

**2 September 2020**

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

**Interim Results for the six months ended 30 June 2020**

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 2020 and an update on trading since the period end.

Overview of Activities in H1 2020

- After achieving excellent growth during 2019, the onset of the COVID-19 pandemic in 2020 has meant that the Company's direct and partner sales channels have been unable to operate normally, although progress has continued to be made in generating prospects and developing existing and new partnership opportunities.
- As soon as it became apparent that product sales were likely to be significantly lower than anticipated given the impact of COVID-19, the Board quickly took action to reduce operating costs and to limit expenditure to essential items.
- As a result of the pandemic, revenues were focused on the continuing sales of consumables, spare parts and service and support income to existing customers and partners and totalled £72k (H1 2019: £328k).
- In February, the Company announced that it had signed a global integration and joint sales and marketing heads of terms with Axcend Corp ("Axcend") to integrate the compact Microsaic 4500 MiD<sup>®</sup> MS with Axcend's compact Focus LC<sup>®</sup>, and to commercialise the combined system globally.
- In March, Heads of Terms were signed with Chromatographic Specialists Inc. for the distribution of Microsaic's products on a non-exclusive basis in Canada.
- Progress has continued to be made with ProteinID, Microsaic's product for on-line bioprocessing monitoring. A project was launched in Q1 2020 to partner with the Centre for Process Innovation ("CPI") to demonstrate a working concept for a completely on-line analysis system for real-time control of bioprocessing. Progress was impacted by the UK lockdown but restarted in June.
- Cash position at 30 June 2020 was £1.53m.

Post period end activities

- On 29 July, it was announced that:
  - the Board had decided to undertake a Strategic Review and had appointed BDO LLP as its financial adviser for the Strategic Review and formal sale process including for the purposes of Rule 3 of the Takeover Code;
  - the Board had concluded that costs must be reduced further, and a process had commenced to implement additional cost reductions, whilst retaining appropriate skills and resources to be able to conduct the Strategic Review process effectively, continue to sell products and to support new and existing customers and partners;
  - by mutual agreement, Chris Buckley, Non-Executive Director, had stepped down from the Board; and
  - WH Ireland Limited had resigned as joint broker.

**Glenn Tracey, CEO of Microsaic Systems plc, commented:**

“Despite the significant progress made in 2019, when sales were up by over 50% compared with 2018, the H1 2020 performance has been significantly impacted by the COVID-19 pandemic, with many customer sites being closed and investment decisions postponed. Faced by these unprecedented conditions, our employees have supported steps taken to protect the future of the Company by agreeing to temporary pay reductions, home working and, in some cases, being furloughed.

Even faced with such difficulties, I have been impressed that we continued to make progress in generating prospects, developing existing and new partnership opportunities and preparing products and systems for future launch.”

Copies of the interim report for the six months ended 30 June 2020 are being made available on the Company’s website at [www.microsaic.com/investors/documents](http://www.microsaic.com/investors/documents).

**Microsaic Systems plc**

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Glenn Tracey, CEO

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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, and have applications in environmental testing, chemical reaction monitoring, and academic teaching. The Company is working with a range of established global life science OEM partners, distributors and research organisations to co-develop and commercialise 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, the 4500 MiD®, and MiD®ProteinID are robust and compact MS systems, retaining the functionality of larger conventional MS systems, easier to use by non-specialists, consuming less energy and having lower running costs. For more information, please go to [www.microsaic.com](http://www.microsaic.com).

## **CEO Statement**

### **Sales performance**

Revenues in H1 2020 at £71,992 were 78.1% lower than H1 2019 (£328,428). Revenues were significantly affected by the COVID-19 pandemic and the resulting lockdown restrictions across the globe.

### **Strategic review**

Following a recently completed market sounding exercise, the Board concluded that the prevailing conditions were not supportive at that time of raising sufficient equity from public market investors to fund the business through to profitability. As a result, the Board decided to undertake a Strategic Review, announced on 29 July.

This review will involve a broad range of options to either facilitate raising additional funding, for example through strategic investment by a business partner or other market participant, or by realising value from a sale of the Company, or its business and assets, a business combination with another entity with concomitant funding for the combined group, and/or technology and product marketing licensing for some or all of the Company's technology for individual territories, regions or globally.

The Board has appointed BDO LLP as its financial adviser for the Strategic Review and formal sale process including for the purposes of Rule 3 of the Takeover Code.

The Strategic Review process commenced in August by contacting third parties which BDO and the Board have identified as potentially being interested in Microsaic and its technologies and products.

### **Microsaic – A Business Opportunity**

Since 2001, Microsaic has invested over £30 million which has enabled it to develop its novel and differentiated position in miniaturised MS, with three core products and over 60 patents in chip-based, compact MS. The Company has sold over 160 MS instruments to date.

MS is a powerful and widely adopted analytical technique for chemical and biochemical analysis and identification in a range of markets including pharmaceutical, environmental, food and academic markets. The Company's core products, the compact MiD series of mass detectors, are designed to integrate seamlessly with a wide range of third-party OEMs or to be sold standalone through distributors. At the forefront of the Company's design ethos is to deliver fast, easy to use, powerful and robust performance, all in a compact footprint. This opens new markets where the Company's technology has strong competitive advantage over traditional laboratory instruments by bringing MS to the point of need.

The Company has three core products:

- (i) MiD<sup>®</sup>4500, a compact MS instrument which serves the established laboratory markets, and mobile analysis markets;
- (ii) MiD<sup>®</sup>ProteinID, a newly launched product targeting the growing biologics market, where it can be used in upstream bioprocessing lines, both "on-line" and "at-line", to support regulatory and efficiency drives; and
- (iii) MiDas<sup>®</sup> (Molecular Ion Detector Automated Sampling), Microsaic's proprietary compact liquid sample handling system for direct MS analysis.

Additionally, the Company has recently launched, with its partner, Axcend, a compact low-flow rate LCMS system which has the potential for significant running cost savings to users, and there are a number of opportunities that both companies are jointly exploring across a range of application areas.

The Company has many opportunities for furthering its core technology, which would bring enhanced capability to its MS products in the medium term and enable wider market reach in traditional laboratories, point of need applications (such as in-field testing), and in biologics. In light of improved pricing and anticipated gross margins on system sales, and assuming continued investment in R&D, the Board has detailed plans which, subject to additional funding, would enable the business to achieve profitability when sales of MS achieve a rate of around 100 units per annum, which is significantly lower than that previously estimated.

The Board believes that there is potentially a major new market for compact MS for “on-line”, or “at-line” analysis in bioprocessing. Recent third party research identifies an existing addressable market of circa \$0.5 billion in upstream biologics analysis instrumentation. Traditional MS instruments need specialist operators and are installed in centralised laboratories which may be remote from the bioprocessing location leading to tests taking days or even weeks. In contrast, Microsaic’s compact MS has been designed to be easy to use by line operators and to measure biologics, metabolites and feedstocks in-situ, in minutes per analysis. In addition to the saving in time, which could improve process control and reduce batch failure rates, the Board believes that Microsaic’s patented technology has the potential to deliver substantial cost savings in reagents. By working with the Company’s partners (including MIT and CPI), the Board believes that significant returns on investment could be generated by targeted product launches in bioprocessing supported by demonstrating clearly differentiated workflows suited to real-time bioprocessing analytics.

In addition to bioprocessing, the Company has multiple opportunities in its traditional small molecule markets through the integration of its MS technology with OEMs, via distributors across North America, Europe, China, Japan, and SE Asia and through direct sales.

Compared with other so-called compact MS technologies, the Board believes that Microsaic’s MS is the only commercially marketed MS technique to offer a true “all-in-one” footprint, especially designed for ease of use and maintenance, and for ease of integration with OEM equipment and production workflows. For example, based on third party research and validation, it is the Directors’ belief that the Company’s technology is currently the only compact MS which enables whole monoclonal antibody identification, and which can also measure small molecules such as feedstocks and metabolites. Measurement of these input and output factors is key to control, efficiency and quality assurance in bio-manufacturing.

The Board also believes that there are medium to long term opportunities for the Company’s technology in other high growth markets such as point of care diagnostics, including based on its innovative compact “Triple Quad” technology, which has been developed to a prototype stage. The Triple Quad instrumentation market alone is worth circa \$1.4 billion per annum, and the Board believes that Microsaic’s technology could be developed to generate significant potential in markets including food, environmental, as well as the rapidly growing diagnostics market.

### **Cash preservation measures**

As previously announced, operating costs were substantially reduced in March 2020 by cutting non-payroll expenditure to essential items, implementing a temporary 20% reduction in pay for all employees and Directors, which is still in force, and furloughing several employees under the

Coronavirus Job Retention Scheme. These actions were taken as soon as it became apparent that instrument sales were likely to be significantly lower than anticipated given the various COVID-19 restrictions in place and that, in the short term, revenue generation was likely to be focused on the continuing sales of consumables, spare parts and service and support income.

To extend the cash runway further, the Board decided in July that further cost reductions were necessary. Additional cost savings have been implemented, whilst retaining appropriate skills and resources to be able to conduct the Strategic Review process effectively, continue to sell products and to support our customers and partners.

### **Going concern**

As set out in the section “Microsaic – A Business Opportunity” above, the Board continues to believe that the opportunities available to the Company offer the potential for significant growth in the future and, at the date of approving these interim financial statements, it has a reasonable expectation that the Strategic Review process will result in an outcome which will enable the Company to continue as a going concern.

On this basis, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

In view of the inherent uncertainties implicit in a Strategic Review process, there is a material uncertainty related to going concern. If the Strategic Review does not result in an appropriate outcome, the Directors would have to consider other actions for protecting stakeholders’ interests. The Board’s assessment of the going concern basis is explained in more detail in note 4.

### **Resignation of director**

As part of the cash preservation measures, it was mutually agreed that Chris Buckley, Non-Executive Director, would step down from the Board on 28 July 2020. The Board wishes to thank Chris for his contributions during his four years with Microsaic, where he has provided valuable strategic marketing input.

### **Resignation of joint broker**

It was mutually agreed to accept the resignation of WH Ireland Limited as joint broker to the Company, with effect from 29 July. N+1 Singer continues to act as the Company's nominated adviser and broker.

### **Outlook**

Instrument sales recommenced in July and there are initial signs of improvement in the opportunities for sales and business development, particularly in Asia Pacific. However, with the COVID-19 pandemic still affecting key sales channels and end markets, the Board anticipates that sales for the full year 2020 will be very significantly lower than the level achieved in 2019.

In view of the continuing effects of the pandemic, and the phasing out of the Coronavirus Job Retention Scheme, the Board concluded that approximately 25% of employees would have to be made redundant in H2, while remaining employees are continuing with the temporary 20% pay reduction and non-payroll expenditure continues to be kept to essential items. As a result, overheads in H2 will be lower than in H1.

Glenn Tracey  
CEO  
2 September 2020

## **FINANCIAL REVIEW**

### **Statement of Comprehensive Income:**

In H1 2020, total revenues of £71,992 were 78.1% or £256,436 lower than H1 2019 (£328,428). No instrument sales were made in H1, while the sales of consumables, spares, accessories and service and support income grew by £11,619 or 19.2%.

Gross profit for H1 of £38,295 (H1 2019: £104,745) is 63.4% below H1 2019. The gross margin at 53.2% is significantly higher than H1 last year (H1 2019: 31.9%) as the margin on consumables, spares accessories, service and support is higher than on instrument sales.

Total operating expenses of £1,484,664 (H1 2019: £1,673,677) were £189,013 or 11.3% below 2019 following the cost reduction plan implemented in March 2020 because of the impact of the COVID-19 pandemic on the business. Expenditure on R&D at £498,817 was 12.7% higher than H1 2019, mainly due to a higher spend on subcontractors, with work being carried out on ProteinID, Microsaic's product for bioprocessing workflows. There were savings in payroll (£153,308), travel (£29,860), building and office (£14,804), marketing (£34,753), off-set by higher professional fees (£44,735). The saving in payroll expenses is mainly due to the 20% reduction in remuneration for all employees and furloughing six staff from April 1, although this was offset by a redundancy provision for at risk staff of £24,353. The higher professional fees included legal fees in relation to a potential fundraising exercise.

The loss from operations in the period, before share-based payments, financial costs, financial income, and tax, of £1,446,369 is 7.8% lower than for H1 2019 (£1,568,932).

The share-based payment charge of £31,418 is £2,256 below H1 2019. Financial costs of £5,664 mainly relate to the treatment of lease liabilities under IFRS 16. Interest income of £4,359 is £17,351 below H1 last year due to lower cash balances.

The comprehensive loss for the period of £1,479,949 is 6.9% lower than H1 2019 (£1,589,446) as the reduced revenue and gross margin due to the COVID-19 pandemic has been offset by savings in operating expenses. The basic loss per share for the period of 0.32p is marginally lower than H1 2019.

### **Statement of Financial Position:**

Total assets of £2,732,927 are £1,422,322 below the figure at 31 December 2019 (2019: £4,155,249), mainly due to lower cash balances (£1,086,195), lower trade and other receivables (£142,444), lower corporation tax receivable (£322,442), lower right of use assets (£45,156), partly offset by higher inventories (£178,873). The corporation tax receivable was received in May versus August last year. Inventories increased as commitments were made in anticipation of further sales growth, before the effects of the COVID-19 pandemic became apparent.

Total equity as at 30 June 2020 of £2,114,866 is £1,448,531 lower than 31 December 2019 (2019: £3,563,397). The main movement was an increase in retained losses of £1,474,501 to £24,332,442, offset by an increase in the share-based payment reserve of £25,970.

Trade and other payables of £339,743 are £49,180 higher than 31 December 2019. Trade payables are paid on supplier terms.

Provisions of £159,030 are £22,282 higher than the balance at 31 December 2019. The increase is due to a redundancy provision (£24,353) following the impact of the COVID-19 pandemic on the business, partially offset by a reduction in the warranty provision (£2,071).

The lease liability reduced from £164,541 at 31 December 2019 to £119,288 at 30 June due mainly to lease payments during the period.

#### **Statement of Cash Flows:**

Net cash used in operations in H1 2020 of £1,320,790 is £73,151 higher than H1 2019. due to a net increase in working capital of £239,447 offset by a lower comprehensive loss after the adjustment for non-cash items of £166,296.

The net cash used in operating activities of £999,205 was £248,434 lower than H1 2019, principally due to the corporation tax receivable received in May whereas in 2019 it was received in August, offset by the net cash used in operations of £73,151.

Net cash used in investing activities in H1 2020 of £36,245 compares with £33,802 in H1 2019. The main movements were an increase in the purchases of property, plant and equipment of £21,283, offset by a reduction in the purchases of intangibles of £11,181 and higher interest received up £7,659.

Net cash used in financing activities amounted to £50,745 which relates to the cash payments for lease commitments during the period.

The closing cash balance as at 30 June 2020 is £1,534,563 down £2,536,723 on 30 June 2019 and £1,086,195 lower than 31 December 2019 balance.

Bevan Metcalf  
Finance Director and Company Secretary  
2 September 2020

**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Notes	6 months to 30 June 2020 Unaudited	6 months to 30 June 2019 Unaudited	Year to 31 December 2019 Audited
		£	£	£
<b>Revenue</b>	5	71,992	328,428	872,125
Cost of sales		(33,697)	(223,683)	(533,882)
<b>Gross profit</b>		38,295	104,745	338,243
<b>Other operating income</b>		-	-	-
Research and development expenses		(498,817)	(442,473)	(1,052,592)
Other operating expenses		(985,847)	(1,231,204)	(2,340,239)
<b>Total operating expenses</b>		(1,484,664)	(1,673,677)	(3,392,831)
<b>Loss from operations before share-based payments</b>		(1,446,369)	(1,568,932)	(3,054,588)
Share-based payments		(31,418)	(33,674)	(69,012)
<b>Loss from operations after share-based payments</b>		(1,477,787)	(1,602,606)	(3,123,600)
Financial cost		(5,664)	(8,550)	(15,615)
Finance income		4,359	21,710	35,686
<b>Loss before tax</b>		(1,479,092)	(1,589,446)	(3,103,529)
Tax on loss on ordinary activities		(857)	-	322,442
<b>Total comprehensive loss for the period</b>		(1,479,949)	(1,589,446)	(2,781,087)
<b>Loss per share attributable to the equity holders of the Company</b>				
Basic and diluted loss per ordinary share	6	(0.32)p	(0.35)p	(0.61)p

**STATEMENT OF FINANCIAL POSITION (UNAUDITED)  
AS AT 30 JUNE 2020**

	Notes	30 June 2020 Unaudited £	30 June 2019 Unaudited £	31 December 2019 Audited £
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		94,110	104,596	97,211
Property, plant and equipment		122,870	96,846	124,727
Right of use assets	8	112,760	203,568	157,916
<b>Total non-current assets</b>		<b>329,740</b>	<b>405,010</b>	<b>379,854</b>
<b>Current assets</b>				
Inventories	9	565,114	291,146	386,241
Trade and other receivables	10	303,510	351,023	445,954
Corporation tax receivable		-	277,076	322,442
Cash and cash equivalents		1,534,563	4,071,286	2,620,758
<b>Total current assets</b>		<b>2,403,187</b>	<b>4,990,531</b>	<b>3,775,395</b>
<b>TOTAL ASSETS</b>		<b>2,732,927</b>	<b>5,395,541</b>	<b>4,155,249</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	11	1,140,913	1,140,913	1,140,913
Share premium		24,867,886	24,867,886	24,867,886
Share-based payment reserve		438,509	377,200	412,539
Retained losses		(24,332,442)	(21,666,299)	(22,857,941)
<b>Total Equity</b>		<b>2,114,866</b>	<b>4,719,700</b>	<b>3,563,397</b>
<b>Current liabilities</b>				
Trade and other payables	12	339,743	331,875	290,563
<b>Non-current liabilities</b>				
Provisions	13	159,030	136,434	136,748
Lease Liability	8	119,288	207,532	164,541
<b>Total non-current liabilities</b>		<b>278,318</b>	<b>343,966</b>	<b>301,289</b>
<b>Total liabilities</b>		<b>618,061</b>	<b>675,841</b>	<b>591,852</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,732,927</b>	<b>5,395,541</b>	<b>4,155,249</b>

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**AS AT 30 JUNE 2020**

	Notes	Share capital £	Share premium £	Share based-payment reserve £	Retained Losses £	Total equity £
<b>At 1 January 2019</b>		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)
<b>Transactions with owners:</b>						
Transfer in respect of lapsed share options		-	-	(2,280)	2,280	-
Share-based payments - share options		-	-	33,674	-	33,674
<b>At 30 June 2019 (unaudited)</b>		1,140,913	24,867,886	377,200	(21,666,299)	4,719,700
<b>At 1 January 2019</b>		1,140,913	24,867,886	345,806	(20,079,133)	6,275,472
Total comprehensive loss for the year		-	-	-	(2,781,087)	(2,781,087)
<b>Transactions with owners:</b>						
Transfer in respect of lapsed share options		-	-	(2,279)	2,279	-
Share-based payments - share options		-	-	69,012	-	69,012
<b>At 31 December 2019 (audited)</b>		1,140,913	24,867,886	412,539	(22,857,941)	3,563,397
<b>At 1 January 2020</b>		1,140,913	24,867,886	412,539	(22,857,941)	3,563,397
Total comprehensive loss for the period		-	-	-	(1,479,949)	(1,479,949)
<b>Transactions with owners:</b>						
Transfer in respect of lapsed share options		-	-	(5,448)	5,448	-
Share based payments - share options		-	-	31,418	-	31,418
<b>At 30 June 2020 (unaudited)</b>		1,140,913	24,867,886	438,509	(24,332,442)	2,114,866

**STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

		6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
	Notes	Unaudited £	Unaudited £	Audited £
<b>Total comprehensive loss for the period</b>		<b>(1,479,949)</b>	<b>(1,589,446)</b>	<b>(2,781,087)</b>
Amortisation of intangible assets		20,818	20,246	40,740
Depreciation of right of use assets	8	45,156	44,908	90,560
Depreciation of property, plant and equipment		40,457	44,626	88,993
Transfer of property, plant and equipment		-	-	14,255
Decrease in provision for leasehold dilapidations		-	(20,719)	(21,138)
Decrease in provision for warranty		(2,071)	(13,550)	(12,817)
Increase in provision for expected credit losses		8,059	-	4,306
Provision for redundancy		24,353	-	-
Share-based payments		31,418	33,674	69,012
Decrease in inventory provision		-	(13,197)	(26,854)
Tax on loss on ordinary activities		857	-	(322,442)
Interest on lease liability		5,492	8,550	15,615
Finance income		(4,359)	(12,413)	(35,686)
(Increase)/Decrease in inventories		(178,873)	123,996	42,558
Decrease/(Increase) in trade and other receivables		118,672	80,342	(12,215)
Increase in trade and other payables		49,180	45,344	4,032
<b>Cash used in operations</b>		<b>(1,320,790)</b>	<b>(1,247,639)</b>	<b>(2,842,168)</b>
Corporation tax received		321,585	-	277,076
<b>Net cash used in operating activities</b>		<b>(999,205)</b>	<b>(1,247,639)</b>	<b>(2,565,092)</b>
<b>Cash flows from investing activities</b>				
Purchases of intangible assets		(17,717)	(28,898)	(42,007)
Purchases of property, plant and equipment		(38,600)	(17,317)	(103,820)
Interest received		20,072	12,413	29,006
<b>Net cash used in investing activities</b>		<b>(36,245)</b>	<b>(33,802)</b>	<b>(116,821)</b>
<b>Cash flows from financing activities</b>				
Payments relating to lease commitments	8	(50,745)	(49,494)	(99,550)
<b>Net cash from financing activities</b>		<b>(50,745)</b>	<b>(49,494)</b>	<b>(99,550)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,086,195)</b>	<b>(1,330,935)</b>	<b>(2,781,463)</b>
Cash and cash equivalents at beginning of the year		2,620,758	5,402,221	5,402,221
<b>Cash and cash equivalents at the end of the period</b>		<b>1,534,563</b>	<b>4,071,286</b>	<b>2,620,758</b>

## **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 compact, chip-based mass spectrometers 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 2019.

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 2020 has been prepared using extracts from the financial statements prepared for the year ended 31 December 2019. Those financial statements have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and included emphasis of matter disclosure regarding the Company’s going concern position.

### **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, which is explained more fully in note 4.

### **4. Going Concern**

As at 30 June 2020, the Company had £1.53m cash in the bank, substantially more than budgeted, as a result of actions taken to reduce costs and limit the intake of inventory due to the COVID-19 pandemic and due to the receipt of the R&D tax credit of £322k in May rather than July as budgeted.

At the time of finalising the 2019 Annual Report and Accounts on 6 March 2020, the Board was in dialogue with its brokers to prepare for an equity fundraise to ensure that Microsaic would be sufficiently capitalised for the opportunities ahead. Shortly afterwards, it became apparent that product sales were likely to be very significantly lower than anticipated, given the various restrictions in place as a result of the COVID-19 pandemic, and the Board quickly took action to cut operating costs substantially.

In Q2, after reassessing the business’ prospects, costs and the potential funding requirements, the Board concluded that the opportunities available to the Company continued to offer the potential for significant growth in the future and resumed its preparation with its brokers for an equity fundraise.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

However, following a market sounding exercise, completed in July 2020, the Board concluded that the prevailing conditions were not supportive of raising sufficient equity from public market investors to fund the business through to profitability.

As a result, on 29 July 2020, it was announced that the Board had decided:

- (i) to undertake a Strategic Review and had appointed BDO LLP as its financial adviser for the Strategic Review and formal sale process including for the purposes of Rule 3 of the Takeover Code; and
- (ii) to reduce costs further, whilst retaining appropriate skills and resources to be able to conduct the Strategic Review process effectively, continue to sell products and to support new and existing customers and partners.

The Strategic Review involves a broad range of options to either facilitate raising additional funding, for example through strategic investment by a business partner or other market participant, or by realising value from a sale of the Company, or its business and assets, a business combination with another entity with concomitant funding for the combined group, and/or technology and product marketing licensing for some or all of the Company's technology for individual territories, regions or globally.

The Strategic Review process commenced in August by contacting third parties which BDO and the Board have identified as potentially being interested in Microsaic and its technology and products.

As set out in the section "Microsaic – A Business Opportunity" in the CEO Statement, the Board continues to believe that the opportunities available to the Company offer the potential for significant growth in the future and, at the date of approving these interim financial statements, it has a reasonable expectation that the Strategic Review process will result in an outcome which will enable the Company to continue as a going concern. On this basis, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

In view of the inherent uncertainties implicit in a Strategic Review process, there is a material uncertainty related to going concern. If the Strategic Review does not result in an appropriate outcome, the Directors would have to consider other actions for protecting stakeholders' interests.

The financial statements do not include any adjustments that may be necessary should the Company be unable to realise its assets and discharge its liabilities in the normal course of business.

### 5. Revenues

Throughout H1 2020, the Company operated in one business segment, that of research, development and commercialisation of mass spectrometry instruments. The attribution of revenue is based on the country or group of countries to where the goods are shipped. Our largest customer represented 54.5% of total revenue in H1 2020 (H1 2019: 60.4%) and our second largest 13.1% of total revenue (2019: 16.4%). In each case, these partners were selling on to multiple end customers.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

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

	6 months to 30 June 2020 Unaudited £	6 months to 30 June 2019 Unaudited £	Year to 31 December 2019 Audited £
Europe	21,335	220,062	448,923
USA	38,796	95,894	159,068
UK	-	12,472	28,798
China	-	-	139,562
Japan	8,756	-	53,662
Rest of World	3,105	-	42,112
	71,992	328,428	872,125

### 6. Loss per share

	6 months to 30 June 2020 Unaudited	6 months to 30 June 2019 Unaudited	Year to 31 December 2019 Audited
Comprehensive loss attributable to equity shareholders (£)	(1,479,949)	(1,589,446)	(2,781,087)
Weighted average number of ordinary 0.25p shares for the purpose of basic and diluted loss per share	456,365,146	456,365,146	456,365,146
Basic and diluted loss per ordinary share	(0.32)p	(0.35)p	(0.61)p

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.

### 7. Employees and employment related costs

	6 months to 30 June 2020 Number Unaudited	6 months to 30 June 2019 Number Unaudited	Year to 31 December 2019 Number Audited
Directors	5	5	5
Other staff	22	24	24
	27	29	29

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

### 7. Employees and employment related costs (continued)

	6 months to 30 June 2020 Unaudited £	6 months to 30 June 2019 Unaudited £	Year to 31 December 2019 Audited £
Employment costs (including Directors)			
Wages and salaries	591,306	759,898	1,488,583
Social security costs	54,880	77,616	163,820
Redundancy provision	24,353	-	-
Pension costs	86,068	71,150	164,285
Employment related share-based payments	31,419	33,674	69,012
	788,026	942,338	1,885,700

As part of a cost reduction programme several employees were identified as being at risk of redundancy at the end of March. These employees were furloughed as part of the coronavirus job retention scheme. Grants from the scheme between April 1 and 30 June, amounted to £40,338, which have been offset against wages and salaries during the period.

In addition to furloughing staff, all other employees and Directors agreed to their remuneration being reduced by 20% as a temporary measure effective 1 April.

### 8. Lease reporting

Right of use lease assets:

	Property £	Equipment £	Total Unaudited £
Cost			
At 1 January 2020	240,035	8,441	248,476
Additions	-	-	-
At 30 June 2020	240,035	8,441	248,476
Depreciation			
At 1 January 2020	88,071	2,489	90,560
Charge for the period	43,915	1,241	45,156
At 30 June 2020	131,986	3,730	135,716
Carrying amount			
At 30 June 2020	108,049	4,711	112,760
At 1 January 2020	151,964	5,952	157,916

Lease Liability:

	Property £	Equipment £	Total Unaudited £
At 1 January 2020	158,458	6,083	164,541
Repayment of lease liabilities	(49,366)	(1,379)	(50,745)
Interest on lease liabilities	5,385	107	5,492
At 30 June 2020	114,477	4,811	119,288

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

### 9. Inventories

	30 June 2020	30 June 2019	31 December 2019
	Unaudited £	Unaudited £	Audited £
Raw materials	268,292	310,570	299,650
Work in progress	7,616	-	47,978
Finished goods	329,160	34,187	78,567
Subtotal	605,068	344,757	426,195
Provision for inventories	(39,954)	(53,611)	(39,954)
Total	565,114	291,146	386,241

Inventories at 30 June were significantly higher than 31 December 2019 due to the lower instrument sales in the period. Measures were taken to control production in the face of COVID-19.

### 10. Trade and other receivables

	30 June 2020	30 June 2019	31 December 2019
	Unaudited £	Unaudited £	Audited £
Amounts falling due within one year			
Trade receivables	94,490	161,577	267,893
Provision for expected credit losses	(12,365)	-	(4,306)
Other receivables	209,681	154,391	153,949
Other taxes	11,704	35,055	28,418
	303,510	351,023	445,954

Aging of trade receivables:

	£	£	£
Not past due	12,581	126,908	267,893
1 to 30 days past due	-	34,495	-
31 to 60 days past due	-	-	-
61 to 90 days past due	81,909	-	-
> 91 days overdue	-	174	-
	94,490	161,577	267,893

Trade receivables are significantly down on 30 June 2020 and 31 December 2019 as a result of lower sales due to the COVID-19 pandemic. The 61 to 90 days past due at 30 June relates to two customers affected by the COVID-19 pandemic who have asked for extra time to settle their outstanding balances. One of these customers is paying their balance off over a six-month period. A provision for expected credit losses is calculated using a matrix approach with 15% of the 61 to 90 days outstanding balance being provided for. Our business development team are in contact with these customers and their position is reviewed on a monthly basis.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

### 11. Share capital

	30 June 2020 Unaudited £	30 June 2019 Unaudited £	31 December 2019 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 at the period end is 456,365,146 (2019: 456,365,146).

### 12. Trade and other payables

	30 June 2020 Unaudited £	30 June 2019 Unaudited £	31 December 2019 Audited £
Amounts falling due within one year			
Trade payables	141,930	144,151	95,431
Other taxes and social security	31,960	47,161	46,665
Other payables	13,491	13,621	17,352
Accruals and deferred income	152,362	126,942	131,115
	339,743	331,875	290,563

Total trade and other payables at 30 June 2020 are in line with 30 June 2019, but £49,180 above the 31 December balance. Trade payables are paid on supplier terms.

### 13. Provisions

	Dilapidations £	Redundancy £	Warranty £	Total £
Balance at 1 January 2020	75,779	-	60,969	136,748
Charges against provisions	-	-	-	-
Provided for during the period	-	24,353	(2,071)	22,282
Balance at 30 June 2020	75,779	24,353	58,898	159,030

A redundancy provision for at risk staff was created during the period as part of a contingency plan implemented in March 2020.

### 14. Commitments

As at 30 June 2020, purchase commitments with suppliers contracted for but not included in the financial statements amounted to £568,854 (31 December 2019: £806,185). This includes the commitments to manufacturers for MS components and products and to R&D contractors for services.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

### 15. 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 2020 and the weighted average exercise price.

	6 months to 30 June 2020 Unaudited		6 months to 30 June 2019 Unaudited		Year to 31 December 2019 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	18,644,000	5.2p	13,964,000	6.5p	13,964,000	6.5p
Granted during the period	-	-	5,000,000	1.55p	5,000,000	1.55p
Forfeited/Cancelled during the period	(240,000)	10.8p	(220,000)	8.4p	(320,000)	7.0p
Exercised during the period	-	-	-	-	-	-
Outstanding at period end	18,404,000	5.1p	18,744,000	5.2p	18,644,000	5.2p
Exercisable at period end	2,804,000	13.3p	524,000	40.7p	2,624,000	12.1p

No options were awarded in the six months to 30 June 2020. In the corresponding period last year, 5 million options were awarded to the Executive Directors under Microsaic's EMI scheme at an exercise price of 1.55 pence per ordinary share, being the middle market closing price on 11 June 2019.