annual general meeting	37

Introduction to Microsaic Systems

Microsaic Systems develops and sells chip-based scientific instruments for the chemical identification of substances. The Company's products are based on the 'gold-standard' scientific technique of mass spectrometry.

Microsaic Systems has developed a miniaturised mass spectrometer based on its patented, chip-based technologies (ionchip®, spraychip® and vac-chip™), that is smaller, lighter, quieter, more energy efficient and cheaper to run than conventional mass spectrometer systems.

Mass spectrometry is used across many industry sectors, including government, energy, utilities, pharmaceutical, diagnostics and healthcare, environmental, food and drink, security and defence, and industrial chemicals – a combined market of $3.3 billion in 2010.

Microsaic Systems was established in 2001 by a team including founders from Imperial College London, and was admitted to AIM in April 2011 under the symbol MSYS.

COMPANY INFORMATION AND ADVISERS

Directors	C J Nicholl	*Chairman*
	E M Yeatman	*Chief Executive Officer*
	M R Bateman	
	P I T Edwards	
	A S Holmes	
	P R Selway	
	J C Ramage	
Company secretary	A S Holmes	
Company number	3568010	
Company website	www.microsaic.com	
Registered office	GMS House Boundary Road Woking Surrey GU21 5BX	
Auditors	Saffery Champness Chartered Accountants Lion House Red Lion Street London WC1R 4GB	
Bankers	HSBC Bank plc 95 Gloucester Road London SW7 4SX	
Solicitors	Dorsey & Whitney (Europe) LLP 21 Wilson Street London EC2M 2TD	
Nominated adviser and broker	Numis Securities Limited The Stock Exchange Building 10 Paternoster Square London EC4M 7LT	
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Financial PR	Citigate Dewe Rogerson Limited 3 London Wall Buildings London Wall London EC2M 5SY	

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT
For the year ended 31 December 2011

We are pleased to present our first annual report as a public company.

The year 2011 has been a momentous one for Microsaic Systems, one in which the Company has taken significant steps in its evolution, and recorded a number of important commercial and technological achievements. The Company launched its first major product, began manufacturing and direct product sales, and took substantial steps towards volume sales through OEM (Original Equipment Manufacturer) channels.

In January 2011, we launched our 3500 MiD product at Lab Automation 2011 in Palm Springs, USA, a major trade fair for laboratory instruments. The 3500 MiD is a breakthrough product in mass spectrometry – the method of choice for analysing the chemical composition of liquids, solids and gases – and represents the culmination of over a decade of research and development by the Company. Mass spectrometers provide unrivalled accuracy in detection, but are not applied in many major laboratories and production facilities because of their excessive size, cost, and support requirements. The 3500 MiD is the first compact mass spectrometer for liquid analysis; its advantages in size, power consumption, and ease of use and maintenance make it suitable as a personalised tool for chemists in the pharmaceutical and other industries, rather than as a centrally provided service as mass spectrometers have been conceived until now. The revolutionary nature of our product was recognised at Lab Automation by its winning the prestigious New Product Award.

Following this product launch and our other marketing activities, customer interest in the product has rapidly developed, and we have been able to build initial relationships with six potential OEM partners. Our strategy to achieve volume sales is to establish OEM relationships with market leaders in a number of parallel application areas, giving us access to their established sales channels while giving them a compelling addition to their product ranges. Following initial negotiations, and demonstrations at our premises, two of these potential partners ordered and took delivery of 3500 MiD systems and have since conducted successful trials at their own facilities. Two others have commissioned development work from us to adapt the system to their needs, and in both cases initial feasibility work was successfully concluded and further work has been commissioned and commenced. A fifth will take delivery of a system shortly.

Our direct sales strategy has also made important advances. In August we appointed a sales and marketing manager, Samantha Dunnage, and have since added staff in our customer support and application development functions. We have carried out demonstrations of the 3500 MiD at the facilities of a number of key lead customers, have received our first direct sales orders, and have delivered systems to customers in the UK, US and continental Europe. Overall, enthusiasm for the product is very high, and our sales leads continue to grow.

The focus for our product development has been on robustness, reliability and manufacturability. We have made significant improvements in product manufacturing during the year, as well as enhancements to hardware and software to meet specific customer requirements and applications. The Company also received CE certification for the 3500 MiD.

The Company took up occupation of additional premises during July to meet our requirement for expanded manufacturing capacity. The premises were fitted out and are now in use. As planned, the next phase of manufacturing outsourcing has commenced with subcontracting of electronic assemblies and other modules. The production process is completed with final system assembly and testing in our Woking facility.

The Company continued to strengthen its portfolio of intellectual property protecting its core technology assets with a total of five patents granted during the period, including three US patents. This takes the total number of patents granted to 45, with 48 pending.

A major milestone for Microsaic in 2011 was our admission to AIM in April, and our associated fundraising. We were pleased with the response of the market to our initial public offering, and are grateful for the consistent support shown by our shareholders then and since.

In December our previous CEO Alan Finlay stepped down. Alan played a major role in the Company's development and success to date, and the Board would like once again to express its great appreciation for his contribution. We also take this opportunity to express our thanks to Peter Selway, who after 11 years as non-executive Director will be retiring during the current financial year.

Microsaic's technology remains unique in the marketplace – no comparable product has emerged from competitors, and the need for our highly deployable systems is more compelling than ever. With the 3500 MiD, 2011 saw a truly personal mass spectrometer introduced to the market for the first time. The Board believes 2012 will see the Company begin to deliver this capability to users in greater quantities.

Financial results

In April 2011 the Company re-registered as a public limited company and was admitted to AIM, a market of the London Stock Exchange. The preparations for listing involved a capital reconstruction. A bonus issue of 289 ordinary shares of 1p was made for each 1p ordinary share held, followed by a subdivision of each 1p ordinary share into four ordinary shares of 0.25p each. A capital reduction resolution was passed by the shareholders at the same time which enabled the remaining balance on the share premium account to be transferred to retained earnings.

As part of the admission, which was the first to be achieved by a technology business in 2011, the Company raised £4 million gross of new funds. The Board was delighted with the response to the offer from new institutional investors as well as from existing shareholders. Costs of the share issue and flotation amounted to £755,005.

The 2011 results reflect the activities undertaken during the year, including the Company's admission to AIM. The loss for the year after tax was £1,899,253 (7 months to 31 December 2010: £806,632) on revenues of £267,999 (7 months to 31 December 2010: £196,737).

Revenue for the year comprised initial product sales revenue for the 3500 MiD and development funding from contracts with our partners and grant-funded projects. Our focus in 2011 has been on product development and building a sales pipeline, and therefore grant-funded project activity has decreased from 2010 levels. Investment in product development was increased, primarily on our first generation products and software, but also on future products. Research and development expenditure for the year was £1,314,851.

Operating expenditure was £1,090,718 for the year and reflects increased marketing expenditure as we unveiled the product at several trade fairs and recruited staff to assist with product applications and sales. Following the Company's listing there has also been a rise in administrative spend to support its status as a public company.

Following the progress made by the Company to date and the progress anticipated in the near term, the Directors have every expectation of securing suitable additional funding as may be required, and consequently have adopted the going concern basis in preparing the financial statements.

Colin Nicholl
Chairman

Eric Yeatman
Chief Executive Officer

24 April 2012

DIRECTORS' REPORT
For the year ended 31 December 2011

The Directors present their report and audited financial statements for the year ended 31 December 2011.

Change of name

On 1 April 2011 the Company re-registered as a public company and changed its name from Microsaic Systems Limited to Microsaic Systems plc.

Principal activity, business review and business risks

The principal activity of the Company continued to be the research, development and commercialisation of scientific instruments. A review of the business and its prospects is contained within the Chairman's and Chief Executive's statement.

In common with other small companies developing new technologies, the Company is subject to a number of risks and uncertainties, which include:

- The early stage development of the business.
- The technical performance and reproducibility of its products.
- Current operating losses.
- Availability and terms of capital needed for the business.
- Market acceptance of the Company's products.
- Competing products from other companies.
- The ability to protect its intellectual property and defend infringement claims by others.
- Recruitment and retention of requisite skills and personnel.
- The economic environment and recessionary effects.
- The ability of the Company to generate sufficient revenue from the sale of its products.

The ongoing performance of the Company is managed and monitored using a number of key performance indicators, both financial and qualitative. In terms of financial performance, the Company does not currently generate profits and utilises cash for its operational activities. The forecasting and monitoring of the Company's cash resources is therefore critical in terms of the efficient allocation of those resources and in predicting future cash requirements. A key feature of the Company's internal management reporting is therefore the emphasis placed on operational cash spend by category and against forecast, which is monitored at both management and Board level on a monthly basis. The Company's net cash used in operating activities for the year ended 31 December 2011 was £2,033,144 (7 months to 31 December 2010: £534,448) and the loss for the year after tax was £1,899,253 (7 months to 31 December 2010: £806,632). Forecasts are updated on a regular basis to take account of changing circumstances in the business.

In terms of the Company's wider performance, the progress of its research and development programmes are reviewed against key qualitative milestones on a monthly basis to the Board. The more detailed aspects of these programmes are also discussed and monitored through separate project reviews. Research and development programmes are planned and executed against identified objectives which feed into the Company's product pipeline.

Financial risks

The main financial risks arising from the Company's activities concern liquidity, credit, currency and interest rate, however the Company is currently debt free. The Board oversees the management of these risks which are explained in note 23 to the financial statements.

Accounting reference date

The current reporting period is the year ended 31 December 2011 and the previous reporting period was the seven months ended 31 December 2010. Therefore the amounts presented in the financial statements for current and prior periods are not entirely comparable.

Results and dividends

The results for the Company are given in the statement of comprehensive income set out on page 15. The Directors do not recommend the payment of a dividend (2010: nil).

Directors

The following Directors have held office since 1 January 2011:

C J Nicholl

E M Yeatman

A P Finlay *(resigned 7 December 2011)*

M R Bateman *(appointed 1 June 2011)*

P I T Edwards *(appointed 1 June 2011)*

A S Holmes

P R Selway

J C Ramage

All the Directors were reappointed at the annual general meeting on 22 June 2011.

Directors' remuneration

	Salaries and fees £	Other payments £	Pension contributions £	Year to 31 December 2011 Total £	7 months to 31 December 2010 Total £
C J Nicholl	13,520	–	–	**13,520**	7,887
E M Yeatman	15,600	–	–	**15,600**	9,100
A P Finlay*	89,750	41,200	5,898	**136,848**	58,988
M R Bateman**	34,096	–	1,482	**35,578**	–
P I T Edwards**	55,417	–	4,156	**59,573**	–
A S Holmes	15,600	–	–	**15,600**	9,100
P R Selway	9,360	–	–	**9,360**	5,460
J C Ramage	10,000	–	–	**10,000**	5,833
	243,343	41,200	11,536	**296,079**	96,368

* to 7 December 2011

** from 1 June 2011

The elements of the Executive Directors' remuneration packages are set by the Remuneration Committee and comprise an annual salary, a discretionary annual bonus paid in accordance with a scheme developed by the Remuneration Committee taking into account individual contributions and business performance and progress, and share options to subscribe for ordinary shares subject to service and/or performance conditions.

Directors' share options

Share options for the Company's ordinary shares held by the Directors during the year:

	At 1 January 2011 Number	*Adjusted in the year Number	Exercised in the year Number	At 31 December 2011 Number	*Exercise price pence	Exercise period
C J Nicholl	100	115,900	–	**116,000**	43.1	24 May 2009 – 24 May 2013
	100	115,900	–	**116,000**	43.1	24 May 2009 – 24 May 2014
	100	115,900	–	**116,000**	43.1	24 May 2009 – 24 May 2015
A P Finlay	640	741,760	742,400	**–**	0.306	11 Apr 2011 – 15 Oct 2014
	225	260,775	130,500	**130,500**	0.292	11 Apr 2011 – 31 Mar 2012
	100	115,900	–	**116,000**	129.31	11 Apr 2011 – 20 Feb 2018
	16	19,317	–	**19,333**	25.86	3 Dec 2012 – 3 Dec 2020
	34	38,633	–	**38,667**	25.86	3 Dec 2013 – 3 Dec 2020
M R Bateman	35	40,565	–	**40,600**	129.31	1 Dec 2010 – 20 Feb 2018
	16	19,317	–	**19,333**	25.86	3 Dec 2012 – 3 Dec 2020
	34	38,633	–	**38,667**	25.86	3 Dec 2013 – 3 Dec 2020
P I T Edwards	165	191,235	–	**191,400**	129.31	11 Apr 2011 – 20 Feb 2018
	67	77,266	–	**77,333**	25.86	3 Dec 2012 – 3 Dec 2020
	133	154,534	–	**154,667**	25.86	3 Dec 2013 – 3 Dec 2020
	1,765	2,045,635	872,900	**1,174,500**		

*The number of share options and exercise prices were adjusted in accordance with the option scheme rules following the variation in the Company's share capital in the year.

A P Finlay exercised 742,400 options at the exercise price of 0.306p and 130,500 options at the exercise price of 0.292p on 25 July 2011 retaining the shares. The share price on that day was 26p.

The share price on 11 April 2011, the date of admission to AIM, was 32p and on 31 December 2011 was 30p, with a high and low during the period of 45p and 24p respectively.

Directors' interests

The Directors' interests in the shares of the Company at 31 December 2011:

	Ordinary shares of 0.25p each at 31 December 2011 Number	%	Ordinary shares of 1p each at 31 December 2010 Number	%
C J Nicholl	**2,378,000**	**6.15**	2,050	9.51
E M Yeatman	**3,097,200**	**8.01**	2,670	12.38
A P Finlay	**n/a**	**n/a**	2,019	9.36
M R Bateman	**–**	**–**	n/a	n/a
P I T Edwards	**–**	**–**	n/a	n/a
A S Holmes	**2,888,400**	**7.47**	2,490	11.55
P R Selway	**382,800**	**0.99**	330	1.53
J C Ramage	**148,480**	**0.38**	128	0.59
	8,894,880	**23.00**	9,687	44.92

The changes made to the Company's share capital in the year are described in note 16 to the financial statements.

Significant shareholdings

Shareholders, excluding Directors, having a beneficial interest of 3% or more of the Company's shares as at 31 December 2011:

	Ordinary shares of 0.25p each at 31 December 2011 Number	%
R R A Syms	3,735,200	9.66
BlackRock Investment Management	3,690,625	9.54
A P Finlay	3,214,940	8.31
Fidelity Investments	3,154,400	8.16
J M Finn Nominees	2,420,270	6.26
N W Wray	2,103,800	5.44
Octopus Investments Nominees	2,025,194	5.24
Herald Investment Trust	1,350,000	3.49
Amati Global Investors	1,287,172	3.33

Employees

The Company regards the expertise and contributions of its employees as crucial to the future success of the business.

The Company operates approved and unapproved share option schemes as a means of encouraging ownership and aligning interests of staff and external shareholders. There were 284,200 share options exercised by Company employees (excluding Directors) during the year. As at 31 December 2011 there were 382,800 share options held by employees (excluding Directors) for the Company's ordinary 0.25p shares, with an average exercise price of 19.8p.

Health and safety and the environment

The Company is committed to providing a safe environment for its staff and other parties for whom it has a responsibility. It has set up systems and processes to ensure compliance with health and safety legislation and the Board considers health and safety matters at its regular monthly meetings.

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

Payment of creditors

The Company's policy for payment of suppliers is to agree payment terms in advance of the supply and to adhere to those payment terms. The trade creditors of the Company at the year end as a proportion of amounts invoiced by suppliers during the year represent 43 days (2010: 23 days) purchases.

Directors' indemnity and insurance

The Company has granted an indemnity to its Directors under which the Company will indemnify them, subject to the terms of the deed of indemnity, against all costs, charges, losses, damages and liabilities incurred by them in performance of their duties.

The Company also maintains insurance for its Directors and Officers against the consequences of actions brought against them in relation to their duties for the Company.

Related party transactions

The interests and remuneration of the Directors are shown above. There were no other related party transactions.

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the Company, and a resolution for their reappointment will be proposed at the forthcoming annual general meeting.

Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 2006.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Statement of disclosure to auditors

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

On behalf of the Board

Andrew Holmes
Company Secretary

24 April 2012

Company number 3568010

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2011

As an AIM listed company, Microsaic Systems plc is not required to comply with the UK Corporate Governance Code, a set of recommended corporate governance principles for UK public companies issued by the Financial Reporting Council. However, the Board recognises the value of good governance and complies with the provisions of the UK Corporate Governance Code and the QCA Guidelines so far as is practicable for a company of its size, stage of development and nature.

The Board

During the year the composition of the Board changed with the appointment of Malcolm Bateman (Finance Director) and Peter Edwards (Technical Director), and the resignation of Alan Finlay (Chief Executive Officer). Following the resignation of Mr Finlay, Eric Yeatman has taken on the role of Chief Executive Officer until a permanent replacement is appointed, and Colin Nicholl has taken on the role of Chairman. Biographical details of the current Board members are set out below:

Colin Nicholl, Non-executive Chairman

Colin Nicholl joined the Board of the Company in 2005 and has served as Deputy Chairman 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 Membrane Extraction Technology Limited. He chairs the Board's Audit Committee and sits on the Board's Remuneration Committee.

Eric Yeatman, Chief Executive Officer

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.

Malcolm Bateman, Finance Director

Malcolm Bateman was appointed as Financial Controller to the Company in 2006 and elected to the Board of Directors in May 2011. 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 ten years. Prior to joining RMC Group, Mr Bateman spent six years with the audit practice of Touche Ross & Co., London.

Peter Edwards, Technical Director

Peter Edwards joined the Company as Head of Research and Development in 2007 and was elected to the Board of Directors in May 2011. 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.

Andrew Holmes, Non-executive Director

Andrew Holmes is Professor of Micro-Electro-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

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.

James Ramage, Non-executive Director

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 previously served as a Director and Divisional Managing Director of VG Instruments plc and Fisons plc. Dr Ramage sits on the Board's Audit and Remuneration Committees.

Role of the Board

The Board is responsible, *inter alia*, for strategy, budget, performance, approval of major capital expenditure and the framework of internal controls.

Board processes

The Board has established an Audit Committee and a Remuneration Committee with formally delegated responsibilities to assist with the execution of its responsibilities.

The full Board holds regular meetings on a monthly basis and additional meetings at any other times as may be necessary to deal with any urgent matters that arise. The agenda for Board meetings is prepared in conjunction with the Chairman and submissions are circulated in advance. The Company management team prepares regular reports which allow the Board to assess the Company's activities and review its performance and the Board has clearly specified the levels of authority delegated to management. Members of the Company's management team are regularly involved in Board discussions and Directors are able to have discussions with other employees where appropriate.

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. This includes financial, operational and compliance controls and risk-management systems. Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Composition of the Board

The Board currently comprises seven Directors.

The role of the Chairman is filled by a Non-executive Director.

Directors appointed by the Board are subject to re-election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years.

Conflicts of interest

Directors must keep the Board advised of any interest that could potentially conflict with those of the Company. Where a conflict exists, the Director concerned is not present at the meeting whilst the relevant matter is considered.

Audit Committee

The role of the Audit Committee is documented in its terms of reference which were adopted by the Board of Directors on 31 March 2011.

The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting, corporate control and risk management.

The Audit Committee normally meets at least twice a year and, amongst other things, reviews the annual report and accounts and interim statements with the external auditors. The Committee also approves external auditors' fees and ensures auditors' independence as well as focusing on compliance with legal requirements and accounting standards. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The members of the Audit Committee for 2011 were C J Nicholl (Chairman), P R Selway and J C Ramage. The external auditors, the Chief Executive Officer, Finance Director and other executives may be invited to the Audit Committee meetings at the discretion of the Committee.

The Audit Committee met five times in 2011.

Remuneration Committee

The role of the Remuneration Committee is documented in its terms of reference which were adopted by the Board of Directors on 31 March 2011.

The Remuneration Committee meets as required and at least once a year. Its responsibilities include reviewing the performance of the executive Directors, setting their remuneration levels, determining the payment of bonuses and other benefits and considering the grant of options under the Company share option schemes.

The members of the Remuneration Committee for 2011 were P R Selway (Chairman), C J Nicholl and J C Ramage.

The Remuneration Committee met four times in 2011.

Directors' attendance record

The following table shows the attendance at the meetings of the Board of Directors during the year:

	Meetings held Number	Meetings attended Number
C J Nicholl	14	13
E M Yeatman	14	14
A P Finlay	11	10
M R Bateman	9	8
P I T Edwards	9	9
A S Holmes	14	10
P R Selway	14	12
J C Ramage	14	12

Communications with shareholders

The Board aims to keep shareholders informed of all major developments concerning the Company. Information is communicated as follows:

- The release of announcements, trading updates and interim financial statements through the Regulatory News Service and on the Company's website;
- The annual report and financial statements which are sent to all registered shareholders; and
- Notices of all meetings of shareholders are sent to all registered shareholders.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSAIC SYSTEMS PLC

We have audited the financial statements of Microsaic Systems plc for the year ended 31 December 2011 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company as at 31 December 2011 and of its loss for year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the Company's ability to meet its future working capital needs. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not modified in this respect.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSAIC SYSTEMS PLC – continued

Matters on which we are required to report by exception

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

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

Andrew Arnott
Senior Statutory Auditor

For and on behalf of Saffery Champness
Chartered Accountants
Statutory Auditors

Lion House
Red Lion Street
London WC1R 4GB

24 April 2012

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	Year to 31 December 2011 £	Restated 7 months to 31 December 2010 £
Revenue	5	267,999	196,737
Cost of sales		(1,314,851)	(700,372)
Gross loss		(1,046,852)	(503,635)
Operating expenses		(1,090,718)	(394,877)
Loss from operations	6	(2,137,570)	(898,512)
Finance income	7	28,605	6,752
Loss before tax		(2,108,965)	(891,760)
Tax on loss on ordinary activities	8	209,712	85,128
Total comprehensive loss for the period		(1,899,253)	(806,632)
Loss per share attributable to the equity shareholders of the Company			
Basic and diluted loss per ordinary share	9	(5.47)p	(3.22)p

All operations are continuing operations.

The current reporting period is the year ended 31 December 2011 and the previous reporting period was the seven months ended 31 December 2010. Therefore the amounts presented in the financial statements for current and prior periods are not entirely comparable.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Notes	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
At 1 June 2010		216	4,904,283	–	(3,227,867)	1,676,632
Adjustment for adoption of IFRS		–	–	822,834	(822,834)	–
At 1 June 2010 *restated*		216	4,904,283	822,834	(4,050,701)	1,676,632
Total comprehensive loss for the period		–	–	–	(806,632)	(806,632)
Share based payments – share options		–	–	5,319	–	5,319
At 31 December 2010 *restated*		216	4,904,283	828,153	(4,857,333)	875,319
Bonus issue	16	62,323	(62,323)	–	–	–
Capital reduction	17	–	(4,841,960)	–	4,841,960	–
Shares issued	16	34,142	3,969,258	–	–	4,003,400
Share issue and initial public offering costs		–	(755,005)	–	–	(755,005)
Share options exercised		–	–	(202,121)	202,121	–
Total comprehensive loss for the year		–	–	–	(1,899,253)	(1,899,253)
Share based payments – share options		–	–	21,658	–	21,658
At 31 December 2011		**96,681**	**3,214,253**	**647,690**	**(1,712,505)**	**2,246,119**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	31 December 2011 £	Restated 31 December 2010 £
Assets			
Non-current assets			
Intangible assets	10	137,372	129,942
Property, plant and equipment	11	87,494	103,567
Total non-current assets		224,866	233,509
Current assets			
Inventories	12	149,125	7,307
Trade and other receivables	13	311,441	184,236
Corporation tax receivable		190,000	220,128
Cash and cash equivalents		1,818,319	674,212
Total current assets		2,468,885	1,085,883
Total assets		2,693,751	1,319,392
Equity and liabilities			
Equity			
Share capital	16	96,681	216
Share premium	17	3,214,253	4,904,283
Share option reserve	17	647,690	828,153
Retained earnings		(1,712,505)	(4,857,333)
Total equity		2,246,119	875,319
Current liabilities			
Trade and other payables	14	447,632	444,073
Total equity and liabilities		2,693,751	1,319,392

The notes on pages 19 to 36 form part of these financial statements.

The financial statements were approved for issue by the Board on 24 April 2012.

Eric Yeatman
Chief Executive Officer

Company number 3568010

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Notes	Year to 31 December 2011 £	Restated 7 months to 31 December 2010 £
Loss from operations		(2,137,570)	(898,512)
Amortisation of intangible assets	10	52,463	25,382
Depreciation of property, plant and equipment	11	55,929	42,524
Share based payments		21,658	5,319
(Increase)/Decrease in inventories		(141,818)	2,906
(Increase)/Decrease in trade and other receivables		(127,205)	20,957
Increase in trade and other payables		3,559	266,976
Cash used in operations		(2,272,984)	(534,448)
Taxation received		239,840	–
Net cash used in operating activities		(2,033,144)	(534,448)
Cash flows from investing activities			
Purchases of intangible assets	10	(59,893)	(34,048)
Purchases of property, plant and equipment	11	(39,856)	(15,730)
Interest received		28,605	6,752
Net cash used in investing activities		(71,144)	(43,026)
Cash flows from financing activities			
Proceeds from share issues	16	4,003,400	–
Share issue and initial public offering costs		(755,005)	–
Net cash from financing activities		3,248,395	–
Net increase in cash and cash equivalents		1,144,107	(577,474)
Cash and cash equivalents at the beginning of the period		674,212	1,251,686
Cash and cash equivalents at the end of the period		1,818,319	674,212

1. Accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Following the adoption of the IFRS, the comparative financial information for the period ended 31 December 2010 has been restated. The disclosures required by IFRS 1 concerning the transition from UK GAAP (FRSSE) to IFRS are given in note 27.

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

Revenue recognition

Revenue represents amounts receivable from the sale of goods and services and from development contracts, net of value added tax and 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 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, development and commercialisation of scientific instruments. This is undertaken wholly within the United Kingdom and therefore a segmental analysis of turnover, profits/losses on ordinary activities before tax and net assets has not been presented. The Company is managed on the basis of its performance as a whole and not by any segments.

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 five 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 its estimated useful economic life 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 retirement benefit scheme for its employees. Contributions are charged to the statement of comprehensive income in the period they are payable.

1. Accounting policies – continued

Inventories

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

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 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 Company after deducting all of its liabilities.

1. Accounting policies – continued

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 to the statement of comprehensive 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 is recognised as an expense in the period in which it is incurred.

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

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

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

Share based payments

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

2. Application of new EU endorsed accounting standards, amendments to existing EU endorsed standards and interpretations

New Standards, amendments and interpretations effective in 2011 and relevant to the Company's results

None.

New Standards, amendments and interpretations effective in 2011 not relevant to the Company's results or that do not have a significant impact on the Company's financial statements, other than additional disclosures:

IFRS 1 First Time Adoption of International Financial Reporting Standards (revised)

Amendment clarifies that changes in accounting policies in the year of adoption fall outside of the scope of IAS 8. Amendment permits the use of revaluation carried out after the date of transition as a basis for deemed cost. Amendment permits the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation.

Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS compliant financial statements for the first time.

Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day 1 gains on transactions that occurred before the date of adoption

IFRS 2 Share Based Payments (revised)

This standard clarifies where share based payments must be accounted for in the case of group arrangements. It requires that the entity receiving the goods or services shall account for the equity or cash settled share based payment transaction.

IFRS 3 Business Combinations

Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Clarification on the measurement of non-controlling interests. Additional guidance provided on un-replaced and voluntarily replaced share-based payment awards.

IFRS 7 Financial Instruments: Disclosures

Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading.

IAS 1 Presentation of Financial Statements (revised)

This standard has been amended to cover the classification of convertible instruments between current and non-current and to clarification on the statement of changes in equity.

IAS 24 Related Party Disclosures (revised)

The definition of a related party has been amended to clarify the intended meaning and remove inconsistencies.

IAS 32 Financial Instruments: Presentation (revised)

The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

IAS 34 Interim Financial Reporting (revised)

The standard clarifies disclosure requirements around significant events and transactions including financial instruments.

2. Application of new EU endorsed accounting standards, amendments to existing EU endorsed standards and interpretations – continued

IFRIC 13 Customer Loyalty Programmes

The standard clarifies the intended meaning of the term "fair value" in respect of award credits.

New Standards, amendments and interpretations not yet effective and relevant to the Company's results:

IAS 1 Presentation of Financial Statements – Effective for periods beginning on or after 1 July 2012:

New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.

New Standards, amendments and interpretations not yet effective and not relevant to the Company's results or do not have a significant impact on the Company's financial statements, other than additional disclosures:

IAS 12 Income Taxes – Effective for periods beginning on or after 1 January 2012:

This standard has been amended to introduce the rebuttable presumption than an investment property will be recovered in its entirety through sale.

IAS 19 Employee Benefits – Effective for periods beginning on or after 1 January 2013:

Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.

IAS 27 Consolidated and Separate Financial Statements – Effective for periods beginning on or after 1 January 2013:

Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

IAS 28 Investments in Associates – Effective for periods beginning on or after 1 January 2013:

Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

IFRS 7 Financial Instruments: Disclosures – Effective for periods beginning on or after 1 July 2011:

Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

IFRS 9 Financial Instruments – Effective for periods beginning on or after 1 January 2013:

New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 10 Consolidated Financial Statements – Effective for periods beginning on or after 1 January 2013:

New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 Joint Arrangements – Effective for periods beginning on or after 1 January 2013:

New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. The standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 Disclosure of Interest in Other Entities – Effective for periods beginning on or after 1 January 2013:

New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 Fair Value Measurement – Effective for periods beginning on or after 1 January 2013:

New guidance on fair value measurement and disclosure requirements.

3. Going concern

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.

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the business review on pages 3 to 5.

The Company has been developing its technologies for the market place and as such has been absorbing funds. The Company is now in the early commercialisation phase of its development, and the financing of operations in the future will be from employment of existing cash reserves, revenue from sales of its products and other sources of funding as required.

Initial sales of the products have begun, and the build up of sales enquiries provides confidence over the revenue stream that this will generate. The recent progress made by the Company also gives the Directors confidence that the Company will be able to secure any additional suitable funding as and when required.

Although there remain uncertainties associated with both the amount of sales revenue and the availability of additional equity funding, after considering these and making relevant enquiries, the Directors have a reasonable expectation that the Company will have access to adequate resources to be able to continue in operational existence for at least twelve months from the signing of this report, and consequently they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4. Critical accounting estimates and judgements

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

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

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

Going concern

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. More details are provided in note 3.

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 lives. As the product development programme is still ongoing and the lifetime of the Company's intellectual property is difficult to determine, the Directors have applied a prudent estimate of five years. 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 22.

Research and development tax credits

The Company recognises research and development 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.

5. Revenue

At 31 December 2011, the Company operated in one business segment, that of research, development and commercialisation of scientific instruments. All of the Company's assets are held in the UK and all of its capital expenditure arises in the UK. The revenue of the Company for the period has been derived from its principal activity undertaken in the United Kingdom. Although the Company's operations are solely in the United Kingdom, some of the Company's revenues sourced from other geographic markets and are analysed as follows:

	Year to 31 December 2011 £	7 months to 31 December 2010 £
United States of America	27,108	4,122
United Kingdom and Europe	240,891	192,615
	267,999	196,737

Government grants

Included in the Company's revenue for the year ended 31 December 2011 is £200,090 (7 months to 31 December 2010: £192,615) from UK government grants and european grant funded projects.

In 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 for a research project. Revenue of £311,744 has been recognised to date 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.

In 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 a research project. Revenue of £285,408 has been recognised to date 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.

6. Expenses by nature

	Year to 31 December 2011 £	7 months to 31 December 2010 £
Loss from operations is stated after charging/(crediting)		
Amortisation of intangible assets	52,463	25,382
Depreciation of property, plant and equipment	55,929	42,524
Pension costs	52,133	18,638
Share based payments – equity settled	21,658	5,319
Operating lease rentals	69,480	35,200
Exchange (gain)/loss	(28)	1,456
Research and development expenditure	1,314,851	700,372
Directors' emoluments	296,079	96,368

6. Expenses by nature – continued

	Year to 31 December 2011 £	7 months to 31 December 2010 £
Services provided by the Company's auditor		
Fees payable to the Company's auditor for the audit of the financial statements	5,000	5,000
Fees payable to the Company's auditor for other services		
– Tax compliance	2,500	2,500
– As reporting accountant for AIM admission	78,893	–
– Other	2,900	–
	89,293	7,500

7. Finance income

	Year to 31 December 2011 £	7 months to 31 December 2010 £
Bank interest receivable	28,605	6,752

8. Tax on loss on ordinary activities

	Year to 31 December 2011 £	Restated 7 months to 31 December 2010 £
Domestic current period tax		
UK corporation tax	(190,000)	(80,000)
Adjustment for prior periods	(19,712)	(5,128)
Current tax credit	(209,712)	(85,128)
Deferred tax	–	–
Tax on loss on ordinary activities	(209,712)	(85,128)
Factors affecting the current tax credit for the period		
Loss before tax	(2,108,965)	(891,760)
Loss before tax multiplied by standard rate of UK corporation tax of 20.25% (7 months to 31 December 2010: 21%)	(427,065)	(187,270)
Effects of:		
Non deductible expenses	2,659	1,555
Depreciation	11,326	8,930
Capital allowances	(10,661)	(3,783)
Research and development expenditure	(20,438)	(20,683)
Tax losses carried forward	254,179	121,251
Previous period research and development tax credit adjustment	(19,712)	(5,128)
Current tax credit	(209,712)	(85,128)

The Company has estimated tax losses of £4,120,373 (31 December 2010: £2,945,986) 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 15).

9. Basic and diluted loss per ordinary share

	Year to 31 December 2011	Restated 7 months to 31 December 2010
Loss after tax attributable to equity shareholders	**£(1,899,253)**	£(806,632)
Weighted average number of ordinary 0.25p shares for the purpose of basic and diluted loss per share*	**34,712,966**	25,015,400
Basic and diluted loss per ordinary share	**(5.47)p**	(3.22)p

* The weighted average numbers of shares have been adjusted to reflect the bonus issue and share sub-division in April 2011.

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.

10. Intangible assets

Intangible assets comprise patents and trademarks owned by the Company. The cost is amortised on a straight line basis over a five year period as this has been judged as their estimated useful life.

	£
Cost	
At 1 January 2011	283,179
Additions	59,893
At 31 December 2011	**343,072**
Amortisation	
At 1 January 2011	153,237
Charge for the year	52,463
At 31 December 2011	**205,700**
Net book value	
At 31 December 2011	**137,372**
At 31 December 2010	129,942

11. Property, plant and equipment

	Plant and equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2011	482,366	114,577	596,943
Additions	29,481	10,375	39,856
Disposals	(4,307)	(229)	(4,536)
At 31 December 2011	**507,540**	**124,723**	**632,263**
Depreciation			
At 1 January 2011	380,477	112,899	493,376
Charge for the year	53,421	2,508	55,929
Disposals	(4,307)	(229)	(4,536)
At 31 December 2011	**429,591**	**115,178**	**544,769**
Net book value			
At 31 December 2011	**77,949**	**9,545**	**87,494**
At 31 December 2010	101,889	1,678	103,567

The gross carrying amount of fully depreciated assets still in use at 31 December 2011 is £435,770.

12. Inventories

	31 December 2011 £	31 December 2010 £
Raw materials	**56,670**	7,307
Work in progress	**92,455**	–
	149,125	7,307

13. Trade and other receivables

	31 December 2011 £	31 December 2010 £
Amounts falling due within one year		
Trade receivables	**37,500**	3,428
Other receivables	**189,715**	172,421
Other taxes and social security	**84,226**	8,387
	311,441	184,236

14. Trade and other payables

	31 December 2011 £	31 December 2010 £
Amounts falling due within one year		
Trade payables	**176,790**	51,121
Other taxes and social security	**39,708**	31,951
Other payables	**8,261**	4,518
Accruals and deferred income	**222,873**	356,483
	447,632	444,073

15. Provisions

Deferred tax

	£
Balance at 1 January and 31 December 2011	–

Deferred taxation provided in the financial statements

	31 December 2011 £	31 December 2010 £
Accelerated capital allowances	**15,964**	25,372
Tax losses carried forward	**(15,964)**	(25,372)
	–	–

16. Share capital

	Number	£
Allotted, called up and fully paid		
Ordinary shares of 1p each as at 31 December 2010	21,565	216
Bonus issue of ordinary shares of 1p each	6,232,285	62,323
Ordinary shares of 1p each before subdivision	6,253,850	62,539
Share subdivision into ordinary shares of 0.25p each	25,015,400	62,539
Ordinary shares of 0.25p each issued for cash	13,657,100	34,142
Ordinary shares of 0.25p each as at 31 December 2011	**38,672,500**	**96,681**

Following adoption of new articles of association in April 2011, the Company does not have a stated authorised share capital. Previously the authorised share capital was £100,000 comprising 10,000,000 ordinary shares of 1p each.

In April 2011 the Company made a bonus issue of 289 ordinary shares of 1p each for each 1p ordinary share held. Subsequently, each 1p ordinary share was subdivided into four ordinary shares of 0.25p each. The Company has just this one class of shares, with each share carrying one vote and equal rights to discretionary dividends.

The Company issued the following ordinary shares of 0.25p each for cash during the year:

	Shares issued Number	Issue price p	Cash consideration £
Placing – 1 April 2011	12,500,000	32.0	4,000,000
Share options exercised - 25 July 2011	1,017,900	0.263-0.306	3,034
Share options exercised - 21 November 2011	139,200	0.263	366
	13,657,100		4,003,400

17. Reserves

The share premium account represents the excess over the nominal value for shares allotted, less issue costs. On 1 April 2011 a capital reduction resolution was passed to reduce the balance on the share premium account to nil, and accordingly £4,841,960 was transferred to retained earnings.

The share option reserve represents accumulated charges made under IFRS 2 in respect of share based payments.

18. Operating lease commitments

At the balance sheet date the Company had the following annual commitments under non-cancellable operating leases.

	31 December 2011 £	31 December 2010 £
Expiry date		
Within one year	6,067	–
Between one and two years	60,000	–
Between two and five years	–	60,000
	66,067	60,000

19. Capital commitments

At the balance sheet date the Company had the following capital commitments.

	31 December 2011 £	31 December 2010 £
Contracted for but not provided in the financial statements	–	2,229

20. Directors' emoluments

	Year to 31 December 2011 £	7 months to 31 December 2010 £
Salaries and fees	243,343	93,797
Other payments	41,200	–
Pension costs	11,536	2,571
	296,079	96,368

During the year, no options were granted to Directors and one Director exercised 742,400 options at the exercise price of 0.306p and 130,500 options at the exercise price of 0.292p on 25 July 2011, retaining the shares. The share price on that day was 26p.

In the year to 31 December 2011 three Directors accrued benefits under money purchase retirement benefit schemes (7 months to 31 December 2010: one).

Further information on the Directors' remuneration is found in the Directors' report.

21. Employees

	Year to 31 December 2011 Number	7 months to 31 December 2010 Number
The average monthly numbers of employees		
Directors	7	6
Other staff	21	20
	28	26

	Year to 31 December 2011 £	Restated 7 months to 31 December 2010 £
Employment costs (including Directors)		
Wages and salaries	1,167,320	605,135
Social security costs	135,378	66,186
Pension costs	52,133	18,638
Employment related share based payments	21,658	5,319
	1,376,489	695,278

22. 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.

	Year to 31 December 2011		7 months to 31 December 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the period	2,601	£392.84	2,139	£387.74
Adjustment for share subdivision	3,014,559		–	
Total after share subdivision	3,017,160	33.86p	2,139	£387.74
Granted during the period	136,165	100.67p	462	£416.45
Cancelled during the period	(52,200)	0.26p	–	–
Exercised during the period	(1,157,100)	0.29p	–	–
Outstanding at 31 December	1,944,025	59.43p	2,601	£392.84
Exercisable at 31 December	1,117,525	92.55p	1,202	£747.39

In April 2011 the Company made a bonus issue of 289 ordinary shares of 1p each for each 1p ordinary share held and subsequently, each 1p ordinary share was subdivided into four ordinary shares of 0.25p each. In accordance with the share option scheme rules, the share options extant at that time were adjusted in both quantity and exercise price to reflect this change in share capital.

22. Share-based payment transactions – continued

The estimated fair values of the share options were calculated by applying the Black Scholes model. The period of exercise for all options granted is between six and ten years from date of grant and the vesting periods last up to three years from the date of grant. The model inputs were:

Date of grant	Share price	Risk free rate	Expected volatility	Gross dividend yield
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%	–
April 2011	32p	0.50%	50%	–

Date of grant	Exercise price	Latest exercise date	Estimated fair value	Number of options 31 December 2011	Number of options 31 December 2010
Director and employee share options:					
October 2004	£3.55	Oct 2014	£2	–	640
March 2006	£3.39	Mar 2012	£498	–	225
	0.3p	Mar 2012	42.9p	**130,500**	–
March 2006	£3.05	Mar 2012	£498	–	490
	0.3p	Mar 2012	42.9p	**232,000**	–
May 2006	£500.00	May 2013	£922	–	300
	43.1p	May 2013	43.1p	**348,000**	–
February 2008	£1,500.00	Feb 2018	£309	–	330
	129.3p	Feb 2018	26.6p	**382,800**	–
December 2010	£300.00	Dec 2020	£132	–	400
	25.86p	Dec 2020	11p	**464,000**	–
Advisor share options:					
May 2006	£1,167.77	May 2013	£624	–	216
	100.7p	May 2013	54.8p	**250,560**	–
April 2011	100.7p	May 2013	1.1p	**136,165**	–
				1,944,025	2,601

23. 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 liquidity, currency and interest rate. 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 spreading surplus funds between 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 together with 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 takes out a forward exchange contract to mitigate the risk of currency fluctuation. No such instruments were held at 31 December 2011.

Fair values

The Directors consider that there is no material difference between the book value and the fair value of the financial instruments at 31 December 2011 and 31 December 2010.

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

24. Related party transactions

The remuneration paid to the Directors is shown in note 20 to the financial statements and in the Directors' report.

There are no other related party transactions.

25. Control

As at 31 December 2011, no individual shareholder had a controlling interest in the Company.

26. Subsequent events

There were no significant events after the balance sheet date.

27. Transition to IFRS

These are the Company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2011, the comparative information presented in these financial statements for the seven months ended 31 December 2010 and in the preparation of the opening IFRS balance sheet at 1 June 2010 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported in financial statements prepared in UK GAAP (FRSSE). An explanation of how the transition from UK GAAP (FRSSE) to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

Initial elections upon adoption

None.

Reconciliations of UK GAAP (FRSSE) to IFRS

IFRS 1 requires a company to reconcile equity, comprehensive income and cash flows for prior periods. The company's adoption of IFRSs did not have an impact on the total operating, investing or financing cash flows.

The principal IFRS adjustment applicable to the Company is IFRS 2 "Share-based payments". Under IFRS 2 a charge is made through the statement of comprehensive income based upon the fair value of share options and awards granted. The fair value of the equity instrument is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of the share options and awards is measured using the Black Scholes model taking into account the terms and conditions of the individual scheme. The amount recognised as an expense is adjusted to reflect changes to the expected vesting except where forfeiture is due only to changes in the expected achievement of market based criteria.

The following tables represent the reconciliations from UK GAAP (FRSSE) to IFRS for equity and comprehensive income.

27. Transition to IFRS – continued

Reconciliation of shareholders' equity at 1 June 2010

	Under UK GAAP (FRSSE) £	Adjustment for IFRS2 £	Under IFRS £
Assets			
Non-current assets			
Intangible assets	121,276	–	121,276
Property, plant and equipment	130,361	–	130,361
Total non-current assets	251,637	–	251,637
Current assets			
Inventories	10,213	–	10,213
Trade and other receivables	205,192	–	205,192
Corporation tax receivable	135,000	–	135,000
Cash and cash equivalents	1,251,686	–	1,251,686
Total current assets	1,602,092	–	1,602,092
Total assets	1,853,729	–	1,853,729
Equity and liabilities			
Equity			
Share capital	216	–	216
Share premium	4,904,283	–	4,904,283
Share option reserve	–	822,834	822,834
Retained earnings	(3,227,867)	(822,834)	(4,050,701)
Total equity	1,676,632	–	1,676,632
Current liabilities			
Trade and other payables	177,097	–	177,097
Total equity and liabilities	1,853,729	–	1,853,729

27. Transition to IFRS – continued

Reconciliation of shareholders' equity at 31 December 2010

	Under UK GAAP (FRSSE) £	Adjustment for IFRS2 £	Under IFRS £
Assets			
Non-current assets			
Intangible assets	129,942	–	129,942
Property, plant and equipment	103,567	–	103,567
Total non-current assets	233,509	–	233,509
Current assets			
Inventories	7,307	–	7,307
Trade and other receivables	184,236	–	184,236
Corporation tax receivable	220,128	–	220,128
Cash and cash equivalents	674,212	–	674,212
Total current assets	1,085,883	–	1,085,883
Total assets	1,319,392	–	1,319,392
Equity and liabilities			
Equity			
Share capital	216	–	216
Share premium	4,904,283	–	4,904,283
Share option reserve	–	828,153	828,153
Retained earnings	(4,029,180)	(828,153)	(4,857,333)
Total equity	875,319	–	875,319
Current liabilities			
Trade and other payables	444,073	–	444,073
Total equity and liabilities	1,319,392	–	1,319,392

Reconciliation of comprehensive income for the 7 months to 31 December 2010

	Under UK GAAP (FRSSE) £	Adjustment for IFRS2 £	Under IFRS £
Revenue	196,737	–	196,737
Cost of sales	(700,372)	–	(700,372)
Gross loss	(503,635)	–	(503,635)
Operating expenses	(389,558)	(5,319)	(394,877)
Loss from operations	(893,193)	(5,319)	(898,512)
Finance income	6,752	–	6,752
Loss before tax	(886,441)	(5,319)	(891,760)
Tax on loss on ordinary activities	85,128	–	85,128
Total comprehensive loss for the period	(801,313)	(5,319)	(806,632)

Microsaic Systems plc

Company number 3568010

Notice is hereby given that the annual general meeting of Microsaic Systems plc (the "Company") shall be held at the offices of Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY on 30 May 2012 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 5 inclusive shall be proposed as ordinary resolutions and resolution 6 shall be proposed as a special resolution.

Ordinary resolutions

1. THAT the Company's financial statements for the year ended on 31 December 2011, together with the Directors' report and auditors' report thereon, be and are hereby received and considered;
2. THAT upon the recommendation of the Directors, Saffery Champness be and hereby are reappointed as auditors to the Company, and that the Board be authorised to fix the remuneration of the auditors;
3. THAT Andrew Sean Holmes be and hereby is re-appointed as a Director of the Company, following his retirement pursuant to Article 81.1(c) of the of the articles of association of the Company (the "Articles");
4. THAT Eric Morgan Yeatman be and hereby is re-appointed as a Director of the Company, following his retirement pursuant to Article 81.1(c) of the Articles;
5. THAT the Directors be and are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot equity securities (as defined by section 560 of the Companies Act 2006) up to an aggregate nominal value of £32,227.08, representing one third of the Company's issued share capital at the date of this document, provided that this authority shall (unless renewed, varied or extended by the Company in general meeting) expire on the date which is 15 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 equity securities to be allotted after such expiry, and the Directors may allot such equity 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;

Special resolution

6. THAT the Directors be and are hereby empowered, pursuant to section 570 of the Companies Act 2006, to allot equity securities (as defined by section 560 of the Companies Act 2006) for cash as if section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:
   (a) the allotment of equity securities pursuant to an offer or issue by way of rights, open offer or other pre-emptive offer:
      (i) 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
      (ii) 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
   (b) the allotment (otherwise than pursuant to resolution 6(a) above) of equity securities up to an aggregate nominal amount of £9,668.12 representing 10% of the Company's issued share capital at the date of this document, and such power shall expire (if it has not previously expired by non-fulfilment of conditions) on the date which is 15 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. This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the Board

Andrew Holmes
Company Secretary

24 April 2012

Registered office:
GMS House
Boundary Road
Woking
Surrey
GU21 5BX

Explanatory notes to the resolutions proposed at the annual general meeting (the "Meeting") of the Company to be held at the offices of Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY on 30 May 2012 at 11.00 a.m.

Resolution 1 – The Company is required by its Articles and by the Companies Act 2006 to lay the Directors' and auditors' reports and copies of the annual accounts before the Meeting.

Resolution 2 – This resolution concerns the reappointment of Saffery Champness ("SC"), recommended by the Directors, as auditors to the Company. Whilst resolving to reappoint SC as auditors to the Company, the resolution also authorises the Board to fix the auditors' remuneration.

Resolutions 3 and 4 – A third of the Directors are required to retire from office by the Articles of the Company and seek re-appointment at the Meeting. Biographies of the Directors are contained in the Company's annual report for the year ended 31 December 2011.

Resolutions 5 and 6 – These resolutions concern the authority of the Directors to allot up to one third of the Company's existing issued share capital (including up to 10% as if the statutory pre-emption rights did not apply, so as to raise funds at short notice).

Please also read the notes below which provide further information in respect of the Meeting.

Quorum

1. The quorum for the meeting shall be two shareholders present in person or by proxy. If, within fifteen minutes from the appointed time for the meeting, a quorum is not present, then the meeting will stand adjourned to the same day in the next week (or if that day is a public holiday to the next working day thereafter) at the same time and place or to such other day, time or place as the Directors may determine and no notice of such adjournment need be given. At an adjourned meeting, shareholders present in person or by proxy will form a quorum.

Website address

2. Information regarding the meeting is available from www.microsaic.com

Entitlement to attend and vote

3. Only those holders of ordinary shares of £0.0025 each in the capital of the Company ("Shares") registered on the Company's register of members at 11.00 a.m. on 28 May 2012 shall be entitled to attend and vote at the meeting.

Appointment of proxies

4. Members entitled to attend, speak and vote at the meeting (in accordance with Note 3 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the form of proxy enclosed with this document (the "Form of Proxy"). In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

5. You can appoint the chairman of the meeting, or any other person, as your proxy. If you wish to appoint someone other than the chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

6. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

   If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Appointment of proxy using hard copy form

7. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom at 11.00 a.m. on 28 May 2012 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Capita Registrars no later than 48 hours before the rescheduled meeting.

   On completing the Form of Proxy, sign it and return it to Capita Registrars at the address shown on the reverse of the Form of Proxy. As postage has been prepaid no stamp is required. You may, if you prefer, return the Form of Proxy in a sealed envelope to the address shown above.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom.

In the case of a member which is a company incorporated in England and Wales or Northern Ireland, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

If you attempt to revoke your proxy appointment but the revocation is received after the time of the meeting or the taking of the vote at which the proxy is used, then, subject to the paragraph directly below, your proxy will remain valid.

If you submit more than one valid proxy appointment in respect of the same Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

Issued shares and total voting rights

9. The total number of Shares in issue in the capital of the Company at the date of this notice is 38,672,500 ordinary shares of £0.0025 each.

   On a vote by a show of hands, every holder of Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Shares who is present in person or by proxy shall have one vote for every complete Share held by him and such proportion of a vote that represents the number of fractions of a Share so held.

Communication

10. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

   - calling Capita Registrars' shareholder helpline (lines are open from 9.00 a.m. to 5.00 p.m. Monday to Friday, excluding public holidays):
     (i) From the UK: 0871 664 0300 (calls cost 10p per minute plus network extras);
     (ii) From outside the UK: +44 208 639 3399 (calls from outside the UK are charged at applicable international rates); or
   - in writing to Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom.

   You may not use any electronic address provided either:

   - in this notice of meeting; or
   - any related documents (including the Form of Proxy for this meeting), to communicate with the Company for any purposes other than those expressly stated.

Linkway Financial Printers
Typeset & Printed in London (UK) 16060

Microsaic Systems plc
GMS House
Boundary Road
Woking
Surrey GU21 5BX
UK

T: +44 (0)1483 751577
F: +44 (0)1483 757901
E: info@microsaic.com
W: www.microsaic.com

Microsaic Systems