23 September 2019

Microsaic Systems plc
("Microsaic", "Microsaic Systems" or the **"Company")**

Interim Results for the six months ended 30 June 2019

Microsaic Systems plc (AIM: MSYS), the developer of point of need mass spectrometry ("MS") instruments, is pleased to announce its unaudited interim results for the six months ended 30 June 2019.

Highlights

- Total revenues of £0.33m, 30% higher than H1 2018 (£0.25m)
- 12 instrument orders received for 2019 shipments, almost equal to full year 2018
- Investment in marketing and sales support
- Cash at 30 June 2019 £4.1m (31 Dec 2018: £5.4m)

Progress in large molecule detection:

- Launch of MiD® ProteinID, which can measure in-situ small and large molecules during bioprocessing
- Publication of data with the Massachusetts Institute of Technology ("MIT") at the International Federation of Process Analytical Chemistry ("IFPAC")
- Positive results from a proof of concept study for MiD® ProteinID technology undertaken by an independent technology innovation centre

Progress in traditional markets for small molecule detection:

- Instrument revenues in H1 2019 are 35% above the same period in 2018
- Unimicro our Chinese partner has released the first in a series of micro-Liquid Chromatography products, again integrated with Microsaic's technology, further deepening the collaboration
- Original equipment manufacturer ("OEM") agreement signed with BMT, for the integration of the Microsaic 4500 MiD® MS detector with BMT's High Performance Liquid Chromatography ("HPLC") equipment, for distribution in Southeast Asia, Korea and India
- Distribution agreement signed with CM Corporation Ltd., for the exclusive distribution of the Microsaic 4500 MiD® MS detector in South Korea

Glenn Tracey, CEO of Microsaic Systems plc, commented:
"We are encouraged with the progress made in the first half of the year, including revenues ahead of the same period last year and with instrument orders received for shipment in 2019 almost equal to the total number of orders received during 2018. We believe that there are opportunities to further accelerate revenue growth in small molecule markets by selling Microsaic-branded complete systems integrating specific third-party sample preparation and separation equipment with Microsaic's mass detectors. These new systems will be commercialised by Microsaic directly in selected markets in Europe and through our partners in North America and Asia, particularly in China. This will complement our current strategy of seeking new OEM and distribution partners in selected geographies.

"Bioprocessing remains a very exciting growth opportunity, and we continue to make good progress in developing products to meet specific bioprocessing applications, particularly in partnership with MIT and the Centre for Process Innovation ("CPI"), ahead of planned commercialisation. Microsaic has increased its industry profile and continues to garner interest in the use of its technology as a novel approach to the in-situ analysis of biologics during their manufacture."

Copies of the interim report for the six months ended 30 June 2019 are being made available on the Company's website at www.microsaic.com.

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About Microsaic Systems

Microsaic Systems plc (AIM: MSYS) is a high technology company developing chip-based, bench-top and point-of-analysis mass spectrometry ("MS") instruments that are designed to improve the efficiency of pharmaceutical R&D and manufacturing. The Company is working with established global life science companies to co-develop new solutions to improve productivity in the development of small molecule and novel biologic (peptides, antibodies) medicines. MS is a powerful method of analysis to enable earlier decision making relating to product identification, purity and bioactivity, and is the analytical technique of choice for biochemists across many industry sectors.

Microsaic's core products are robust and compact MS systems. These systems retain the functionality of larger conventional MS systems, are easier to use by non-specialists, consume less energy and have lower running costs. For more information, please go to www.microsaic.com.

CEO Statement

Sales performance
Revenues in H1 2019 were 30% higher than in H1 2018. Although revenues grew strongly, some deliveries were delayed due to Microsaic's manufacturing partner needing to ramp up throughput on newly implemented testing and release procedures. The Board is confident that full capacity will be in place to support significant further sales growth in 2020 and beyond.

Commercial Strategy
The Company has continued to deepen its understanding of the potential opportunities for its point of need MS equipment through both commercial discussions and the generation of supportive data. As a result, the Board has decided to augment its existing commercial strategy by broadening the product offering and routes to market through additional collaborations.

Market Strategy
The Company currently focusses on two key markets; bioprocessing or large molecule bio-analysis; and small molecule chemical analysis.

Bioprocessing
The total market for bioprocessing is in the region of $200Bn, at a growth rate of 10 percent per annum (Sartorius Results Presentation, H1 2019) driven by favourable demographics, increased healthcare spending, and advances in biosimilars and gene therapy. The Board believes there to be significant demand in this market for various analytical instruments used to analyse bioprocessing inputs and outputs at several stages in the process. The Board also believes that Microsaic's mass detection equipment could provide alternative tools for such analyses, with potential advantages such as ease of use, speed of testing, providing additional information and lower costs.

In particular, the Board believes that there is a significant market opportunity for Microsaic's newly developed MiD® ProteinID technology as a method for in-situ analysis of small and large molecules, particularly in upstream bioprocessing, but also in downstream bioprocessing. From research commissioned by the Company (TDA Consultants, September 2019), the market demand for analytical instrumentation in upstream bioprocessing is in the region of circa $390M, split between techniques such as optical spectroscopy, laboratory-based reagent-based analysis, and laboratory-based chromatography. End-users often cite time-to-analysis as a major bottleneck in upstream bioprocessing, and the Board believes that its point of need ProteinID technology will help reduce this bottleneck and replace a range of incumbent analysis techniques in on-line and at line applications. Potential applications identified to date include monitoring the quality of incoming feedstocks, and identification of target proteins (biologic drugs) and their metabolites. The Board believes that the MiD® ProteinID, integrated into existing workflows, will provide customers with significant cost savings, but more importantly will provide additional data not usually seen by traditional optical and assay-based methods during the bio-manufacturing process. Such an approach could greatly assist biologics manufacturers to meet increasing demands from regulators to provide reliable data earlier in the development, scale-up, and manufacturing processes.

The MiD® ProteinID, was launched in January 2019. Just prior to launch, in December 2018, it was ranked in the most innovative products of 2018 by the Analytical Scientist Innovation Awards. The Board is optimistic about the prospects for further commercial adoption in the coming years.

The Company jointly published with MIT a poster showcasing ProteinID's capabilities in measuring the effects of storage on biopharmaceutical feedstocks. The Company is also sponsoring two part-time graduate students at MIT, with a view to drive the development of applications in real-time upstream bioprocessing in preparation for potential product launches over the next two years. The data collected provides further significant validation and will allow us to promote the efficacy and broad applications of our system to a wider audience.

The Board expects that the Company will be able to commercialise its MiD® ProteinID technology in 2020, integrated with complementary separation techniques for the analysis of biomolecules.

Small Molecule

Small molecule chemical analysis remains a key component of the Microsaic business strategy. Typically, the Company has partnered with providers of separation and purification systems, where mass identification provides for a high-end choice of detection. The MiD® 4500 is used across a range of small molecule markets, but most predominantly in pharmaceutical research, reaction monitoring, and academic teaching laboratories. The Company expects increased momentum, as its technology is very well suited alongside natural product purification, and complex organic chemistry, for example cannabinoids and their related products.

Channel Strategy

The Company has traditionally used third party OEMs and distributors to sell its products with a focus on the North American and Chinese small molecule markets in the academic and pharmaceutical research space. This strategy will continue but in 2019 Microsaic has employed its own sales specialist to start direct sales of its own-branded products in the UK and the Board plans to expand this into selected areas in Europe in 2020. It is anticipated that this approach will: offer the end-user access to a strong base of expertise, fully dedicated to MS applications; generate additional revenues from equipment sales and related service activities; and improve margins.

Additionally, it is anticipated that further growth can be achieved, starting in 2020 driven by:

- Direct service support: Offering direct service support for direct sales in Europe, ensuring complete ownership of service training, parts and consumable revenues.
- Enhancing the product portfolio: Providing bundled offerings of the Company’s point-of-need MS detection, including sample preparation and separation capabilities, offering complete system solutions direct to customers in Europe and through the Company’s partners in North America and Asia, particularly in China. These systems will be in complementary market segments which do not compete with the Company’s established OEM partnerships. The Board anticipates that this will drive higher unit revenues and margins.
- Value for money ProteinID system: Marketing a unique entry-level protein separation and analysis system, ideally suited to academic and research markets, which are interested in low capital-intensive purchase options and easy-to-use analysis techniques that are usually considered only to be available with high-end applications.

Product Strategy

MS remains the core focus for the Company, and product development continues to advance capabilities in both large and small molecule markets. Until now the Company’s sales strategy has been MS-centric. The Board believes that there is an opportunity to bundle Microsaic’s MS products together with specific sample preparation and separation products from third parties, to create complete system solutions for the end-user. Such systems will utilise both the Company’s MiD® ProteinID and MiD® 4500 technologies and it is anticipated that the first such solutions could be on the market as early as H2 2020.

Technology

Microsaic's innovative technology does not require cumbersome external pumps, and there is no need for an external PC, allowing for complete integration with third party OEMs. The Microsaic software and hardware are designed to offer easy maintenance and ease of use so that line operators can be trained to carry out analysis on the production line. The Board believes that this significantly improves efficiency and process control compared with traditional MS detection methods.

Brexit

The Board continues to monitor its exposure to the factors presented through various scenarios concerned with Brexit. The Company has taken steps to stockpile key imported components with its manufacturing partner to mitigate the risk of disruption if the UK leaves the EU without a transition period.

Outlook

The Board anticipates substantial revenue growth in the short to medium term, driven by Microsaic's differentiated products and several strategic initiatives, including those focused on closer collaboration with the Company's existing OEM and distribution partners. In addition to the growing base of supportive data, the Board is encouraged by the early signs of increased engagement the Company is seeing from potential customers, strategic partners and OEMs.

In addition, the Board sees significant opportunities for its point of need MS Detectors to be integrated into multiple areas of bioprocessing, and the Company continues to engage in discussions with potential partners in the Healthcare and Life Science Sectors.

In the longer term, the Board believes that there could be opportunities to extend Microsaic's technology to other attractive large and high growth markets, such as point of care diagnostics.

I would like to take this opportunity to thank our employees for their hard work and dedication, and the other members of the Board and our shareholders for their continued support.

Glenn Tracey
CEO
23 September 2019

FINANCIAL REVIEW

Comprehensive income:
In H1 2019, total revenues of £328,428 were 29.9% higher than H1 2018 (£252,904). Instrument sales grew 35.1% while consumable and service income grew by 10.8%.

Gross profit for H1 of £104,745 is 4.3% below H1 2018 despite higher sales. Lower margins were due to customer mix and the anticipated increase in cost of goods at initial volumes following the outsourcing of manufacturing. Cost of goods as a percentage of sales is expected to decrease over time as volumes increase. Outsourcing manufacturing has given the Company the flexibility and capacity to meet increasing demand whilst avoiding significant expenditure in upgrading the Company's Woking facility and in the recruitment of additional manufacturing staff.

There is no other operating income during the period, compared with £37,090 in H1 2018. The Company has previously benefited from grant income and is continuing to apply for grants with a focus on bioprocessing.

Operating expenses of £1,673,677 in H1 are £59,503 or 3.7% higher than H1 2018 (£1,614,174) but in line with H2 2018. Whilst expenditure on R&D is 1.9% lower than H1 2018, there was increased investment in marketing and sales with, by the end of H1 2019, two additional staff - one in applications and one in direct sales. When looking at the nature of expenditure there were increases in materials (£74,997) and people related costs (£40,378), which were partly offset by lower building and office costs (£39,141), professional fees (£9,424) and marketing and IP (£7,307).

The loss from operations in the period, before share-based payments, finance costs and income, and tax, of £1,568,932 is 6.9% higher than with H1 2018 (£1,467,660).

The share-based payment charge of £33,674 is £10,075 below H1 2018. Finance costs of £8,550 relate to the treatment of lease liabilities under IFRS 16 which has been adopted for the first time with effect from 1 January 2019. Interest income of £21,710 is £14,178 above last year due to higher cash balances on short term deposit following the fundraise in June 2018.

The comprehensive loss for the period of £1,589,446 is 5.8% higher than H1 2018 (£1,502,410). The basic loss per share for the period of 0.35p is significantly lower than the loss per share of 0.79p in H1 2018 due to the higher weighted average number of shares in issue.

Statement of Financial Position:
Total assets of £5,395,541 are £1,337,165 below the balance at 31 December 2018, due to lower cash balances (down £1,330,935), lower inventories and trade receivables (down £191,141) and the recognition from 1 January 2019 of right of use assets under IFRS 16 (up £203,568). The corporation tax receivable of £277,076 was outstanding at 30 June 2019 but received in early August 2019.

Total equity as at 30 June 2019 of £4,719,700 is £1,555,772 lower than 31 December 2018 (£6,275,472). The main movement was an increase in retained losses of £1,587,166 to £21,666,299.

Total liabilities of £675,841 as at 30 June 2019 are £218,607 above 31 December 2018 (£457,234). The increase is due to higher trade and other payables (£45,344), a lower level of provisions (£34,269) and the recognition of a right of use lease liability under IFRS 16 of £207,532.

Statement of Cash Flows:

Net cash used in operating activities in H1 2019 of £1,247,639 is £14,270 higher than H1 2018. The net cash used would have been significantly lower than 2018 if the R&D tax credit of £277,076 had been received in June (as it was in 2018). As mentioned above, the tax credit was received in early August 2019. The cash used in operations at £1,247,639 was £232,676 lower than H1 2018 due to a positive variance on working capital movements of £306,368 offset by a higher comprehensive loss (after the adjustment for non-cash items) of £73,692.

Net cash used in investing activities in H1 2019 of £33,802 compares with £43,042 in H1 2018. The main movements were the reduction in the purchases of property, plant and equipment (£20,436 lower) and higher purchases of intangibles (up £15,593).

Net cash from financing activities of £49,494 relates to the cash payments for lease liabilities under IFRS 16. In June 2018, proceeds from the issue of shares net of share issue costs raised £5,051,315.

The closing cash balance as at 30 June 2019 is £4,071,286 down £2,885,794 on 30 June 2018 and £1,330,935 lower than 31 December 2018.

Bevan Metcalf
Finance Director
23 September 2019

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	Year to 31 December 2018 Audited
		£	£	£
Revenue	7	328,428	252,904	578,258
Cost of sales		(223,683)	(143,480)	(336,685)
Gross profit		104,745	109,424	241,573
Other operating income		-	37,090	76,262
Research and development expenses		(442,473)	(451,169)	(874,185)
Other operating expenses		(1,231,204)	(1,163,005)	(2,429,013)
Total operating expenses		(1,673,677)	(1,614,174)	(3,303,198)
Loss from operations before share-based payments		(1,568,932)	(1,467,660)	(2,985,363)
Share-based payments		(33,674)	(43,749)	(88,187)
Loss from operations after share-based payments		(1,602,606)	(1,511,409)	(3,073,550)
Finance cost	8	(8,550)	-	-
Finance income		21,710	7,532	31,046
Loss before tax		(1,589,446)	(1,503,877)	(3,042,504)
Tax on loss on ordinary activities		-	1,467	278,543
Total comprehensive loss for the period		(1,589,446)	(1,502,410)	(2,763,961)
Loss per share attributable to the equity holders of the Company				
Basic and diluted loss per ordinary share	4	(0.35)p	(0.79)p	(0.85)p

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2019

	Notes	30 June 2019 Unaudited £	30 June 2018 Unaudited £	31 December 2018 Audited £
ASSETS				
Non-current assets				
Intangible assets		104,596	62,700	95,944
Property, plant and equipment		96,846	128,710	124,155
Right of use lease assets	8	203,568	-	-
Total non-current assets		405,010	191,410	220,099
Current assets				
Inventories		291,146	489,558	401,945
Trade and other receivables		351,023	261,488	431,365
Corporation tax receivable		277,076	-	277,076
Cash and cash equivalents		4,071,286	6,957,080	5,402,221
Total current assets		4,990,531	7,708,126	6,512,607
TOTAL ASSETS		5,395,541	7,899,536	6,732,706
EQUITY AND LIABILITIES				
Equity				
Share capital	5	1,140,913	1,140,913	1,140,913
Share premium	6	24,867,886	24,867,886	24,867,886
Share-based payment reserve		377,200	309,540	345,806
Retained earnings		(21,666,299)	(18,825,754)	(20,079,133)
Total equity		4,719,700	7,492,585	6,275,472
Current liabilities				
Trade and other payables		331,875	255,614	286,531
Non-current liabilities				
Provisions		136,434	151,337	170,703
Right of use lease liabilities	8	207,532	-	-
Total liabilities		675,841	406,951	457,234
TOTAL EQUITY AND LIABILITIES		5,395,541	7,899,536	6,732,706

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
AS AT 30 JUNE 2019

	Notes	Share capital £	Share premium £	Share based-payment reserve £	Retained earnings £	Total equity £
At 1 January 2018		453,413	20,504,071	273,380	(17,330,933)	3,899,931
Total comprehensive loss for the period		-	-	-	(1,502,410)	(1,502,410)
Transactions with owners:						
Shares issued		687,500	4,812,500	-	-	5,500,000
Share issue costs		-	(448,685)	-	-	(448,685)
Transfer in respect of lapsed share options		-	-	(7,589)	7,589	-
Share-based payments - share options		-	-	43,749	-	43,749
At 30 June 2018 (unaudited)		1,140,913	24,867,886	309,540	(18,825,754)	7,492,585
At 1 January 2018		453,413	20,504,071	273,380	(17,330,933)	3,899,931
Total comprehensive loss for the year		-	-	-	(2,763,961)	(2,763,961)
Transactions with owners:						
Shares issued		687,500	4,812,500	-	-	5,500,000
Share issue costs		-	(448,685)	-	-	(448,685)
Transfer in respect of lapsed share options		-	-	(15,761)	15,761	-
Share-based payments - share options		-	-	88,187	-	88,187
At 31 December 2018 (audited)		1,140,913	24,867,886	345,806	(20,079,133)	6,275,472
Total comprehensive loss for the period		-	-	-	(1,589,446)	(1,589,446)
Transactions with owners:						
Shares issued		-	-	-	-	-
Share issue costs		-	-	-	-	-
Transfer in respect of expired share options		-	-	(2,280)	2,280	-
Share-based payments - share options		-	-	33,674	-	33,674
At 30 June 2019 (unaudited)		1,140,913	24,867,886	377,200	(21,666,299)	4,719,700

STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	6 months to 30 June 2019 Unaudited £	6 months to 30 June 2018 Unaudited £	Year to 31 December 2018 Audited £
Total comprehensive loss for the period		(1,589,446)	(1,502,410)	(2,763,961)
Amortisation of intangible assets		20,246	16,577	32,510
Amortisation of right of use assets		44,908	-	-
Interest on lease liability		8,550	-	-
Depreciation of property, plant and equipment		44,626	48,478	90,405
Transfer of property, plant and equipment to stock		-	21,308	21,308
Decrease in provision for leasehold dilapidations		(20,719)	-	(3,280)
(Decrease)/Increase in provision for warranty		(13,550)	(17,777)	4,869
Decrease in provision for outsourced manufacturing		-	(15,000)	(15,000)
Share-based payments		33,674	43,749	88,187
Decrease in inventory provision		(13,197)	(9,071)	(19,247)
Tax on loss on ordinary activities		-	(1,467)	(278,543)
Interest received		(12,413)	(8,016)	(22,013)
Decrease in inventories		123,996	3,009	100,798
Decrease/(Increase) in trade and other receivables		80,342	(26,488)	(196,365)
Increase/(Decrease) in trade and other payables		45,344	(33,207)	(2,290)
Cash used in operations		(1,247,639)	(1,480,315)	(2,962,622)
Corporation taxation received		-	246,946	246,946
Net cash used in operating activities		(1,247,639)	(1,233,369)	(2,715,676)
Cash flows from investing activities				
Purchases of intangible assets		(28,898)	(13,305)	(62,482)
Purchases of property, plant and equipment		(17,317)	(37,753)	(75,125)
Interest received		12,413	8,016	22,013
Net cash used in investing activities		(33,802)	(43,042)	(115,594)
Cash flows from financing activities				
Proceeds from share issues		-	5,500,000	5,500,000
Share issue costs		-	(448,685)	(448,685)
Payments relating to lease commitments	8	(49,494)	-	-
Net cash from financing activities		(49,494)	5,051,315	5,051,315
Net (decrease)/increase in cash and cash equivalents		(1,330,935)	3,774,904	2,220,045
Cash and cash equivalents at beginning of the period		5,402,221	3,182,176	3,182,176
Cash and cash equivalents at the end of the period		4,071,286	6,957,080	5,402,221

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1. Nature of Operations

Microsaic Systems plc (the "Company") is registered in England and Wales. The Company's registered office is GMS House, Boundary Road, Woking, GU21 5BX. The Company has no subsidiaries, so the financial information relates to the Company only. Microsaic is a high technology company developing chip-based, bench-top MS instruments that are designed to improve the efficiency of pharmaceutical R&D.

2. General Information

The interim financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and implemented in the UK. The accounting policies, methods of computation and presentation used in the preparation of the interim financial information are the same as those used in the Company's audited financial statements for the year ended 31 December 2018, save for the adoption of IFRS 16 (Leases) with effect from 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Further details are given in note 8 below. Microsaic decided to use the modified retrospective approach for transition purposes as the effect is not regarded as material, and, therefore, comparative figures for 2018 have not been restated.

The interim financial information in this statement does not constitute full statutory accounts as defined by Section 434 of the Companies Act 2006 and has not been audited.

The interim financial information for the six months to 30 June 2019 has been prepared using extracts from the financial statements prepared for the year ended 31 December 2018. Those financial statements have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified.

3. Basis of preparation

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

The financial information has been prepared on a going concern basis, as based on the latest forecasts the directors consider that the Company has sufficient resources to continue operations for 12 months from the date of approval of these financial statements.

4. Loss per share

	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	Year to 31 December 2018 Audited
Comprehensive loss attributable to equity shareholders (£)	(1,589,446)	(1,502,410)	(2,763,961)
Weighted average number of ordinary 0.25p shares for the purpose of basic and diluted loss per share	456,365,146	190,481,168	324,515,831
Basic and diluted loss per ordinary share	(0.35)p	(0.79)p	(0.85)p

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

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.

5. Share capital

	30 June 2019 Unaudited £	30 June 2018 Unaudited £	31 Dec 2018 Audited £
Allotted, issued and fully paid			
Ordinary shares of 0.25p each	1,140,913	1,140,913	1,140,913

The number of shares in issue was as follows:

	Number of shares
Balance at 1 January 2018	181,365,146
Issued during the period	275,000,000
Balance at 30 June 2018	456,365,146
Balance at 31 December 2018	456,365,146
Balance at 30 June 2019	456,365,146

6. Share premium

	30 June 2019 Unaudited £	30 June 2018 Unaudited £	31 Dec 2018 Audited £
Opening balance brought forward	24,867,886	20,504,071	20,504,071
Shares issued	-	4,812,500	4,812,500
Share issue costs	-	(448,685)	(448,685)
Closing balance carried forward	24,867,886	24,867,886	24,867,886

The share premium account represents the excess over the nominal value for shares allotted, less share issue costs.

7. Segmental reporting

Throughout the period the Company operated in one business segment, being that of research, development and commercialisation of scientific instruments. The Company's assets are held in the UK and all its capital expenditure arises in the UK. The geographical analysis of revenue by location of customers is as follows:

Revenue	6 months to 30 June 2019 Unaudited £	6 months to 30 June 2018 Unaudited £	Year to 31 December 2018 Audited £
UK	12,472	28,805	28,805
Non UK	315,956	224,099	549,453
Total	328,428	252,904	578,258

The largest customer represented 60% of total revenue in the period (H1 2018: 39%).

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

8. IFRS 16 – Leases

IFRS 16 is effective for annual reporting periods on or after 1 January 2019 and removes the distinction between finance and operating leases for lessees. For lessees, all leases will be recorded on the balance sheet as liabilities, at the present value of the future lease payments, along with an asset reflecting the right of use of the asset over the lease term. This information will provide users of financial statements with the basis to assess the effect leases have on the financial position, financial performance and cash flows of an entity.

Microsaic had four leases at the 1 January 2019, three property leases and one equipment lease. One of the property leases was terminated at 31 March 2019 and was treated under transition exemptions and kept "off balance sheet". The rental expense relating to this lease of £8,100 was treated as a P&L expense in the period. The other two property leases end 8 September 2021 and 31 October 2021 respectively. The lease terminating 31 October 2021 has two break clauses. The Company believes these break clauses will not be triggered and has factored this in when determining the present value of the remaining lease term for this lease.

Microsaic decided to use the modified retrospective approach for transition purposes. The key components of this approach are:

- Comparatives are not restated;
- Any difference between assets and liabilities are recognised in opening retained earnings (if applicable);
- The lease liability is calculated as the present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application; and
- A choice is made on how to measure assets on a lease by lease basis.

The asset is measured at the amount equal to the liability on the date of initial application (adjusted for accruals and prepayments).

The right of use assets and related lease liabilities are shown separately on the face of the balance sheet.

The incremental borrowing rate is the rate that a lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. In determining the appropriate incremental borrowing rate, the Company has examined the following:

- *Its current financing structure.* The Company is financed from equity placements with existing and new shareholders. The Company has not previously used debt financing. The incremental borrowing rate should exclude the cost of equity finance. The Company has spoken with its Corporate bankers and they have estimated a potential lending margin applicable to the Company.
- *The Company considered property yields for its leased properties.* With respect to the main lease for the Woking offices the Company liaised with its property consultant to better understand the approximate yield the lessor would be looking to achieve as a starting point.
- *Interest base rates.* The Company has used 0.75% being the base rate at the date of initial application.
- *Relevant lease terms including the nature of the underlying asset(s).* A portfolio of leases with reasonably similar remaining lives, for a similar class of asset in a similar economic environment can use the same incremental borrowing rate. Therefore, the Company used the same incremental borrowing rate for its two property leases.

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

After considering the above the Company used an incremental borrowing rate of 7.5% for its property leases and 3.75% for its equipment lease.

Other disclosures:

	30 June 2019
Amortisation charge for right of use assets:	£
(a) Property leases	43,674
(b) Equipment leases	1,234
Carrying amount of right of use assets at end of reporting period:	
(a) Property leases	196,361
(b) Equipment leases	7,207
Lease liability at the end of the reporting period:	
(a) Property leases	200,319
(b) Equipment leases	7,213
Total cash outflow for leases	49,494
Interest expense on lease liabilities	8,550
Short term leases expensed	8,100
Low value leases expensed	Nil
Variable lease payments expensed	Nil
Impact on loss per share	Nil

9. Share option schemes

The Company operates an Enterprise Management Incentive ("EMI") scheme and an Unapproved Share Option scheme as a means of encouraging ownership and aligning interests of staff and shareholders. The table below shows the number of options outstanding and exercisable at 30 June 2019 and the weighted average exercise price.

	6 months to 30 June 2019 Unaudited		6 months to 30 June 2018 Unaudited		Year to 31 December 2018 Audited	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	13,964,000	11.4p	5,447,200	11.4p	5,447,200	11.4p
Granted during the period	5,000,000	1.55p	9,000,000	4.1p	9,000,000	4.1p
Forfeited/Cancelled during the period	(220,000)	8.4p	(23,200)	129.3p	(483,200)	15.2p
Exercised during the period	-	-	-	-	-	-
Outstanding at period end	18,744,000	5.2p	14,424,000	6.6p	13,964,000	6.5p
Exercisable at period end	524,000	40.7p	604,000	41.0p	544,000	40.9p

5 million options were awarded to the Executive Directors in the period and were granted under Microsaic's EMI scheme. The options have an exercise price of 1.55 pence per ordinary share, being the middle market closing price on 11 June 2019. The options are not ordinarily exercisable prior to the third anniversary of the date of award and are also subject to performance criteria as follows:

1. The Company to achieve break-even in a financial year (50% of options vest)
2. Launch by the Company of a bio-pharma OEM product (50% of options vest)

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

Following the award of the options, the total number of options outstanding under share incentive scheme arrangements are 18,744,000 representing 4.1% of the Company's issued share capital.