30 September 2022

Microsaic Systems plc

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

Interim Results for the six months ended 30 June 2022

Microsaic Systems plc (AIM: MSYS), the developer of micro-electronic instruments and analytical solutions, is pleased to announce its unaudited interim results for the six months ended 30 June 2022 ("H1 2022"). Performance has exceeded Board expectations with the new high-tech services division launch in April helping with the transition from product-only sales to customer-centric service solutions in science and engineering services that include analytical and AI software service programmes designed for the medical device, environmental, aerospace and food industries.

Highlights

- Unaudited revenues of £735k: an increase of 47% on H1 2021 (£499k)
- Increase in gross profit by 164% to £433k (H1 2021: £164k)
- Adjusted EBITDA loss of £661k an improvement of 21% on H1 2021 (£839k loss)
- Total comprehensive loss reduced by 65% to £705k (H1 2021: £2.01m loss)
- Cash at 30 June 2022 was £2.56m (H1 2021: £4.48m)
- International deployment of Microsaic's products and services in applications such as water monitoring of chemicals and pathogens continues to expand. Units have been installed in Ireland and the UK and are being shipped to Japan and the US for installation during H2 2022
- Laboratory services that have been completed are for toxic shock, insulin and a range of metabolites carried out under contract by Microsaic as mass spectrometry services. Other laboratory service work scheduled for H2 2022 include ceramides and pesticides
- Mass spectrometry units have been installed and demonstrated in Modern Water mobile monitoring vehicles
- March: Bob Moore joined the Board. Bob is a UK qualified lawyer and brings over 35 years' commercial and legal experience to the Company
- April: New manufacturing services framework and an initial contract worth £400k with Innovenn UK Limited, a division of DeepVerge plc, supplying services for multi-sensor upgrades of environmental and human health diagnostic equipment
- April: Launch of Microsaic Services Division providing integrated solutions in science and engineering services that include analytical and AI software service programmes designed for the medical device, environmental, aerospace and food industries

Post Period Events

- August: Microsaic appointed as an Authorised Partner for Kingfield Electronics Limited ("Kingfield") for front-end research, development, and engineering product development in scientific instrumentation and micro-engineering adding these complementary services to Kingfield's existing electronics aerospace, defence, and process and scientific instrumentation clients
- August: ISO 9001:2015 Surveillance Audit secured

Outlook

- The growth in revenues, at higher margins, illustrates that Microsaic is able to access additional revenues from other innovative companies seeking a high quality product design, development and manufacturing service. As a result, the Board expects the solid sales momentum noted in H1 to continue through H2.

Gerry Brandon, Acting Executive Chairman of Microsaic Systems plc, commented:
"*The change in business strategy which began in 2021 has carried through to 2022. The result of which can be seen in the increased revenues and gross profit which have led to reduced losses. We look forward to continued growth with our existing collaboration partners and already see new business opportunities developing for 2023 through the Authorised Partnership with Kingfield Electronics Limited. The Board notes a strong momentum of sales growth in H1 and expects this to continue through H2 with a strong orderbook.*"

Enquiries:

Microsaic Systems plc	
Gerry Brandon, Acting Executive Chairman	+44 (0)734 0055 648
Singer Capital Markets (Nominated Adviser & Joint Broker) Aubrey Powell / George Tzimas / Asha Chotai	+44 (0)20 7496 3000
Turner Pope Investments (TPI) Limited (Joint Broker)	
Andy Thacker / James Pope	+44 (0)20 3657 0050

About Microsaic Systems
Microsaic has over 20 years' experience in microelectronics and development of instrumentation. The Company has a robust and innovative patent portfolio in cutting-edge technology designed and developed for "Industry 4.0" application serving markets in diversified Industries, Human and Environmental Health. Microsaic's system solutions have enabled analytical detection and characterisation at the point-of-need, whether within a conventional laboratory setting, or within a bioprocessing facility for continuous detection of data at multiple steps in the process workflow.

Microsaic's products and solutions are commercially available through global markets via a network of regional and local partners, targeting its core laboratory, manufacturing and point-of-need applications.

CHAIRMAN'S STATEMENT

Introduction

The shift in commercial strategy from product-only sales to customer-centric service solutions began with the launch of the Microsaic Services Division earlier this year resulting in an uplift in revenues of 47% to £735k in H1 2022 (H1 2021: £499k) and a healthy order book for the second half of the year. With 20 years of expertise in research and development of miniaturised mass-spectrometry equipment, with 60 patents in scientific analytical instrumentation, the combination of science and engineering services now delivers turn-key project management, hardware and software product development, and product lifecycle management systems with quality management to ISO 9001:2015 standards.

Relevant Global Trends

Microsaic has adapted to a changing world where supply chains and health-care systems have been disrupted by Covid and the Ukraine war, creating new opportunities in science and engineering services. Our proprietary technology and know-how is being deployed to address a number of needs and shifting trends in the way companies and even national bodies seek to source technology-enabled solutions.

The Covid pandemic, has amongst other things, also emphasised the need for national capability, supply chain resilience and on-shoring with core competence of delivering both upstream and downstream services to manufacturers to ensure continuity rather than relying on off-shore capabilities. Microsaic is able to address this demand for more localised solutions by supplying through partners which are already present in the major markets.

The health costs associated with ageing populations with limited economic capacity have highlighted the need for automation and technology-driven efficiencies in healthcare, particularly for surveillance in disease biomarkers as the move to digital health diagnostics becomes inevitable, either in GP offices or bedside observations of proteins in patient treatments.

At the same time, there is a heightened realisation of the finite, shared resources of our planet and the need to manage levels of pollutants by measuring them. Microsaic's miniaturised portable mass spectrometry units have application in monitoring pollution and are being rolled out as part of the DeepVerge Modern Water mobile monitoring services. The complementary systems have the ability to monitor contaminants in the air, in soil, rivers, lakes and sea and in wastewater. All areas offer the opportunity to identify recycling processes – which all play a role in the management of the circular economy.

There is no doubt that the conflict in Ukraine has demonstrated that defence and security are a necessity, and also need to be deployed in an agile and affordable manner. This comes with supply chain resilience, the availability of technology which is closer to home and the provision of science and engineering services to the Defence Science and Technology Laboratory, Ministry of Defence and the Home Office.

Collaboration across partner core competences

Microsaic and DeepVerge plc ("DeepVerge") have been working together since March 2021 when the parties signed a 3-year framework agreement under which Microsaic supplies its own miniaturised mass spectrometry equipment and services on a non-exclusive basis across DeepVerge's global sales, marketing and distribution channels, for healthcare diagnostic and environmental health applications.

In April 2022, Microsaic and Innovenn UK Limited, a subsidiary of DeepVerge, entered into a new Manufacturing Services Framework Agreement ("MSFA") with an initial contract worth £400,000 supplying services for Multi-Sensor Upgrades of Environmental and Human Health Diagnostic Equipment.

These new services leverage the considerable depth and breadth of technical design, engineering and delivery expertise within the Microsaic team and diversifies the Company's revenues beyond equipment sales of Mass Spectrometers, in line with the Company's shift in strategy. By offering the skillsets that created the smallest compact mass spectrometer in the world, collaboration partners, such as DeepVerge and Kingfield Electronics Limited, who recently appointed Microsaic as their Authorised Partner, can outsource engineering development of existing and new analytical instrumentation equipment while concentrating on growing their business.

Going Concern

Having considered the plans and prospects of the business, the Board of Directors believes that the Company has enough cash to cover its anticipated working capital requirements for the next 12 months. Therefore, the Directors have adopted the going concern basis of reporting in preparing the financial statements.

Outlook

The growth in revenues, at higher margins, illustrates that Microsaic is able to access additional revenues from other innovative companies seeking a high quality product design, development and manufacturing service. As a result, the Board expects the solid sales momentum noted in H1 to continue through H2.

Gerard Brandon
Acting Executive Chairman
30 September 2022

Financial Review

Statement of Comprehensive Income

In H1 2022, total revenues of £734,914 were £235,629 (47.2%) above H1 2021 (£499,285). Reflecting the shift in strategy, service and support revenues were £502,317 (H1 2021: £12,170) and represented 68.4% of total revenue (H1 2021: 2.4%). In comparison, product revenue of £165,011 (H1 2021: £367,474) represented 22.4% of total revenue (H1 2021: 73.6%) whilst consumables and spares revenues of £67,586 (H1 2021: £119,641) represented 9.2% of total revenue (H1 2021: 24.0%).

A new accounting policy for cost of sales has been introduced to reflect the staff time directly attributable to the new service lines (further information is included in note 5) and therefore the comparative periods have been restated accordingly (note 14). Gross margin in H1 2022 was 59.0%, exceeding the margin achieved in H1 2021 of 32.8% (restated), as a result of a higher proportion of services sales which generate higher margins.

Operating expenses of £1,134,310 were stable and also slightly lower by £27,304 (2.4%) than the comparative period (H1 2021 restated: £1,161,614).

With increased gross profit and relatively flat operating expenses, the loss from operations before share-based payments of £700,934 marks a 26.3% improvement on the loss in H1 2021 (restated: £950,652).

Share-based payments of £126,002 fell substantially by £1,031,700 (89.1%) compared with H1 2021 (restated: £1,157,702) chiefly reflecting the full vesting of directors share options in H1 2021 and with no further option grants since February 2021.

Adjusted EBITDA is deemed by the Board to be a key performance indicator of the Company's profitability. The adjusted EBITDA loss in H1 2022 was £661,491 compared with £838,804 in H1 2021, an improvement of £177,313. Note 7 details the reconciliation between Adjusted EBITDA loss and comprehensive loss for the period.

The comprehensive loss of £704,711 is 64.9% lower than H1 2021 (restated: £2,008,203) reflecting the aforementioned changes which have been implemented. The H1 2021 comprehensive loss is £98,722 higher than previously reported due to the recognition of an accrued tax credit receivable as set out in note 14. Accordingly, the basic loss per share of 0.011p has reduced by 72.5% compared to last year (H1 2021 restated: 0.040p per share) following the improved performance of the business during the period.

Statement of Financial Position

Total non-current assets of £453,533 are £53,092 lower (31 December 2021: £506,625). The reduction is mainly attributable to the decrease in right of use assets by £35,979, representing the depreciation charge in the period.

Total current assets of £4,317,724 are £330,787 lower (31 December 2021: £4,648,511). The main contributor to this reduction is the £902,136 lower cash balance at the period end of £2,562,741 (31 December 2021: £3,464,876) and this is discussed further in the Statement of Cash Flows section which follows. The main increase offsetting the cash reduction is the rise by £480,657 in trade and other receivables to £1,112,605 (31 December 2021: £631,948). The main component of that increase is trade receivables of £820,566 which have increased by £493,505 (31 December 2021: £327,061).

Total assets of £4,771,257 are £383,879 lower (31 December 2021: £5,155,136), mainly due to the movement in total current assets as explained above.

Total equity of £4,194,511 is £378,709 lower (31 December 2021: £4,573,220). The movements during the period were the comprehensive loss of £704,711 offset by the exercise of warrants and directors fees paid in shares totalling £285,000 and a share-based reserve movement of £41,002 in respect of leavers.

Current liabilities of £453,081 are £27,283 higher (31 December 2021: £425,798). This is mainly due to trade and other payables of £379,382 which are up by £24,711 (31 December 2021: £354,611).

Total non-current liabilities of £123,665 are £32,453 lower (31 December 2021: £156,118). This is mainly due to a £37,538 reduction in non-current lease liabilities to £18,620 (31 December 2021: £56,158) as right of use assets approach the end of their term and their renewal dates.

Statement of Cash Flows:
Cash and cash equivalents fell £902,136 from £3,464,876 at 31 December 2021 to £2,562,741 at 30 June 2022.

The main component of this reduction was due to cash used in operating activities (see note 12), which increased to £997,506 and was £90,260 higher than H1 2021 (£907,246). Cash absorbed by operating activities before working capital movements improved by £309,342 to £579,451 (H1 2021: £888,793), primarily due to lower losses. However, this was offset by working capital movements amounting to a net increase in cash absorbed of £418,055 (H1 2021: £18,453 increase). The largest component of the working capital movements was due to an increase in trade receivables by £485,413 (H1 2021: £298,503 increase) which is expected to improve in H2 2022.

Net cash used in investing activities in H1 2022 of £65,500 (H1 2021: £50,832) increased by £14,668. The movements were an increase in the purchases of property, plant and equipment by £25,526 to £65,019 (H1 2021: £39,493), off-set by a decrease in the purchases of intangibles by £7,333 to £6,331 (H1 2021: £13,664) and interest received was £3,525 higher at £5,850 (H1 2021: £2,325).

Net cash from financing activities amounted to £160,870 (H1 2021: £5,044,261). The main difference compared to the comparative period are net proceeds of share issues from warrant exercises of £200,000 compared with net cash raised from the February 2021 fundraising of £5,083,140.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	6 months to 30 June 2022 Unaudited	6 months to 30 June 2021 Unaudited RESTATED[1]	Year to 31 December 2021 Audited RESTATED[1]
		£	£	£
Revenue	4	734,914	499,285	906,876
Cost of sales	14	(301,538)	(335,356)	(526,125)
Gross profit		433,376	163,929	380,751
Other operating income		-	47,033	67,283
Research and development expenses		(219,491)	(312,755)	(738,145)
Professional fees - Corporate transactions		-	(65,789)	(65,789)
Other operating expenses	14	(914,819)	(783,070)	(1,678,335)
Total operating expenses		(1,134,310)	(1,161,614)	(2,482,269)
Loss from operations before share-based payments		(700,934)	(950,652)	(2,034,235)
Share-based payments	11	(126,002)	(1,157,702)	(1,363,764)
Loss from operations after share-based payments		(826,936)	(2,108,354)	(3,397,999)
Financial cost		(4,104)	(1,554)	(4,604)
Finance income		7,083	2,983	6,237
Loss before tax		(823,957)	(2,106,925)	(3,396,366)
Tax on loss on ordinary activities		119,246	98,722	267,785
Total comprehensive loss for the period		(704,711)	(2,008,203)	(3,128,581)
Loss per share attributable to the equity holders of the Company				
Basic and diluted loss per ordinary shares	6	(0.011)p	(0.040)p	(0.056)p

[1]See note 14 for an explanation of the prior period restatement.

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2022

	Notes	30 June 2022 Unaudited	30 June 2021 Unaudited RESTATED[1]	31 December 2021 Audited
		£	£	£
ASSETS				
Non-current assets				
Intangible assets		66,637	77,294	74,405
Property, plant and equipment		296,342	112,645	305,687
Right of use assets		90,554	15,037	126,533
Total non-current assets		453,533	204,976	506,625
Current assets				
Inventories		255,346	377,156	283,902
Trade and other receivables		1,112,605	524,049	631,948
Corporation tax receivable		387,032	317,290	267,785
Cash and cash equivalents		2,562,741	4,483,252	3,464,876
Total current assets		4,317,724	5,701,747	4,648,511
TOTAL ASSETS		4,771,257	5,906,723	5,155,136
EQUITY AND LIABILITIES				
Equity				
Share capital		1,731,413	1,702,913	1,702,913
Share premium		28,262,518	28,006,018	28,006,018
Share-based payment reserve		2,817,181	2,743,064	2,888,707
Retained losses		(28,616,601)	(26,904,040)	(28,024,418)
Total Equity		4,194,511	5,547,955	4,573,220
Current liabilities				
Trade and other payables		379,382	245,346	354,611
Lease liability		73,699	16,143	71,187
Total current liabilities		453,081	261,489	425,798
Non-current liabilities				
Provision	9	105,045	97,279	99,960
Lease liability		18,620	-	56,158
Total non-current liabilities		123,665	97,279	156,118
Total liabilities		576,746	358,768	581,916
TOTAL EQUITY AND LIABILITIES		4,771,257	5,906,723	5,155,136

[1]See note 14 for an explanation of the prior period restatement.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
AS AT 30 JUNE 2022

	Share capital	Share premium	Share based payment reserve	Retained Losses RESTATED[1]	Total equity
	£	£	£	£	£
At 1January 2021	1,140,913	24,867,886	324,264	(25,090,083)	1,242,980
Total comprehensive loss for the period as presented in the unaudited interim financial statements to 30 June 2021	-	-	-	(2,106,925)	(2,106,925)
Impact of restatement of R&D tax credit recognition (see note 14)	-	-	-	98,722	98,722
Transactions with owners					
Shares issued	562,000	5,058,000	-	-	5,620,000
Share issue costs	-	(1,919,868)	1,503,008	-	(416,860)
Transfer in respect of lapsed share options	-	-	(194,246)	194,246	-
Share based payments-share options	-	-	1,110,038	-	1,110,038
At 30June 2021	1,702,913	28,006,018	2,743,064	(26,904,040)	5,547,955
At 1 July 2021	1,702,913	28,006,018	2,743,064	(26,904,050)	5,547,955
Total comprehensive loss for the period	-	-	-	(1,120,378)	(1,120,378)
Transactions with owners					
Shares issued	-	-	-	-	-
Share issue costs	-	-	-	-	-
Transfer in respect of lapsed share options	-	-	-	-	-
Share based payments-share options	-	-	145,643	-	145,643
At 31 December 2021	1,702,913	28,006,018	2,888,707	(28,024,418)	4,573,220
At 1January 2022	1,702,913	28,006,018	2,888,707	(28,024,418)	4,573,220
Total comprehensive loss for the period	-	-	-	(704,711)	(704,711)
Transactions with owners					
Shares issued	28,500	256,500	-	-	285,000
Share issue costs	-	-	-	-	-
Transfer in respect of lapsed share options	-	-	(112,528)	112,528	-
Share based payments share options	-	-	41,002	-	41,002
At 30June 2022	1,731,413	28,262,518	2,817,181	(28,616,601)	4,194,511

[1]See note 14 for an explanation of the prior period restatement.

STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	6 months to 30 June 2022 Unaudited £	6 months to 30 June 2021 Unaudited £	Year to 31 December 2021 Audited £
Cash flows from operating activities				
Cash absorbed by operations	12	(997,506)	(907,246)	(1,827,851)
Corporation tax received		-	-	218,568
Net cash used in operating activities		(997,506)	(907,246)	(1,609,283)
Cash flows from investing activities				
Purchases of intangible assets		(6,331)	(13,664)	(28,883)
Purchases of property, plant and equipment		(65,019)	(39,493)	(305,334)
Interest received		5,850	2,325	6,237
Net cash used in investing activities		(65,500)	(50,832)	(327,980)
Cash flows from financing activities				
Proceeds from share issues		200,000	5,500,000	5,500,000
Share issue costs		-	(416,860)	(416,860)
Repayment of lease liabilities		(39,130)	(38,879)	(78,070)
Net cash from/(used in) financing activities		160,870	5,044,261	5,005,070
Net increase/(decrease) in cash and cash equivalents		(902,136)	4,086,183	3,067,807
Cash and cash equivalents at beginning of the year		3,464,876	397,069	397,069
Cash and cash equivalents at the end of the period		2,562,741	4,483,252	3,464,876

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1. Nature of operations

Microsaic Systems plc 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. Basis of preparation

The interim financial statements of the Company for the six months ended 30 June 2022, which are unaudited, have been prepared in accordance with the accounting policies set out in the annual report and accounts for the year ended 31 December 2021, which were prepared under International Financial Reporting Standards ("IFRS") with the exception of Revenue and Cost of sales policies which have been amended for the year ending 31 December 2022, as per notes 4, 5 and 14. Comparable information for the six months ended 30 June 2021 has been restated in accordance with these policies.

This report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and has not been audited. The financial information for the full preceding year is based on the statutory accounts for the year ended 31 December 2021. Those statutory accounts have been filed with the Registrar of Companies. The auditor's report on those statutory accounts was unqualified.

As permitted, this interim report has been prepared in accordance with the AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting" and therefore it is not fully compliant with IFRS.

The interim financial statements are presented in pounds sterling.

3. 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 following estimates and assumptions are those that, in addition to those set out in the annual report and accounts for the year ended 31 December 2021, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Carrying value of trade receivables

The Company has applied a simplified "provision matrix" for calculating expected credit losses as a practical expedient. The percentage ranges are applied to the receivable balance.

Current	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	151-180 days past due	181 days + past due
0%-1%	1%-2%	1%-2%	1%-2%	2%-5%	5%-10%	10%-20%	10%-50%

The directors have reviewed the expected credit losses calculated in accordance with the "provision matrix" above and believe that there is no change required to the provision in respect of recoverability.

4. Revenues

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five-step framework includes:

Identify the contract(s) with a customer;
Identify the performance obligations in the contract;
Determine the transaction price;
Allocate the transaction price to the performance obligations in the contract; and
Recognise revenue when the entity satisfies a performance obligation.

The Company recognises revenue from the following four sources:

Sale of products;
Sale of consumables and spare parts;
Product service and product support; and
Consultancy services.

All revenues and trade receivables arise from contracts with customers. Revenue is measured based on the consideration which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The sale of products, consumables and spare parts is recognised when the sole performance obligation is met which is usually on delivery to the customer. For product service, product support and consultancy services revenue, the performance obligation is satisfied over the duration of the service period and revenue is recognised in line with the satisfaction of the performance obligation.

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

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

Product service and product support revenue
Service and support to our OEMs and Distributors includes training their sales and service teams and servicing the products from time to time. Discounts are offered and agreed as part of the contractual terms. Terms are Ex Works so control passes when the customer receives the service. Payment terms are generally 30 days from the date of invoice.

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

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

Consultancy services revenue

Consultancy services comprises science and engineering consultancy, laboratory services and monitoring services. These services are delivered over a period of time usually in accordance with a master services agreement and/or statement of works with an agreed outcome at the end of the project or project phase.

Consultancy services revenue is recognised by reference to the stage of completion of the project or project phase at the balance sheet date as follows:

- Where there are defined project or project phase milestones, the revenue is recognised in full on completion of the project or project phase and on a time basis for the stage of completion where the project or project phase is not completed at the balance sheet date. The stage of completion is recognised as the proportion of time spent on the project or project phase compared with the total time anticipated to complete the project or project phase; and/or
- Where the project is defined with the client in terms of time spent, the revenue is recognised on the basis of consulting time spent on the project by the Company at the time-based rates agreed with the client.

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

	6 months to 30 June 2022 Unaudited	6 months to 30 June 2021 Unaudited	Year to 31 December 2021 Audited
	£	£	£
UK	634,200	220,192	532,364
Japan	8,279	-	1,000
USA	50,703	130,960	187,673
Europe	29,610	42,057	71,887
China	12,122	106,076	106,076
South Korea	-	-	3,662
Rest of World	-	-	4,214
	734,914	499,285	906,876

The product group analysis of revenues was as follows:

	6 months to 30 June 2022 Unaudited £	6 months to 30 June 2021 Unaudited £	Year to 31 December 2021 Unaudited £
Product/Unit	165,011	367,474	617,614
Consumables and spares	67,586	119,641	230,831
Service and support income	502,317	12,170	58,431
	734,914	499,285	906,876

5. Cost of sales

With effect from 1 January 2022, the company has adopted new accounting policies for the presentation of cost of sales, to better reflect the costs associated with the new revenue streams. The financial impact of this change is set out in note 14, and the new policies applied are as follows:

Cost of sales of products

The cost of sales of mass spectrometers and related equipment is the bought in purchase cost of the product or the transfer value from stock value if a unit has been previously written down. Usually, the sale is made on an Ex-Works basis but if it were not the cost of delivery to the customer is also included in cost of sales.

Cost of sales of consumables and spare parts

The cost of sales of consumable and spare parts is the bought in purchase cost of the consumable or spare part or the transfer value from stock value if an item has been previously written down. Usually, the sale is made on an Ex-Works basis but if it were not the cost of delivery to the customer is also included in cost of sales.

Cost of sales of product service and product support income

The cost of sales of service and support income is the time-based apportionment of the employment costs of the relevant staff spent on the delivery of the service and support income plus any related costs of fulfilment such as travel expenses and any externally incurred direct costs. For the purposes of cost of sales, the employment costs are considered to be salaries, pensions and employers national insurance but cost of sales does not include share-based payments nor any apportionment of training or overheads.

Cost of sales of consultancy services revenue

The cost of sales of consultancy services (comprising science and engineering consultancy, laboratory services and monitoring services) is the time-based apportionment of the employment costs of the relevant staff spent on the delivery of this revenue plus any related costs of fulfilment such as travel expenses and any externally-incurred direct costs. For the purposes of cost of sales, the employment costs are considered to be salaries, pensions and employers national insurance but does not include share-based payments nor any apportionment of training or overheads.

6. Loss per share

	6 months to 30 June 2022 Unaudited	6 months to 30 June 2021 Unaudited RESTATED	Year to 31 December 2021 Audited
Comprehensive loss attributable to equity shareholders (£)	(704,711)	(2,008,203)	(3,128,581)
Weighted average number of ordinary 0.01p (2021: 0.01p) shares for the purpose of basic and diluted loss per share	6,287,359,621	4,989,624,815	5,537,461,036
Basic and diluted loss per ordinary share (p)	(0.011)p	(0.040)p	(0.056)p

The basic loss per share has continued to reduce. It fell by 72% compared with H1 2021. This was due to a 65% reduction in comprehensive loss as well as the impact of the share reorganisation early in 2021 and issues of equity in 2022. The main contributions to the reduction in comprehensive loss was an increase in gross profit of 164% and a reduction in share-based payment costs by 93%. The 6 months to 30 June 2021 loss per share has been re-stated due to the change in recognition of R&D tax credit receivable as set out in note 14.

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. Adjusted EBITDA Loss

A key indicator of performance for the Company is Adjusted EBITDA Loss (Loss of earnings before interest, tax, depreciation, amortisation and other items such as share-based payments and exceptional one-off expenditure). Detailed below is the Adjusted EBITDA Loss for the period:

	6 months to 30 June 2022 Unaudited	6 months to 30 June 2021 Unaudited	Year to 31-Dec 2021 Unaudited
	£	£	£
Comprehensive loss for period	(704,711)	(2,008,203)	(3,128,581)
Adjust for:			
Tax on loss on ordinary activities	(119,246)	(98,722)	(267,785)
Depreciation of property, plant and equipment	74,364	39,222	90,628
Depreciation of right of use assets	35,980	34,368	70,499
Amortisation of Intangibles	14,099	20,133	38,241
Net finance cost	(2,979)	(1,429)	(1,633)
Share-based payments (excluding fee shares)	41,002	1,110,038	1,255,681
Exceptional costs	-	65,789	65,789
Adjusted EBITDA Loss	(661,491)	(838,804)	(1,877,161)

8. Employees and employment related costs

Staff Numbers	6 months to 30 June 2022 Unaudited	6 Months to 30 June 2021 Unaudited RESTATED	Year to 31 December 2021 Audited
Directors	3	4	4
Other staff	19	17	18
Average Headcount	22	21	22

Employment costs (including Directors)	£	£	£
Wages and salaries	514,539	590,195	1,123,276
Social security costs	74,710	67,452	160,902
Termination payments	21,125	-	18,189
Pension costs	77,578	80,296	173,051
Employment related share-based payments	82,943	1,143,800	1,332,240
	770,895	1,881,743	2,807,699

9. Provisions

	Dilapidations £	Warranty £	Total unaudited £
Balance at 1 January 2022	75,779	24,181	99,960
Provided for/(Reduction) during the period	8,199	(3,114)	(5,085)
Balance at 30 June 2022	83,978	21,067	105,045

The dilapidations provision has been updated for the estimated impact of inflation. The warranty provision methodology was updated to reflect more recent performance with the increased value of products under warranty offset by reduced warranty claim rates and costs.

10. Commitments

As at 30 June 2022, purchase commitments relating to purchase orders placed on, and related contractual arrangements and obligations, with our third-party manufacturers amounted to £684,978 (31 December 2021: £781,990).

11. Share-based payments

The share-based payments charge comprises:	6 months to 30 June 2022 Unaudited £	6 Months to 30 June 2021 Unaudited RESTATED £	Year to 31 December 2021 Audited £
Directors' fees settled in shares	41,941	33,762	76,559
Share options granted	41,002	1,110,038	1,255,681
Employment related share-based payments	82,943	1,143,800	1,332,240
Brokers' fees settled in shares	43,059	13,902	31,524
	126,002	1,157,702	1,363,764

The Directors' fees settled in shares in respect of the years commencing 5 February 2021 and 5 February 2022 and Broker's fees settled in shares in respect of the year commencing 5 February 2021 are both in respect of paying annual fees in advance at the placing price of 5 February 2021 being a valuation of 0.1p per ordinary share of 0.01p nominal value. The restatement above reflects the inclusion of Brokers' fees settled in shares previously included as Directors' fees settled in shares.

12. Cash absorbed by operations

	6 months to 30 June 2022 Unaudited £	6 months to 30 June 2021 Unaudited RESTATED £	Year to 31 December 2021 Audited £
Total comprehensive loss for the year	(704,711)	(2,008,203)	(3,128,581)
Adjustments for:			
Amortisation of intangible assets	14,099	20,133	38,241
Depreciation of right of use assets	35,980	34,367	70,499
Depreciation of property, plant and equipment	74,364	39,222	90,628
Transfer of property, plant and equipment to cost of goods	-	23,867	23,164
Profit on disposal of right of use assets	-	-	(113)
Decrease in provision for warranty	(3,114)	(26,756)	(24,075)
Increase in provision for dilapidations	8,199	-	-
(Decrease)/Increase in provision for expected credit losses	4,755	(18,532)	(65,825)
Share-based payments (inclusive of fees settled in shares)	126,002	1,157,702	1,363,764
Increase/(Decrease) in inventory provision	(14,033)	(10,442)	32,535
Tax on loss on ordinary activities	(119,246)	(98,722)	(267,785)
Interest on lease liability	4,104	1,554	4,433
Interest received	(5,850)	(2,983)	(6,237)
Cash absorbed by operations before movements in working capital	(579,451)	(888,793)	(1,869,352)
Movements in working capital:			
Decrease/(Increase) in inventories	42,587	202,883	253,152
(Increase)/Decrease in trade and other receivables	(485,413)	(298,503)	(398,083)
Increase/(Decrease) in trade and other payables	24,771	59,419	168,684
Accrued furlough income	-	17,748	17,748
Net movement in working capital	(418,055)	(18,453)	41,501
Cash absorbed by operations	(997,506)	(907,246)	(1,827,851)

13. Related party transactions

Microsaic and DeepVerge plc ("DeepVerge") have two directors in common: Gerard Brandon and Nigel Burton. In particular, Gerard Brandon is Executive Chairman of Microsaic and CEO of DeepVerge.

On 19 April 2022, Microsaic signed a new Manufacturing Services Framework Agreement ("MSFA") with Innovenn UK Limited, a division of DeepVerge plc ("DeepVerge"), to refine and miniaturise existing monitoring equipment for environmental and human health diagnostics, together with an initial contract worth £400,000. The MSFA framework sets out the terms and conditions for Microsaic to improve and manufacture certain DeepVerge products and to provide the design, assembly, quality, and project management functions necessary to produce and ship equipment based on DeepVerge approved specifications, design, and quality requirements.

In summary for the six months ended 30 June 2022, revenue from DeepVerge sales totalled £546,718 and purchases from DeepVerge were £nil. At 30 June 2022, £632,021 was owed by DeepVerge to Microsaic in relation to the revenue recognised in H1 2022 and £65,610 was owed by Microsaic to DeepVerge.
At 30 June 2022, Director Nigel Burton owed £14,100 in respect of tax and national insurance which was settled in July 2022.

14. Prior period restatement

The year to 31 December 2021 Cost of Sales and other operating expenses have been restated to reclassify amounts of £7,424 for the 6-month period to 30 June 2021 and £15,233 for the 12-month period to December 2021. There was no effect on the final results.

To reflect the change in revenue, further detail with regards to the product group of how revenue is generated has been included within note 4.

An adjustment was made to the Income statement for the tax credit receivable through R&D claims. Previously, the accrued tax credit receivable was not included at each half year. This has been included for the 6-month period to 30 June 2022 at £119,246 (being £134,355 for the 6 months less an adjustment of £15,089 in respect of the year ended 31 December 2021) on the basis that the directors believe it is probable that it will be recovered. The 6 month period to 30 June 2021 has accordingly been re-stated to include an amount of £98,722. Subsequently this has impacted the calculation of loss per share, note 6.