

**Microsaic Systems plc**

**Annual Report and Accounts**

**31 December 2022**

**4500 MiD**



Point-of-need mass spectrometer instrument to detect small molecules (50-1,400 Da)

**MiDas**



Compact sampling interface allows automated sampling, dilution and injection for direct mass spectrometer analysis

**ProteinID**



Protein and small molecules analyser (50-150 kDa). Obtain CQAs and CPPs for Process Analytic Technologies

**MiDex**



On-line instrument to characterise and monitor intact mass and titre of proteins in a bioreactor.

## CORPORATE INFORMATION AND ADVISORS

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<b>Directors:</b>	Robert ('Bob') Moore (Executive Chairman) Nigel Burton (Non-executive Director)
<b>Company Secretary:</b>	John Mottram
<b>Company number:</b>	03568010
<b>Registered office:</b>	1-7 Park Road Caterham Surrey CR3 5TB
<b>Auditors:</b>	Saffery LLP Chartered Accountants 71 Queen Victoria Street London EC4V 4BE
<b>Bankers:</b>	HSBC Bank plc 95 Gloucester Road London SW7 4SX
<b>Solicitors:</b>	Freeths 1 Vine Street Mayfair London W1J 0AH
<b>Nominated Adviser and Joint Broker:</b>	Singer Capital Markets 1 Bartholomew Lane London EC2N 2AX
<b>Joint Broker:</b>	Turner Pope Investment (TPI) Limited 8 Frederick's Place London EC2R 8AB
<b>Registrars:</b>	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
<b>Company website:</b>	<a href="http://www.microsaic.com">www.microsaic.com</a>

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## CHAIRMAN'S STATEMENT

### For the year ended 31 December 2022

Dear Shareholders,

I am pleased to present the Company's annual report and accounts for the year ended 31 December 2022. The year continued to be a transitional one. This was from sales of our existing technologies to maturing innovative research and development of miniaturised mass spectrometers with enhanced capabilities targeted at PFAS (forever chemicals) detection, ProteinID analysis for bio-pharma drug manufacturing, and for Acrylamide (a potentially carcinogenic chemical) detection in high temperature cooking of foods. This will result in a more commercially focused business, seeking to generate new revenues from a wider range of capabilities for sales and services provided to customers. There had been higher demand for mass spectrometer equipment from existing clients but supply chain shortages of microchips caused by the Covid pandemic lowered our ability to meet the demand. This has been rectified post year end.

The revenues for the year were £1.57m, representing an uplift from the £906k achieved in 2021. However, of this revenue, sales to the related party DeepVerge plc ("DeepVerge"), as set out in note 28, totalled £1,248,828 (plus VAT) of which they have only settled £118,659 (plus VAT) leaving a balance of £1,130,169 (plus VAT) outstanding. On 19 April 2023, DeepVerge announced that it could not meet its obligation to creditors and that a payment plan had been tentatively agreed with Microsaic. However, on 26 June 2023, DeepVerge plc announced that it would no longer be able to support its subsidiaries and was anticipating a sale or liquidation of these assets. The impact of this on the Company has been recognised as an adjusting event after the reporting date with £1,130,169 charged as an impairment of related party debt. Excluding revenues from DeepVerge, revenues for 2022 were only £318,869, significantly below the prior year. The results for 2022, subsequent performance in 2023 and forecasts for 2024 and beyond therefore need to be considered on the basis that no further payments and no further revenues are expected to be received from DeepVerge.

The Company ended the year with £1.24m in cash, trade receivables net of expected credit losses of £389k and corporation tax credits receivable of £0.51m. At 8 January 2024 cash stood at £148k.

Given the significant changes to the business following the year end, resulting mainly from the problems with DeepVerge as outlined above, shareholders' attention is drawn to the post year end events outlined below and the risks highlighted in the Directors' Report and the material uncertainty in the going concern assessment.

#### Financial Highlights:

- Total revenues increased 73% on the previous year to £1.57m (2021: £0.91m) of which DeepVerge comprised £1.29m (2021: £0.39m);
- Other operating income of £nil (2021: £67k);
- Operating expenses increased to £3.27m (2021: £2.48m) including costs in relation to the impairment of related party debt of £1.13m (2021: £nil);
- Adjusted EBITDA\* loss of £2.04m (2021: £1.77m)
- Loss before tax of £2.53m (2021: £3.40m) after providing for:
  - Impairment of related party debt of £1.13m (2021: £nil);
  - Share-based payments of £0.23m (2021: £1.36m);
  - Depreciation and amortisation of £281k (2021: £199k);
  - Professional fees of £Nil (2021: £66k) relating to corporate activities;
- Cash and cash equivalents as at 31 December 2022 of £1.24m (2021: £3.46m).

*\*EBITDA before share-based payments and professional fees relating to corporate activities*

### Post-year end events:

- Supply chain issues that had restricted production of mass spectrometry MID and MIDas units in 2022 have now been resolved. Production restarted during mid-2023, with unit orders from existing and new distributor appointments resulted in shipment of 5 units by the end of 2023.
- Development and launch of MicrylaMiD™, a real-time inline detection of Acrylamide in food to comply with EU and UK regulatory requirements for the monitoring of this carcinogenic substance in food and beverage production.
- MiDex and ProteinID commercialisation as part of a solutions package for detection of molecules in pharma bioprocessing development has begun.
- New website launch, rebranding and marketing strategy resulted in an uplift in lead generation for the new solutions being offered by Microsaic.
- On 19 April 2023, DeepVerge announced that it could not meet its obligation to creditors and that a payment plan had been tentatively agreed for its outstanding liability to Microsaic. However, on 26 June 2023, DeepVerge announced that it would no longer support the ongoing costs of its subsidiaries and is seeking to realise whatever value is possible through the sale of one or more of the Labskin, Modern Water and Glanaco business units and DeepVerge's shares were suspended from trading on AIM. As at 26 June 2023, the balance owed by DeepVerge to Microsaic stood at £1,351,894. Following the deduction of VAT on the amount outstanding of £221,725, which was subsequently recovered from HMRC, the net of VAT potential bad debt is £1,130,169. As no further receipts from DeepVerge are expected, this amount of £1,130,169 has been charged in full within expected credit losses as at 31 December 2022. The results for 2022, subsequent performance in 2023 and the prospects for 2024 and beyond therefore need to be considered on the basis that no further payments and no further revenues are expected to be received from DeepVerge.
- As a consequence of the above mentioned related party issues a delay in the publication of these accounts was announced on 29 June, resulting in the shares being suspended from trading on AIM with effect from 3 July 2023, pending publication of the FY22 annual report and accounts.
- On 25 September 2023 it was announced that Gerry Brandon, Executive Chairman, had resigned and left the Company and the Board with immediate effect, to be replaced as Executive Chairman by Bob Moore, who joined the Company as a Non-Executive Director in March 2022.
- As announced on 3 November 2023, and explained in further detail in the shareholder circular dated 4 December 2023, the Company has begun a very significant cost reduction exercise which is expected to result in the Company remaining as an operating business, with access to sufficient resources (including external contractors) to maintain production of the current mass spectrometer machines and the continuation of existing trading relationships. Ongoing activities are expected to include recently redesigned and developed PFAS and ProteinID technologies which have undergone internal testing ahead of commercial field trials, and which the Company now expects to bring to market through partnership agreements in 2024.
- The company has engaged in a fundraising process, to provide working capital for the above transition and also to enable it to acquire from DeepVerge the trade and assets relating to Microtox® bio-reagents manufacture and supply of associated testing equipment known as the Modern Water business. It is the view of the directors that this acquisition will have a positive impact on cash in the near future and allow Microsaic to capitalise on the synergies between the two technologies. In order to facilitate this fundraise, resolutions put to shareholders at a general meeting on 29 December 2023 have been passed to consolidate every 625 Existing Ordinary Shares of 0.01p into one Consolidated Ordinary Share of 6.25p; to sub-divide each Consolidated Ordinary Share into one New Ordinary Share of 0.001p and one Deferred Share of 6.249p; and to issue 200,000,000 New Ordinary Shares. Firm commitments have been obtained for subscriptions in the New Ordinary Shares, subject to restoration to trading of the company's ordinary shares on AIM.

## **Corporate governance**

Good corporate governance is important to support our future growth. The Board has extensive experience in publicly listed companies and is committed to maintaining the highest standards where possible. An independent Non-Executive Director, Bob Moore, was appointed in March 2022, although following the resignation of the former Executive Chairman Mr Brandon on 25 September 2023, Mr Moore was appointed as Executive Chairman. Provided that the Company continues to trade on AIM, the Board intends to recruit a further independent Non-Executive Director and at least one Executive Director. Assuming the proposed fundraising and acquisition completes, Mr Moore will be replaced by a Non-Executive Chairman and he will assume the role of Chief Executive until further notice.

## **Outlook**

The impact of the related party issues, in particular the failure of DeepVerge to pay the £1.13m owed to Microsaic, has fundamentally changed the outlook for the Company. The very significant cost reduction exercise announced on 3 November 2023 is expected to result in the Company remaining as an operating business, with access to sufficient resources (including external contractors) to maintain production of the current mass spectrometer machines, the commercialisation of PFAS and ProteinID technologies and the continuation of existing trading relationships, but in a very different position than expected at the start of 2023.

Revenues and gross margins grew in 2022, despite the dramatic shortfall of electronic components available for orders of mass spectrometer units. Only 5 units were shipped in 2022 before year end compared to 19 in 2021. The supply chain has since improved and production restarted in May 2023, with 5 units shipped by the end of 2023. As of the end of 2023, there is a prospective equipment sales pipeline of approximately 19 units in addition to service and spares revenue. It is unlikely that all of these prospective sales will become firm orders. In order to facilitate these sales, it is necessary that the company raises additional funds. Subject to restoration to trading on AIM, the company has secured commitments for funding which will allow current operations together with operations after a proposed acquisition to continue on a much reduced cost base.

The proposed acquisition is an opportunity to acquire the trade and assets comprising the Modern Water business from DeepVerge relating to the Microtox<sup>®</sup> bio-reagent product and its associated testing equipment. The majority of the work undertaken by the Company for DeepVerge related to the re-design of the Microtox<sup>®</sup> LX test equipment, installation and commissioning of Modern Water equipment at customer sites and improvements to the Modern Water virus detection system, making the Company well positioned to understand the Modern Water business. Based on the firm commitments received in the fundraising, the directors intend to pursue this acquisition, which should provide the company with an additional, cash generating, revenue stream. As the enlarged company matures, opportunities to collaborate and synergies are expected to be realised between the two revenue streams.

The Company is in the process of raising sufficient funds to facilitate these sales, to allow operations to continue on a much reduced cost base and to remain admitted and trading on AIM. As announced today, the Company successfully secured conditional funding commitments to raise gross proceeds of approximately £2.1m gross (£1.8m net) through a placing of 169,000,000 New Ordinary Shares with new and existing investors at an issue price of 1.25 pence per New Ordinary Share.

## **Bob Moore**

Executive Chairman  
15 January 2024

## STRATEGIC REPORT

For the year ended 31 December 2022

### Progress during 2022

The results for 2022, subsequent performance in 2023 and prospects for 2024 and beyond need to be considered on the basis that no further payments and no further revenues are expected to be received from DeepVerge. The impact of these events overshadows the successful technical, commercial and strategic developments in 2022 and has forced the Company to fundamentally restructure its cost base and operating model to survive into 2024.

2022 revenues were £1.57m, an increase of 73% on the prior year (2021: £0.91m). The introduction of consultancy services (comprising science and engineering consultancy, laboratory services and monitoring services) in 2022 provided total services revenues of £1.22m (2021: £0.06m). Product sales, specifically of mass spectrometer units, were reduced to 5, resulting in revenue of just £0.21m (2021: £0.62m) due to the impact of supply chain shortages of electronic components and consumables revenue also fell to £0.12k (2021: £0.37m). The supply chain issues have been resolved during 2023.

Of this revenue, sales to the related party DeepVerge, as set out in note 28, totalled £1,248,828 (plus VAT) of which they have only settled £118,659 (plus VAT) leaving a balance of £1,130,169 (plus VAT) outstanding. On 26 June 2023, DeepVerge plc announced that it would no longer be in a position to support its subsidiaries, and was anticipating a sale or liquidation of those assets. This has been recognised as an adjusting event after the reporting date with £1,130,169 charged as an impairment of related party debt.

Gross margin overall was 61% (2021: 42%), increasing due to the shift towards consultancy service revenue. Services gross margin was in line with the overall margin and averaged 61% following the introduction of consultancy services (comprising science and engineering consultancy, laboratory services and monitoring services) as well as product support services income (2021: 39%, product support services only). Product gross margins averaged 46% (2021: 31%) and consumables 79% (2021: 72%).

### Operational Highlights

- Microsaic's products and services in applications such as water monitoring of chemicals and pathogens have been installed in Ireland, UK, Japan and the US
- Laboratory services for toxic shock, insulin and a range of metabolites carried out under contract by Microsaic as mass spectrometry services
- Mass spectrometry units have been installed and demonstrated in mobile monitoring vehicles
- **March 2022:** Bob Moore joined the Board. Bob is a UK qualified lawyer and brings over 35 years' commercial and legal experience to the Company
- **April 2022:** 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 (although as outlined above this revenue stream ceased in early 2023)
- **April 2022:** Launch of Microsaic Services Division providing integrated solutions in consultancy services (comprising science and engineering consultancy, laboratory services and monitoring services) that include analytical and AI software service programmes designed for the medical device, environmental, aerospace and food industries
- **August 2022:** Microsaic became an Authorised Partner of Kingfield Electronics Limited for front-end research, development, and engineering product development in scientific instrumentation and micro-engineering adding these complementary services to its existing offering of fully integrated turnkey solutions, box build, printed circuit board assembly ("PCBA"), commissioning, final test, service, retrofit and world-wide shipping logistics
- **September 2022:** Microsaic in collaboration with DeepVerge plc, was appointed to carry out mass spectroscopy-based sample analysis over two-years in an environmental monitoring and remediation

project with MèreMer for its Blue Carbon Resilience Flagship project. However, due to the issues outlined above at DeepVerge, and the apparent failure of MèreMer to secure funding for this project from at least one of its underlying clients, no revenues are expected to result from this collaboration.

### Operations

The Company revenues and gross margins grew in 2022, despite the dramatic shortfall of electronic components for orders of mass spectrometer units, down from 19 in 2021 to 5 units shipped before year end. The supply chain has improved and production has begun with mass spectrometer units delivered in Q3 and Q4 2023.

### Strategic Focus

Microsaic serves Human Health, Environmental Health and Diversified markets with equipment and design services for mass detection technology, which can be used at the point of need (including mobile testing capability) to drive better informed, faster decisions in real time and to solve real-world toxic testing problems.

Typical point of need markets and applications include process analytical technology for the manufacture of high value biologic drugs, detection of PFAS chemicals and food contamination screening. The Company is also developing a longer-term capability in point of care diagnostics. The Company is also supporting the development of the Intelligent Knife (iKnife) by supplying Imperial College London with mobile mass spectrometer capability to complete the development of this innovative technology for cancer removal surgery.

Microsaic's technology can also be used in standard laboratory settings, for example in the established pharmaceutical, academic and chemical industries.

### Business Model

In 2022, the Company made a successful transition from reliance on the sale of its Mass Spectrometer instruments, consumables and spare parts to a balanced including solutions for end-users such as design, development and enhancement of third-party equipment to integrate with partner hardware and software.

Whilst the intention remains to pursue this more balanced approach, the immediate priority in 2024 is to meet demand for our traditional products and services whilst supporting the roll out of new solutions such as PFAS and ProteinID.

### Stakeholder Engagement

Section 172 of the Companies Act 2006 ("S.172") recognises that companies are run for the benefit shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities.

Microsaic's key stakeholders are our employees, shareholders, partners (including distributors, OEMs and collaborators on new products), and our key suppliers such as our manufacturing contractor and key R&D subcontractors. By working with all stakeholder groups, the Company can unlock the potential of the business and maximise the value created. The key principles and values adopted by the Company are detailed under Principle 8 of the QCA Corporate Governance Code (2018).

For Microsaic, engagement with our key stakeholders is part of how we operate as a business. Actively seeking to understand the concerns and aspirations of our employees, how we can better engage with them, how we can work more closely with the partners who distribute our products and those that we collaborate with, plus the challenges faced by our manufacturing partner and other suppliers.



The Company has shifted the focus to growth in commercial sales across both product and service offerings targeting solutions to meet the requirements of existing clients and investigating markets to capitalise on the value of the new business model. The Directors continue to engage with shareholders and key stakeholders keeping them up to date on progress.

Under S.172, a company's directors have a duty to discharge their responsibilities having regard to:

a) *the likely consequences of any decision in the long term* - the focus of the Board during 2022 was the continuity towards a more commercial focus with emphasis on delivery of solutions, beyond equipment sales.

b) *the interests of the company's employees* – During the year under review, some personnel changes were made to address the more commercial focus of the business model. These changes were made with full consultation with team members. We ensured that supportive HR systems were in place and decisions on new personnel were done in collaboration with the team. Although the changes announced in November 2023 included a consultation process, they have resulted in unavoidable redundancies.

c) *the need to foster the company's business relationships with suppliers, customers and others* – Customer satisfaction and trust are critical for our success. By providing a high quality product, solution or service to meet those demands, we increase customer satisfaction. Over a 21 year period, this has allowed us to build trust within the community we operate in and with our customers showing our commitment to quality and continuous improvement. This includes our ongoing commitment to ensure that our suppliers continued to be paid on time.

d) *the impact of the company's operations on the community and the environment* –The Company meets operational efficiencies and systematic processes that come with our certification of ISO 9001 leading indirectly to positive community and environmental impacts.

As part of the ISO 9001 process, we are required to consistently monitor and manage our operations. This has led to improvements in efficiency and effectiveness, which reduces waste, energy consumption, and our overall environmental footprint.

ISO 9001 requires us to have a process for selecting and managing suppliers. This has led us to selecting suppliers who also have a commitment to sustainability, thus extending the environmental and community impact.

ISO 9001 requires us to identify and address risks in our daily operations, which indirectly benefit the environment and the community by preventing incidents that could have negative effects.

e) *the desirability of the company maintaining a reputation for high standards of business conduct* – the Company acted in a professional manner during 2022 liaising with key stakeholders and followed the principles and values of the Company as outlined on pages 28 to 34 of the Corporate Governance Report.

f) *the need to act fairly as between members of the company* – the Board treated shareholders fairly and made sure it kept them up to date through regular press releases. Significant shareholders were given the opportunity to meet and discuss with senior management and members of the Board.

## Performance Measurement

The ongoing performance of the Company is managed and monitored using several key financial and non-financial performance indicators as detailed below:

<b>Revenue</b>	Year to 31 December 2022 £	Year to 31 December 2021 £	Increase/ (Decrease) £
Products	206,915	617,613	(410,698)
Consumables and spare parts	137,397	230,832	(93,435)
Product support services income	54,803	58,431	(3,628)
Consultancy services income	1,168,582	-	1,168,582
<b>Total</b>	<b>1,567,697</b>	<b>906,876</b>	<b>660,821</b>

The Company's revenue performance strengthened again in 2022 following the development of new service revenues and increased by 73% to £1.57m (2021: £0.91m) of which DeepVerge comprised £1.29m (2021: £0.39m). Revenue comprises the sale of products, consumables and spare parts, product support services income and the new consultancy services income (comprising science and engineering consultancy, laboratory services and monitoring services). The income arising from DeepVerge, including the vast majority of the consultancy services income, ceased in early 2023. The Board reviews trading results and monitors cash on a regular basis.

<b>Profit/(Loss) &amp; Cash Metrics</b>	Year to 31 December 2022 £	Year to 31 December 2021 £	Increase/ (Decrease) %
Loss from operations before share-based payments, interest, and tax	(2,316,594)	(2,034,235)	14
Net cash used in operating and investing activities	(2,345,284)	(1,937,263)	21
Cash and cash equivalents	1,241,480	3,464,876	(64)

The Company's profitability is monitored against budget on a monthly basis. The 14% increase in the loss from operations before share-based payments is driven directly by the impairment of related party debts. Revenue increased year on year while other operating expenses decreased and there were no further costs in relation to corporate transactions. The Company monitors its cash position closely, and forecasts are updated on a regular basis.

Non-financial key performance indicators measure a number of key areas, including commercial and operational targets, such as number of sales orders, unit production, new products transferred to manufacturing, number of collaborations, agreements signed with new customers and quality measures from the Company's ISO 9001:2015 system. Key points to note are:

- Sales shipments of MS instruments were 74% below last year, due to supply chain issues;
- Microsaic worked with its manufacturing partner to try to mitigate production levels. Due to constraints on accessing semi-conductors for the production of full mass spectrometer units, we were able to meet some demands for spare parts for existing units in the field for support while we waited for production to restart. This was restarted in May 2023;
- On the customer front, two development project agreements were entered into during the year;
- ProteinID was successfully transferred to manufacturing, although significantly later than originally planned while work on the launch of our LC-MS family of products was placed on hold.

## Financial Results - 2022

### *Income and expenditure*

Total revenue of £1,576,697 increased 73% compared to the prior year (2021: £906,876). The maiden consultancy services (comprising science and engineering consultancy, laboratory services and monitoring services) revenues were £1,168,582 (2021: nil). Product revenues of £206,915 (2021: £617,613) and product support services revenues of £54,803 (2021: £58,431) decreased by 67% and 6% respectively. Consumables revenue of £137,397 (2021: £230,832) decreased by 60%.

Gross profit in 2022 of £949,367 (2021: £380,751) rose by 149% over last year following both greater revenue overall and a shift in the revenue mix towards the new service lines with higher margins. The gross margin of 61% (2021: 42%) reflects this change in revenue mix and services margins. The new accounting policy in respect of cost of sales of product support services and cost of sales of consultancy services is set out in note 1 and includes an allocation of wages to cost of sales. The effect on the prior period is set out in note 32.

Other operating income was £nil (2021: £67,283). In the prior year this related to use of the Coronavirus Job Retention Scheme grant, co-development income and an insurance claim income.

Total operating expenses (excluding share-based payments) of £3,265,961 (2021: £2,482,169), increased by £783,792 (32%) and the main increases and decreases are set out in the table on the next page. A significant unforeseen cost in the year was the impairment of trade receivables arising from subsidiaries of DeepVerge plc, as the result of the RNS issued by that company on 26 June 2023. This has increased the loss for the year by £1,130,169, being the total amount of outstanding debt less recoverable VAT. Excluding this, total operating expenses (excluding share based payments) of £2,135,792 (2021: £2,416,380) reduced by 346,377 or 14% on the prior year, and the main increases and decreases are set out in the table on the next page.

The loss from operations for the year before share-based payments rose by 14% over last year to £2,316,594 (2021: £2,034,235).

Share based payments of £234,749 are £1,129,015 lower than the prior year (2021: £1,363,764). This reduction arises from the issue of new options in February 2021 with no further options awarded in 2022, and Brokers fees settled in shares in 2021 but not in 2022.

Finance costs of £7,013 were higher than the prior year (2021: £4,604). The entirety of this cost in 2022 relates to interest on the lease liability.

Finance income of £23,423 increased compared with the prior year (2021: £6,237) due to higher interest rates on bank deposits offsetting reducing cash balances.

The tax credit on ordinary activities in the year was £246,224 (2021: £267,785). This comprises a tax credit of £261,312 for 2022 less a reduction in the tax credit from the prior year by £15,088.

The total comprehensive loss for the year of £2,288,709 is a 27% decrease over the prior year (2021: £3,128,581). The decrease in the total comprehensive loss by £839,872 was due chiefly to the share-based payments decrease of £1,129,015 and the increase in gross profit of £568,716 compared to the prior year offset by the costs in relation to the impairment of related party debt of £1.13m (2021: £nil). The basic loss per share fell by 36% from 0.056 pence in 2021 to 0.036 pence per share in 2022. This reflects the 27% decrease in total comprehensive loss and the increase in weighted average number of shares in issue of 14% (refer to note 10) as a result of the exercise of warrants and issue of fee shares to certain Directors (refer to note 19).

Total operating expenses (excluding share-based payments) of £3,265,961 (2021: £2,482,169), increased by £783,792 (32%) and the main increases and decreases are set out in this table.

	2022	2021	Increase/ (decrease)	Comment on increase or decrease
	£	£	£	
Expected credit loss charged / (released)	1,127,416	(65,825)	1,193,241	Increase due to impairment of related party debt (note 15 and note 28)
Depreciation of property, plant and equipment	178,102	90,628	87,474	Increase due to equipment additions in late 2021 and during 2022 (note 12)
Staff payroll	1,198,495	1,117,245	81,250	Average staff numbers increased by one during the year plus annual pay reviews.
Agency staff	201,020	152,648	48,372	Main increase due to consultant head of finance in 2022 instead of salaried CFO in 2021, partly offset by termination of engineering consultancy in 2021.
Warranty provision charged / (released)	23,007	(22,832)	45,839	Materials used increased in 2022 as a unit was used to replace an item rather than effect on onsite repair, and the reduction in provisions was greater in 2021.
Other items	614,306	585,455	28,851	The change in these items is not separately analysed as they are largely similar between years and the increase is less than 5% overall.
Travel & subsistence	70,268	42,830	27,438	Reflecting increased business development activities including renewed conference attendance post pandemic.
Sales & marketing	35,171	8,551	26,620	Increase due to expanded business development activities including conference and trade shows and online marketing and PR.
IP costs	50,090	34,472	15,618	Increase in patent renewals.
Repairs & maintenance	31,308	20,190	11,118	Increased costs in relation to greater revenue generating activities.
Insurance	50,030	39,661	10,369	Increase in insurance rates and to cover new service lines.
Bad debts	0	19,079	(19,079)	Write off of irrecoverable debts in 2021.
Recruitment fees	15,143	55,277	(40,134)	Reduced use of search firms to fulfil vacancies.
Corporate transactions	0	65,789	(65,789)	Restructuring undertaken and completed in 2021.
Directors payroll (excluding share based payments)	85,359	354,334	(268,975)	Retirement of CFO in 2021 replaced by consulting Head of Finance and CEO left during 2022 with Chairman undertaking Executive role.
Salaries charge to COGS	(413,754)	(15,333)	(398,421)	Re-allocation of staff salary costs from operating expenses to cost of sales chiefly in relation to the new consultancy services in 2022 and per accounting policy note 1.
<b>Total operating expenses</b>	<b>3,265,961</b>	<b>2,482,169</b>	<b>783,792</b>	

### *Balance Sheet*

Total non-current assets decreased £3,188 to £503,437 (2021: £506,625). There was a significant reduction in right of use assets as the Woking lease approaches renewal and also a modest reduction in patents which was mostly offset by continued and substantial investment in plant and equipment.

Current assets at £2,623,898 were down £2,024,613 over last year (2021: £4,648,511). The decrease is mainly due to a substantially lower cash balance of £1,241,480 (down £2,223,396) whilst there were decreases in trade and other receivables (down £37,584) and corporation tax receivable (up £246,224 due to 2021 tax credit not yet received as at 31 December 2022) whilst inventories were largely unchanged (down £9,857). The decrease in cash is explained in the Cash Flow section which follows. After impairment for expected credit loss, primarily on amounts owed by related parties as set out in notes 28 and 30, trade receivables have increased £64,500 year on year. This is offset by reductions in prepayments, accrued income and other debtors totalling £102,084. Inventories of finished goods decreased substantially due to supply chain issues continuing post the COVID-19 pandemic largely offset by increases in stocks of components as they became available in readiness for all components becoming available to manufacture finished goods once more.

Total assets at £3,127,335 at year end were £2,027,801 lower than the prior year (2021: £5,155,136), reflecting the impact of the loss for the year reducing current assets at the year-end as set out above.

Total equity at £2,719,259 at year end was £1,853,961 less than the prior year due to the effect of retained losses for the year of £2,288,709 offset partially by the charge for vesting of share options totalling £149,748 and by the share issue in respect of the exercise of warrants by a director as set out in note 28 and fee shares for certain directors as set out in note 25. The reduction in the share-based payments reserve is due to the staff options net charge amounting to £149,748 off-set by share-based option credits in respect of lapsed options of £337,584 and warrant exercises of £300,075.

Current liabilities at the year-end comprised trade and other payables and lease liability due within 12 months of the year end. Trade and other payables at £236,445 (2021: £354,611) were £118,166 less than the prior year and mainly reflected a decrease in trade payables (down £131,038) and lower other payables, taxes and social security (down £18,919) partly offset by higher accruals and deferred income (up £31,791). The lease liability of £52,918 at year end mainly represented the Company's lease on property in Woking which expired in September 2023.

Total non-current liabilities at £118,713 at the year-end were £37,405 less than the prior year. This was mainly due to the decrease in the lease liability by £52,830 as the Company's lease on the property in Woking expired in September 2023, partly offset by an increase in provisions by £15,425 reflecting an increase in the dilapidations adjusted for inflation.

Total liabilities of £408,076 are £173,840 less than in the prior year due to the decrease in current and non-current liabilities as set out above.

### *Cash Flow*

Net cash used in operating activities in 2022 of £2,089,140 was £479,857 higher than the previous year. This reflects R&D tax credit receipts falling by £218,568 and cash absorbed by working capital increasing by £1,211,491, with the increase in DeepVerge debt, net of expected credit losses, of £1,097,507 representing the majority of this. These increases in cash used in operating activities were partly offset by the loss from operations before share-based payments decreasing by £681,531 and increases in the non-cash items of depreciation, amortisation and provisions by £268,500.

Net cash used in investing activities decrease by £71,836 to £256,144 compared with £327,980 in 2021. The movements in the year were a decrease in the purchases of property, plant and equipment by £52,647 and intangible assets by £2,003 and interest received higher by £17,186.

Net cash generated by financing activities fell by £4,883,182 to £121,888 (2021: £5,005,070). This largely reflects the fall in proceeds from share issues net of share issue costs by £4,883,140 following the fund raise in February 2021.

The net decrease in cash for the year by £2,223,396 resulted in a cash balance as at 31 December 2022 of £1,241,480.

#### *Going Concern*

The Company's trading performance improved in 2022, with higher sales and reduced losses. However, excluding revenues from DeepVerge, revenues were only £318,869, significantly below the prior year. Only 5 units were shipped in 2022 before year end compared to 19 in 2021. The supply chain has since improved and production restarted in May 2023, with 5 units shipped by the end of 2023. As of year end 2023, there is a prospective equipment sales pipeline of approximately 19 units in addition to service and spares revenue. It is unlikely that all of these prospective sales will become firm orders, however the Board aims to deliver a cost base, excluding any 'plc' costs in the event that the Company raises sufficient funds to remain public, consistent with a similar level of unit sales to 2022 and 2023.

The Board has conducted a thorough assessment of the Company's cash reserves and working capital requirements. As of 31 December 2022, the Company had £1.2 million (31 December 2021: £3.5 million) in cash and bank balances. As at 8 January 2024, the cash and bank balances had fallen to £148k. The Board acknowledges that, in the absence of additional funding, the company will not have sufficient working capital to continue in operations beyond January 2024. As such, the Board has commenced a fundraising process and received sufficient firm commitments (conditional on the Company's restoration of admission to trading on AIM and the company entering into an acquisition agreement for Modern Water's assets) to be satisfied that the company will be able to meet its liabilities as they fall due over the next twelve months.

As part of these forecasts, the Directors have included the expected cashflows arising from the proposed acquisition of the trade and assets of Modern Water, which is expected to be cash positive within the next twelve months. In so doing, the Directors have made assumptions regarding the level of sales and costs based on historical trading performance, and an expectation that the business will be able to resume production of reagents within a few months of acquisition.

Assuming the acquisition proceeds, the directors have assessed a cash requirement for a plausible downside scenario covering 12 months from the date of approval of the financial statements at minimum gross proceeds of £1.0 million, and have determined the amount to be raised through the proposed fundraise is sufficient to meet these requirements.

Stakeholders should be aware that there is an inherent uncertainty in any fundraising process; with the satisfactory completion of the process being dependent on the restoration of the Company's shares to trading on AIM, and the Company entering into an acquisition agreement for Modern Water's assets (which was executed on 12 January 2024). As such, it is the position of the Board that a material uncertainty exists in respect of their going concern assessment. The Company will actively monitor and assess its financial position to ensure that it can meet the demands of its plans effectively.

In light of this, the Directors have adopted the going concern basis for reporting in the preparation of the financial statements and are proactively exploring funding options and have developed contingency plans to address the potential need for additional resources. Detailed information regarding the Board's assessment, sensitivities, and contingency plans can be found in note 3 of the financial statements.

## Risk Management

The Company manages risk from an operational perspective, where it assesses and weighs up the potential risks to the business and how it can mitigate these risks. The Board has identified the following risks and associated mitigating actions as follows:

Description	Risk	Risk rating pre-mitigation	Mitigating actions	Risk rating post-mitigation
Difficulties in restarting the Modern Water business post-acquisition	Technical, operational and commercial risks of restarting a business that has been largely dormant for most of the past 12 months	VERY HIGH	<p>1 Former Modern Water employees with relevant technical, operational and commercial expertise have been engaged as either employees or consultants.</p> <p>2 Relationships with former Modern Water agents and customers are being built, with clear evidence of current demand for both reagents and equipment.</p>	HIGH
Insufficient working capital	Shortage of liquidity to meet liabilities as they fall due	VERY HIGH	<p>1 Reduce all costs to a minimum as announced on 3 November 2023.</p> <p>2 Raise sufficient funds to provide additional working capital, including to remain on AIM.</p>	MEDIUM
Unable to raise additional funds if required in the future	Inability to continue as a going concern	MEDIUM	Communicate effectively with shareholders and potential investors. Ensure the business plan is implemented effectively with the focus on expanding sales channels and growing revenues, whilst adjusting variable costs in line with actual revenues.	MEDIUM
Unable to grow sales required to achieve sustainable profitability	Sales growth is too slow to achieve targets	HIGH	Pursuing a new strategy involving services and investing in solution-based business development, including PFAS and ProteinID, to promote these as well as developing new sales channels.	MEDIUM
Loss of competitive advantage in miniaturised mass spectrometry	Competitors developing competing products	MEDIUM	The Company believes the market is large enough for competitors to co-exist.	LOW

Description	Risk	Risk rating pre-mitigation	Mitigating actions	Risk rating post-mitigation
Reliance on third party manufacturing facilities	A replacement manufacturer is necessary	MEDIUM	Work closely with our manufacturing partner and hold regular review meetings. Ensure contingency plans are prepared and reviewed.	LOW
Retention and recruitment of key employees	Loss of key employees and consultants and subsequent difficulty in recruiting suitable replacements	MEDIUM	Key employees are to be offered retention terms or become consultants with knowledge transfer arrangements for new staff to be put in place.	MEDIUM

From the analysis above there are two main risks facing the business:

1. Despite the Company's efforts to ensure financial stability, there are significant risks associated with its ability to continue as a going concern. The cash balance at 8 January 2024 was just £147,603 There are material uncertainties in the assessment of going concern. The Directors undertake a going concern assessment on a rolling basis looking ahead at least 12 months. At the date of approval of the financial statements the Directors assess the current cash position, inputs and sensitivities in the cash flow forecast model. In this forecast there are known sensitivities which are difficult to both quantify and assess the timing of costs, including, and not limited to, the timing and availability of funding and the rate of conversion to cash of the sales and services pipeline.
2. It is important to acknowledge that there is a need for additional funding as outlined in these financial statements, with this funding contingent on restoration of admission to trading on AIM post year end. The Company's growth trajectory and the pursuit of a cash flow positive position will necessitate additional funding from sources such as debt or equity. These considerations pose risks to the Company's ability to sustain its operations as a going concern.

#### Key events and progress post year end

- On 26 June 2023, the related party DeepVerge announced that it would no longer support the ongoing costs of its subsidiaries and is seeking to realise whatever value is possible through the sale of one or more of the Labskin, Modern Water and Glanaco business units and DeepVerge's shares were suspended. As at 26 June 2023, the balance owed by DeepVerge to Microsaic stood at £1,351,894. Following the deduction of VAT on the amount outstanding of £221,725, which is subject to relief from VAT on bad debts relief, the net of VAT potential bad debt £1,130,169. As no further receipts from DeepVerge are expected, this amount of £1,130,169 has been charged in full within expected credit losses as at 31 December 2022. The results for 2022, subsequent performance in 2023 and the prospects for 2024 and beyond therefore need to be considered on the basis that no further payments and no further revenues are expected to be received from DeepVerge.
- As announced on 3 November 2023, and explained in further detail in the shareholder circular dated 4 December 2023, the Company has begun a very significant cost reduction exercise which is expected to result in the Company remaining as an operating business, with access to sufficient resources (including external contractors) to maintain production of the current mass spectrometer machines and the continuation of existing trading relationships. Ongoing activities are expected to include recently redesigned ProteinID technology which has undergone internal testing ahead of



commercial field trials, and which the Company now expects to bring to market through a partnership approach in 2024.

- The company has engaged in a fundraising process with Turner Pope Investment (TPI) Ltd, to provide working capital for the above transition and also acquire the Modern Water business from subsidiaries of DeepVerge relating to the Microtox® bio-reagent product and its associated testing equipment. It is the view of the directors that this acquisition will be cash positive in the near future, and allow Microsaic to capitalise on the synergies between the two technologies. In order to facilitate this fundraise, resolutions have been passed to consolidate every 625 Existing Ordinary Shares of 0.01p into one Consolidated Ordinary Share of 6.25p; to sub-divide each Consolidated Ordinary Share into one New Ordinary Share of 0.001p and one Deferred Share of 6.249p; and to issue 200,000,000 New Ordinary Shares. Firm commitments have been obtained for subscriptions in the New Ordinary Shares, subject to restoration to trading of the company's ordinary shares on AIM.

### Outlook

The impact of the related party issues, in particular the failure of DeepVerge to pay the £1.13m owed to Microsaic, has fundamentally changed the outlook for the Company. The very significant cost reduction exercise announced on 3 November is expected to result in the Company remaining as an operating business, with access to sufficient resources (including external contractors) to maintain production of the current mass spectrometer machines, commercialise PFAS and ProteinID technologies and continue existing trading relationships, but in a very different position than expected at the start of 2023. The acquisition of the trade and assets of Modern Water is also expected to provide the company with an additional cash-positive revenue stream.

Revenues and gross margins grew in 2022, despite the dramatic shortfall of electronic components available for orders of mass spectrometer units. Only 5 units were shipped in 2022 before year end compared to 19 in 2021. The supply chain has since improved and production restarted in May 2023, with 5 units shipped by the end of 2023. As of year end 2023, there is a prospective equipment sales pipeline of approximately 19 units in addition to service and spares revenue. It is unlikely that all of these prospective sales will become firm orders, however the Board aims to deliver a reset cost base, excluding any 'plc' costs in the event that the Company raises sufficient funds to remain public admitted to trading on AIM, consistent to outsource the manufacture of a similar or greater level of unit sales to those in 2022 and 2023.

Based on the firm commitments received to date, the directors believe Microsaic to be in a good position to rebuild its trade and grow as an enlarged and reset Company over the next 12 months and future years.

The Strategic Report was approved by the Board of Directors on 15 January 2024 and signed on its behalf by:

**Bob Moore**  
Executive Chairman

## DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2022.

### Principal activity, business review and business risks

The principal activity of the Company continued to be the commercialisation and development of miniaturised micro-engineering equipment, originally for mass spectrometry instruments but now to include integration of AI and Internet of Things analytical sensors for existing and new clients to generate recurring shared revenues for monitoring across biologic bio-processing, environmental and human health and likely to extend to aviation, the food industry and oil & gas sectors. A review of the business is contained within the Strategic Report.

### Results and dividends

The results for the Company are given in the statement of comprehensive income set out on page 40. The Company is currently making losses and has retained losses which have to be recovered before it can pay a dividend. Therefore, the Directors do not recommend the payment of a dividend (2021: £nil).

### Business Development & Sales

Revenues are made through OEM and distribution sales channels with direct and collaboration partners currently in place, covering North America, Europe, China, Southeast Asia and Japan.

### Research and development ("R&D")

R&D is important for the Company's success and has led to the filing of over 80 patents to date. The Company conducts periodic reviews of its patent portfolio to align it with current business strategy. After the most recent review in 2023, the active patent portfolio has reduced to 51 patents with 7 additional patents applications in the filing process.

During 2022, R&D projects and R&D expenses totalled £783,544 (2021: £752,257) or 26.8% (2021: 25.0%) of the total of cost of sales and operating expenses excluding share-based payments. Current plans are to continue focusing on commercial development associated projects that are demanded from new and existing clients to optimise resources through collaborations and joint ventures.

### Directors

Between 1 January 2022 and 31 December 2022, the following Directors held office:

Gerard Brandon, Non-Executive Chairman (Age 61) <sup>1</sup>

Nigel Burton, Non-Executive Director (Age 65)

Bob Moore, Independent Non-Executive Director (Age 66) <sup>2</sup>

Glenn Tracey, Chief Executive Officer (Age 50) <sup>3</sup>

<sup>1</sup> Resigned as a Director on 25 September 2023. Age at date of resignation.

<sup>2</sup> Appointed as a Director on 15 March 2022. Appointed as Non-Executive Chairman 25 September 2023.

<sup>3</sup> Resigned as a Director on 31 March 2022. Age at date of resignation.

On 28 January 2022, it was announced that Glenn Tracey was stepping down to pursue a non-competitive opportunity and he resigned as a Director on 31 March 2022. On 15 March 2022, Bob Moore was appointed as Independent Non-Executive Director.

## Directors' interests

The Directors' interests in the shares of the Company are:

	Ordinary shares of 0.01p at 31 October 2023		Ordinary shares of 0.01p at 31 December 2022		Ordinary shares of 0.25p at 31 December 2021	
	Number	%	Number	%	Number	%
Gerard Brandon <sup>1</sup>	190,000,000	2.99	190,000,000	2.99	140,000,000	2.30
Dr Nigel Burton	300,500,000	4.72	300,500,000	4.72	65,500,000	1.08
Bob Moore	-	-	-	-	-	-
	490,500,000	7.71	490,500,000	7.71	205,500,000	3.38

<sup>1</sup> This figure includes 50,000,000 shares by a person closely associated with Gerard Brandon.

## Significant shareholdings

Shareholders, excluding Directors, having a beneficial interest of 3% or more of the Company's shares:

Shareholder	Ordinary shares of 0.01p each at 31 October 2023	
	Number	%
Unicorn Asset Management	750,000,000	11.79
Premier Miton Investors	454,815,410	7.15
Intuitive Investments Group	192,000,000	3.02

## Employees

The Board regards the expertise and contributions of its employees as critical to its future success. Executive management regularly update employees on the progress of the business. The Board seeks to remunerate its employees fairly and has adopted a flexible working hours policy to cater for employee needs. Full and fair consideration is given to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs or sexual orientation.

The Board would like to thank all its employees for their contributions to date.

## Company share ownership plans

The Company operates two Employee Share Option Schemes ("ESOS"), an approved scheme and an unapproved scheme.

The ESOS were formed to enable the incentivisation of employees to be aligned to the performance of the Company. Under the ESOS the Company grants employees options to acquire the Company's ordinary shares subject to:

- Vesting periods (normally three years for new grants) and an exercise period of up to ten years from the date of grant;
- The exercise price is normally the market price of the ordinary shares at the close of business the day before the date of grant unless the award is linked to an equity fundraise; and
- Performance and time-based vesting conditions as appropriate.

Options are granted up to the maximum amount allowed under the limits of the Enterprise Management Incentive ("EMI") Scheme – these options are called 'Approved Options'. The EMI Scheme is subject to the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 and has tax advantages for

the employee and employer. There is an unapproved scheme, which has no tax advantages, for those awards which do not qualify under the Approved Option scheme.

No options were awarded in 2022. In the prior year on 4 and 5 February 2021, the Company cancelled all existing options which were all out-of-the-money and replaced them with options over 1,125 billion ordinary shares of 0.1p each following the share capital restructuring and fund raise. Options awarded to staff and Directors are detailed in note 25. Following completion of the recently announced redundancy programme, all share options have expired.

### **Management of risk**

The management of operational risk is covered in the Strategic Report while financial risk is detailed under note 28 Financial Instruments.

### **Health and safety and the environment**

The Company is committed to providing a safe environment for its staff and other parties for whom it has a responsibility. It has set up systems and processes to ensure compliance with health and safety legislation and the Board reviews an update on health and safety matters at each main Board meeting.

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

### **Quality management system**

The Company's mission is to deliver miniaturised micro-electronic equipment and Internet of Things designed to analyse data, using AI analytical services, demanded by clients that include, but are not exclusively related to miniaturised micro-electronic instruments that provide innovative compact detection with high quality and reliability.

The Company's quality policy applies to the development, marketing and support of our products. In all its activities the Company is strongly focused on commitment to the requirements of its customers including:

- Management of risks to prevent operational and product problems that may adversely impact customer satisfaction and the interests of other parties; and
- Management of any externally provided products and services to ensure that they meet specified requirements including changing needs.

To help management achieve its policy, the business management system has been developed using a process approach including a Plan-Do-Check cycle, risk-based thinking, and a fundamental commitment to the continual improvement of the system and its effectiveness and integration into the Company's activities.

The Company's Quality Management System is based on ISO 9001:2015. This standard puts considerable emphasis on risk management and management involvement within the quality management system.

### **Directors' indemnity and insurance**

The Company has granted an indemnity to its Directors and Officers under which the Company indemnifies them, subject to the terms of the deed of indemnity, against costs, charges, losses, damages and liabilities incurred by them in the performance of their duties. The Company also maintains Directors and Officers liability insurance against the consequences of actions brought against them in relation to their duties for the Company.

**Related party transactions**

The interests of the Directors are shown in the Directors' Report while their remuneration is detailed in the Directors' Remuneration Report. Other related party transactions involving the Directors during the 2022 financial year are included in note 28, with additional information included in compliance with AIM Rule 19 included therein and elsewhere including in the Chairman's Statement and the Strategic Report.

**Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- State whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of disclosure to auditors**

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

**Auditors**

Saffery LLP has expressed its willingness to remain in office as auditors of the Company, and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

**Future developments**

An indication of likely future developments in the business of the Company are included in the Strategic Report.

This Directors' Report was approved by the Board of Directors on 15 January 2024 and signed on its behalf:

**Bob Moore**

Executive Chairman

Company number 03568010

## **DIRECTORS' REMUNERATION COMMITTEE REPORT**

**For the year ended 31 December 2022**

Dear Shareholders

Dr Burton chairs the Remuneration Committee. Bob Moore joined the Committee on 15 March 2022 at the time of his appointment to the Board.

Gerard Brandon was acting CEO and Executive Chairman from when the former Chief Executive, Glenn Tracey, left the Board on 31 March 2022. Following the year end Mr Brandon resigned on 25 September 2023 Dr Nigel Burton continued as a Non-executive Director and Bob Moore joined the Board as Senior Independent Non-Executive Director on 15 March 2022, and was appointed Executive Chairman following Mr Brandon's resignation.

This report has been prepared with reference to the Quoted Companies Alliance guide "Remuneration Committee Guide for Small and Mid-Size Quoted Companies." The Company has sought to comply with the overarching principles of the guidance, although not all recommended disclosures have been included on the basis that they are not relevant to the current circumstances of the Company.

This report sets out the Company's policy on the remuneration of Executive and Non-executive Directors, together with details of Directors' remuneration packages and service contracts.

### **Remuneration policy**

The remuneration policy for Executive Directors, determination of their individual remuneration packages and their performance appraisals have been delegated to the Board's Remuneration Committee.

### **Remuneration of the Executive Directors**

In setting the remuneration for the Executive Directors, the Remuneration Committee considers several factors including:

- Basic salaries and benefits available to Executive Directors of comparable companies;
- Need to pay Executive Directors a competitive salary in line with the nature and complexity of their work;
- Need to attract and retain Executive Directors of an appropriate calibre;
- Need to ensure Executive Directors' commitment to the continued success of the Company by means of incentive schemes; and
- Need for the remuneration awarded to reflect performance.

The remuneration of the Executive Directors consists of basic salary. There are no other payments currently in place. A discretionary bonus scheme based on performance against individual and business objectives did not operate during the year (2021 bonus: Nil).

### **Remuneration of the Non-executive Chairman and Non-executive Directors**

The Chairman of the Remuneration Committee discusses the remuneration of the Non-executive Directors with the Executive Directors. The remuneration is then discussed and agreed by the Board (excluding Directors with a conflict of interest) following recommendation by the Remuneration Committee, having a view to rates paid in comparable organisations. The Non-executive Directors do not receive any pension, bonus or other Company benefits.

### **Share options and shares**

There are no new share options granted to the Directors during 2022.

Details of the shares held by Directors are listed in the Directors' Report.

### Implementation of the remuneration policy in 2022

The following long term warrant awards were part of the reorganisation of the Company to incentivise the new Directors appropriately. These warrants are exercisable at the placing price of 0.1 pence per ordinary share for 5 years from 5 February 2021, provided that the ordinary shares have traded at a Volume Weighted Average Price (VWAP) at or above a 50% premium to the placing price for 20 consecutive business days, at any time since their issue, or on a change of control of the Company. The vesting conditions were met in March 2021 and these options and warrants became exercisable in full at that point. On 11 February 2022 Dr Burton exercised all of his warrants.

Director	Number of Options	Number of Warrants
Gerard Brandon (lapsed on resignation on 25 September 2023)		250,000,000
Dr Nigel Burton (warrants exercised 11 February 2022)		200,000,000

In line with their service agreements, Gerard Brandon and Dr Nigel Burton have taken their annual fees of £50,000 and £35,000 respectively, for the first two years of their appointment, in shares at the price of 0.1 pence per share being the placing price of the equity fundraising completed in February 2021, subject to payment of all necessary employee taxes and national insurance contributions. Since February 2023, fees have been paid in cash monthly in arrears.

### Directors' notice periods

Details of the Director's notice periods as per their service contract are as follows:

	Contract date	Term	Notice period
Nigel Burton	5 February 2021	Three years <sup>1</sup>	3 months
Gerard Brandon	5 February 2021	Three years <sup>2</sup>	3 months
Bob Moore	15 March 2022	Twelve months <sup>3</sup>	3 months

<sup>1</sup> Notice cannot be given by the Directors during the first two years of their appointment except to the end of the period to which their fees have been paid in advance.

<sup>2</sup> Mr Brandon resigned on 25 September 2023.

<sup>3</sup> The initial term is the earlier of 12 months or the first AGM. Subject to re-election at AGM the appointment is anticipated to last at least 3 years.

### Directors' emoluments

Directors' remuneration in 2022 is detailed below. Non-cash payments represent life assurance premiums.

	Salaries & fees	Non-cash payments	Pension contributions	Share-based payments	Year to 31 December 2022	Year to 31 December 2021
	£	£	£	£	£	£
Gerard Brandon <sup>1</sup>	-	-	-	50,000	50,000	420,129
Nigel Burton	-	-	-	35,000	35,000	331,599
Bob Moore <sup>2</sup>	23,750	-	-	-	23,750	-
Glenn Tracey <sup>3</sup>	36,308	155	2,363	-	38,826	323,692
Others <sup>4</sup>	-	-	-	-	-	290,477
<b>TOTAL</b>	<b>60,058</b>	<b>155</b>	<b>2,363</b>	<b>85,000</b>	<b>147,576</b>	<b>1,365,897</b>

<sup>1</sup> Resigned as a Director on 25 September 2023.

<sup>2</sup> Appointed as a Director on 15 March 2022.

<sup>3</sup> Resigned as a Director on 31 March 2022.

<sup>4</sup> Relates to directors who resigned in 2021.

The share-based payments charge in the year relates to fees paid in shares for Messrs Brandon and Burton.

### Directors' share options

Share options and warrants over the Company's ordinary shares held by the Directors at the year-end were as follows (note that these subsequently lapsed on 25 September 2023 following Mr Brandon's resignation):

	At 31 December 2022 0.01p ordinary shares Number	At 31 December 2022 Vested Number	Performance Conditions	Exercise price Pence	Exercise period
Gerard Brandon	250,000,000	250,000,000	Yes	0.1p	5 February 2021 – 4 February 2026.
TOTAL	250,000,000	250,000,000			

The Company's share price started the year at 0.150 pence and ended the year at 0.033 pence, with a close high and low over the year of 0.195 pence and 0.033 pence respectively (with an intra-day high and low over the year of 0.220 pence and 0.030 pence respectively).

The share-based payment charge in relation to the share option grants to Directors and lapsed options during the year was £nil (2021: £995,214).

The Directors' Remuneration Report was approved by the Board of Directors on 15 January 2024 and signed on its behalf by:

### Dr Nigel Burton

Chairman of the Remuneration Committee



## **DIRECTORS' FINANCE & AUDIT COMMITTEE REPORT**

**For the year ended 31 December 2022**

### **Introduction**

This report details how the Finance & Audit Committee (“the Committee”) has met its responsibilities under its terms of reference. The Committee is a sub-committee of the Board. As Non-executive Directors, the members of the Committee are, together with the Board as a whole, responsible for the integrity and probity of the Company. The work of the Committee is aimed at supporting the creation of long-term value for shareholders.

The Committee continues to act as an oversight sub-committee of the Board, considering and challenging but not itself performing the relevant processes. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and interim financial statements remains with the Board.

The Committee does not believe there is a requirement for an internal audit function due to the Company's size and level of complexity.

### **Role and Responsibilities**

The Board has established a Finance & Audit Committee to monitor the integrity of the Company's financial statements and the effectiveness of the Company's internal financial controls. The Committee's role and responsibilities are set out in the terms of reference which are available from the Company's website. The terms of reference are reviewed regularly and amended where appropriate. During the year, the Committee worked with management and the external auditors in fulfilling these responsibilities.

The Committee report deals with the key areas in which it plays an active role and has responsibility. These areas are as follows:

- i. Financial reporting and related primary areas of judgement;
- ii. The external audit process;
- iii. Risk management and internal controls; and
- iv. Whistleblowing procedures.

The members of the Finance & Audit Committee are Dr Nigel Burton and, until his resignation after the year end on 25 September 2023, Gerard Brandon, with Bob Moore joining on 15 March 2022 at the time of his appointment to the Board. Dr Burton became Chairman of the Committee, following the resignation of Peter Grant and has appropriate relevant financial experience. The Board considers that the Committee has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties.

### **Financial Reporting and External Audit Process**

The Chairman of the Committee participated in the Audit Planning meeting held in November 2022 with the external auditors to plan the financial audit, discussed potential key audit matter(s) and along with the Committee reviewed the Audit Strategy Document.

The Board as a whole, reviewed the going concern paper prepared by management including detailed financial forecasts for the period 2023 to 2024, related assumptions, risks and opportunities, sensitivities, and areas for mitigation. The outcome of the Board's discussions on going concern is explained in more detail in note 3.

The Committee has satisfied itself that the 2022 Annual Report and Accounts have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, are fair, balanced and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

### **Risk Management and Internal Controls**

The Board considered as part of its review of risks those risks detailed in the Strategic Report including mitigating actions. At the date of this report, the Company continues to be a going concern. The key risk facing the Company is the very challenging working capital position. As announced on 3 November 2023 and explained above, the Company has implemented a significant cost reduction exercise and is expecting to raise sufficient funds to provide additional working capital, including to remain on AIM.

Another key responsibility of the Committee is to review the Company's internal control systems, including internal financial controls. The Finance Director reviewed and updated the Company's Financial Procedures Manual to ensure it was in line with current practice. There were no reported instances of fraud during the year.

The Company's auditors are encouraged to raise comments on internal control in their management letter following the annual audit. The points raised and actions arising are monitored through to completion by the Finance & Audit Committee.

### **Whistleblowing**

The Committee had no whistleblowing incidents reported during 2022. Dr Nigel Burton has been appointed Primary Designated Officer during the year and Gerard Brandon as Alternative Designated Officer.

### **Committee Meetings**

The Committee met twice in the year. Both meetings related to the Annual Report and Accounts which the external auditors attended.

### **Auditors Fees and Non-Audit Services**

The Committee reviewed and agreed to the proposed audit fee of £31,065 (2021: £29,500). Fees for other audit related services during the year amounted to £4,300 (2021: £1,575). These fees included the review of 2022 interims and the provision of information around accounting standards.

### **Auditor Independence**

The Committee satisfied itself on the auditors' independence. Mr Roger Weston is undertaking his fifth audit of the Company in the capacity of partner in charge, and he will rotate off the audit this year to maintain independence. No non-audit services have been provided in the current financial year.

The Report of the Finance & Audit Committee was approved by the Board of Directors on 15 January 2024 and signed on its behalf by:

### **Dr Nigel Burton**

Chairman of the Finance & Audit Committee

## **CORPORATE GOVERNANCE REPORT**

### **For the year ended 31 December 2022**

#### **Board composition**

Gerard Brandon was acting CEO and Executive Chairman from when the former Chief Executive, Glenn Tracey, left the Board on 31 March 2022. Following the year end Mr Brandon resigned on 25 September 2023 Dr Nigel Burton continued as a Non-executive Director and Bob Moore joined the Board as Senior Independent Non-Executive Director on 15 March 2022, and was appointed Executive Chairman following Mr Brandon's resignation. Their biographies are detailed under Principle 6 in this Report.

#### **Board Committees**

The Finance & Audit and Remuneration Committees are chaired by Dr Nigel Burton, and Bob Moore is a member of both committees, as was Mr Brandon until his resignation. Bob Moore was the Senior Independent Non-Executive Director until his appointment as Executive Chairman following Mr Brandon's resignation.

#### **Chairman's Corporate Governance Statement**

The full corporate governance statement is published and maintained up to date on the Company's website at (<http://www.microsaic.com/investors/governance-new>). This extract from that statement is included in the Annual Report & Accounts as required by the Quoted Companies Alliance's ("QCA") Corporate Governance Code for small and mid-size quoted companies (2018) (the "2018 Code").

The Board is committed to maintaining high standards of corporate governance and, with effect from 26 September 2018, the Board adopted the 2018 Code.

The 2018 Code sets out ten broad principles of corporate governance. It states what are considered to be appropriate corporate governance arrangements for growing companies and requires companies to provide an explanation about how they are meeting the principles through certain prescribed disclosures.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He manages the Board agenda and ensures that all Directors receive accurate, timely and clear information and effectively contribute their various talents and experience in the development and implementation of the Company's strategy. He ensures that the nature and extent of the significant risks which the Company is willing to embrace in the implementation of its strategy are challenged and determined by the Board. The Chairman is responsible for ensuring that the Board implements, maintains and communicates effective corporate governance processes and for promoting a culture of openness and debate designed to foster a positive governance culture throughout the Company.

The Board has considered how each principle is applied and provides below an explanation of the approach taken in relation to each principle and how they support the Company's medium to long-term success.

The Board agenda is regularly reviewed to ensure that all matters which the Board should consider are addressed. This allows for presentations from the Management Team so that the Board benefits from their input.

The Company includes a Remuneration Committee Report and a Finance & Audit Committee Report in its Annual Report and Accounts.

Following the Board changes in September 2023, provided that the Company remains public, the Board intends to recruit a further independent Non-Executive Director and at least one executive director. The Head of Finance and Company Secretary role was contracted to Anthony Clayden of Strategic Finance Director Limited, although in November 2023 he was replaced in both roles by John Mottram.

Save in respect of Principle 5 in consideration of the independence of the Non-executive Directors, which is considered in more detail below, the Board considers that it does not depart from any of the principles of the 2018 Code.

## **PRINCIPLES TO DELIVER GROWTH**

**PRINCIPLE 1:** Establish a strategy and business model which promote long-term value for shareholders.

### **Strategy:**

Microsaic's strategic aim is to capitalise on its strengths in point of need detection systems, and access high-growth and emerging Life Science and Environmental applications, as well as niches in traditional small molecule markets. The Company intends to achieve its strategy with a business model built on customer focus, collaborations, and technology innovation subject to the available resources.

### **Business Model:**

The Company's business model is described on page 8 of the Strategic Report.

### **Challenges:**

#### **Staying relevant to future customer needs**

Customer needs evolve rapidly. Future product specifications are driven by end-user requirements. This will inform Microsaic's product strategy as its Mass Spectrometer detectors move from customer laboratories into production and front-line operating environments. Microsaic aims to ensure that its strategic product development remains focused on meeting demanding biopharmaceutical applications.

#### **Remaining innovative in an advancing technological landscape**

Microsaic has successfully developed and implemented advanced technology with over 80 patents to date. This has led to a solid foundation serving scientists in the laboratory in small molecule drug discovery, and increasingly in life and environmental science markets. The Company conducts periodic reviews of its patent portfolio to align it with current business strategy. After the most recent review in 2023, the active patent portfolio has reduced to 51 patents with 7 additional patents applications in the filing process.

The Company has recently made significant cost reductions and has focused product development on applications with larger biological molecules, such as peptides and small proteins.

The Company has extended its product capabilities further into Life Science applications, and will invest in these applications subject to available resources.

**PRINCIPLE 2:** Seek to understand and meet shareholder needs and expectations. See the website for further disclosures concerning how the Company seeks to engage with shareholders and how successful this has been.

**PRINCIPLE 3:** Consider wider stakeholder and social responsibilities and their implications for long-term success. See the website for further disclosures.

**PRINCIPLE 4:** Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board aims to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver the strategy.

The Directors recognise their responsibility for the Company's systems of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control

is provided. The Company's systems of internal controls are designed to help the Company meet its business objectives by appropriately managing and wherever possible mitigating risks faced by the Company. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Company's Management Team, which reports into the Executive, meets regularly to review commercial, technical, operational, and financial risks facing the business. These risks are assessed according to their nature and magnitude based on the seriousness of the risk and the likelihood of the risk occurring. The effectiveness of the controls implemented to minimise the risks are also reviewed. The aim of these reviews is to provide reasonable assurance that material risks are identified, and appropriate action is taken at an early stage. From this review the Company maintains its internal risk register which is reviewed annually by the Board.

The annual budget is reviewed and approved by the Board. Financial results, with comparisons to budget, and latest forecasts are reported monthly to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Measures continue to be taken to review and improve internal controls and risk management procedures. The Company has a Financial Procedures Manual which includes approval levels for authorisation of expenditure, potential fraud scenarios, payment approval process, expenses guidelines etc. This is updated as necessary.

The Company's auditors are encouraged to raise comments on internal control in their management letter following the annual audit. The points raised and actions arising are monitored through to completion by the Finance & Audit Committee.

#### **PRINCIPLES TO MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

**PRINCIPLE 5:** Maintain the Board as a well-functioning, balanced team led by the Chairman.

The Board currently consists of one Executive Chairman, and one Non-Executive Director. An independent Non-Executive Director, Bob Moore, was appointed in March 2022, although following the resignation of the former Executive Chairman Mr Brandon on 25 September 2023, Mr Moore was appointed as Executive Chairman. Assuming the proposed fundraising and acquisition completes, Mr Moore will be replaced by a Non-executive Chairman and he will assume the role of Chief Executive until further notice.

Mr John Mottram replaced Mr Anthony Clayden as Head of Finance (non-board level) in November 2023. Glenn Tracey, CEO, resigned on 31 March 2022 and the then Chairman stepped into an executive role until his resignation in September 2023.

The Company held 8 Board meetings during 2022 (2021: 19).

The Company has an equal opportunity policy to recruitment at Board level and within the Company at large and seeks diversity as opportunities arise, within the framework of selecting the most suitable person, based on relevant skills, abilities, experience and location, as required for the role.

The principal role of the Chairman of the Board is to manage and provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company. The Chairman acts as the communicator for Board decisions where appropriate.

Given the Chairman’s current capacity as an Executive Chairman, the other NED provides the appropriate level of challenge to both the Chairman and management. The recent changes resulting from the resignation of Mr Brandon will be addressed by the recruitment of further directors to achieve the appropriate Board and management structure.

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively to the development and implementation of the Company’s strategy, while ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged.

The Board believes that the advice, behaviour and character of its Chairman and Non-executive Directors are always in the best interests of the Company and its shareholders. In addition, the skills and business judgement which they possess and regularly exercise contributes to the efficient and effective running of the Company.

The Company appreciates that circumstances which might or might appear to affect a Director’s judgement may well include financial dependence on the Company and whether the Director is, or represents, a major shareholder. The Chairman and Non-Executive Director are financially independent of the Company as they have other sources of income, although Dr Burton became a significant shareholder during 2022 following his exercise of his warrants. Mr Brandon and Mr Moore do not represent significant shareholders; however, Mr Brandon did have a material interest in share warrants of the Company as detailed below until his resignation on 25 September 2023. Dr Burton is also a Director of DeepVerge plc and Mr Brandon was also a Director of Deepverge until December 2022, which although not a shareholder of the Company, was strategically important to the future success of Microsaic throughout 2022 and until it’s well-publicised difficulties emerged in April and June 2023. Under the QCA Guidelines the independence of Mr Brandon whilst Chairman and Dr Burton as a Non-Executive Director could be challenged under the following areas, but in all cases the Board believes that they act in an independent manner and where a conflict of interest could arise or be perceived to arise, they abstain from voting. Bob Moore was appointed as Senior Independent Non-Executive Director in March 2022, and remained in that role until his appointment to replace Mr Brandon as Executive Chairman in September 2023.

Name and position	Potential issue	Comments
Gerard Brandon Chairman (until 25 September 2023)	<p>Held a material interest of 250 million share warrants in the Company.</p> <p>Former Director of DeepVerge plc</p> <p>Temporary Executive Director capacity</p>	<p>This award was required to attract a Chairman of the appropriate calibre to the Company. The award was approved by shareholders at a General Meeting.</p> <p>DeepVerge plc was strategically important to the success of the Company in 2022 and early 2023.</p> <p>Elevated senior management to develop and implement strategy and consulting with the Non-Executive Directors who had oversight during the period.</p>
Dr Nigel Burton	Significant shareholder in the Company following the exercise of warrants.	The warrants were awarded to attract a Non-Executive Director of the appropriate calibre to

Non-Executive Director	Director of DeepVerge plc	the Company. The award was approved by shareholders at a General Meeting  DeepVerge plc was strategically important to the success of the Company in 2022 and early 2023.
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The Board recognises the importance of good governance arrangements.

The Board has an established Finance & Audit Committee and Remuneration Committee. The Company believes it is currently too small to have a separate Nominations Committee, so this role is taken on by the Board of Directors as a whole.

Details and links to the terms of reference of the Finance & Audit Committee and Remuneration Committee are set out under Principle 9 on the website.

Details of Directors and their time commitment are set out under Principle 6 below. The attendance of the Directors at the regular Board and Committee Meetings during the year ended 31 December 2022 were as follows.

Name	Position during 2022	Regular Board Meetings	Finance & Audit Committee	Remuneration Committee
Gerard Brandon <sup>1</sup>	Executive Chairman	8 (8)	1 (2)	0 (0)
Glenn Tracey <sup>3</sup>	Chief Executive Officer	3 (3)	n/a	n/a
Nigel Burton	Non-Executive Director	8 (8)	2 (2)	0 (0)
Bob Moore <sup>2</sup>	Non-Executive Director	5 (5)	1 (2)	0 (0)

<sup>1</sup> Resigned as a Director on 25 September 2023. Age at date of resignation.

<sup>2</sup> Appointed as a Director on 15 March 2022. Appointed as Non-Executive Chairman 25 September 2023.

<sup>3</sup> Resigned as a Director on 31 March 2022. Age at date of resignation.

Numbers in brackets denote the total number of meetings that each Director was eligible to attend during the year.

**PRINCIPLE 6:** Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

Biographical details of the Board of Directors, their skills, suitability and availability are set out below.

#### **Gerard Brandon, Executive Chairman**

*Term of office:* Appointed a Director on 5 February 2021, resigned on 25 September 2023. Gerard was also a member of the Finance & Audit Committee and the Remuneration Committee until his resignation.

*Background and suitability for the role:* Gerard Brandon is Chief Executive Officer of Cellulac plc and was CEO of DeepVerge plc until November 2022. In 1996 he became founder and CEO of Alltracel

Pharmaceuticals plc (“Alltracel”), where he built a team which oversaw numerous patents granted on refined cellulose. Alltracel was admitted to trading on AIM in 2001. In 2004, he was appointed as a Managing Partner for Farmabrand Private Equity. In March 2020, he was appointed as a Non-executive Chairman to Modern Water plc, which was subsequently acquired by DeepVerge plc (formerly Integumen plc) in November 2020. Gerard is a Fellow of the Ryan Academy of Entrepreneurs in Dublin.

**Dr Nigel Burton, Non-executive Director**

*Term of office:* Appointed a Director on 5 February 2021 at a General Meeting of the Company. Dr Burton is also Chairman of the Finance & Audit Committee and the Remuneration Committee.

*Background and suitability for the role:* Nigel is currently a Non-Executive Director of BlackRock Throgmorton Trust plc and several AIM quoted companies including eEnergy Group plc and Location Sciences plc. Nigel was a Non-Executive Director of DeepVerge plc until becoming interim CEO in November 2022. He spent over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries. Nigel also spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies.

**Mr Robert (Bob) Moore, Executive Chairman (formerly Non-Executive Director)**

*Term of office:* Appointed a Director on 15 March 2022 by the Board of directors of the Company. Mr Moore is also a member of the Finance & Audit Committee and the Remuneration Committee. Mr Moore was Senior Independent Non-Executive until 25 September 2023, when he replaced Mr Brandon following his resignation.

*Background and suitability for the role:* Bob is a UK qualified lawyer and brings over 35 years’ commercial and legal experience to the Board. Bob has acted as Head of International Legal Affairs at Enterprise Oil plc (a UK FTSE 100 company prior to its acquisition by Shell in 2002) and as co-founder and Commercial Director of Granby Oil & Gas plc, which was traded on AIM from 2005 until its sale in 2008. Bob subsequently co-founded, and is Managing Director of, private oil and gas exploration company Ardent Oil Ltd (operating in the UK, Denmark through its parent company in Luxembourg). Bob also acts as Non-Executive Chairman of Mobile Streams plc, an AIM quoted company, having been appointed to the role in July 2021.

**The Company uses external advisers.**

The Board has retained the services of the following advisers:

- Singer Capital Markets as Nominated Adviser and Joint Broker;
- Turner Pope Investments as Joint Broker;
- Saffery LLP for annual audit;
- Dorsey and Whitney Europe LLP as solicitors for the Company;
- Neville Registrars Ltd as the Company’s registrar; and
- Menzies LLP for ongoing advice on Corporation tax, VAT and PAYE.

**PRINCIPLE 7:** Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

**Board Evaluation Process**

The Board believes that, in addition to dealing with any matters as they arise, it is appropriate to carry out a formal evaluation of the performance of the Board each year. This is intended to ensure that the Board remains effective, well-informed and able to make high quality and timely decisions for the benefit of all stakeholders in the Company.



The usual evaluation involves each Director completing an evaluation questionnaire which covers effectiveness from multiple angles including: Board structure and committees; Board arrangements, frequency and time; content of Board meetings; Board culture; Board evaluation and succession; and individual contributions. The completed questionnaires are anonymised and collated independently into a summary, and comments and any areas of concern are highlighted for discussion with the Board.

No formal evaluation process took place in 2022.

### **Succession Planning**

As is common with many small AIM quoted companies, the Company does not have internal candidates to succeed the Executive Directors. This will be kept under review, especially when recruiting for senior roles as vacancies arise. However, the Board does not believe it is appropriate to recruit additional Directors or senior personnel solely for the purpose of Board succession planning.

### **Training of Directors**

It is recognised that there continues to be more regulation of which Directors need to be aware. The Board will continue to ensure that Directors receive appropriate support to keep up to date.

**PRINCIPLE 8:** Promote a culture that is based on ethical values and behaviours.

The Company is committed to achieving the highest possible ethical standards in conducting its business. The Company expects all employees and Directors to maintain the same high standards. To achieve these ends, Microsaic encourages freedom of expression and speech whilst not accepting prejudice of any kind.

Ethics is based on a set of principles and clear moral and ethical values. The Company takes its principles and values very seriously and expects staff at all levels to look to these principles and values for guidance.

### **Principles:**

The Board has adopted the following four principles:

1. Management must lead by example. Good ethics should be most noticeable at the top. Every employee must be accountable to the same rules.
2. Corporate values must be implemented throughout the Company. Every forum and medium should be used to spread the message and, most of all, the Company must practice what it preaches.
3. Meetings with staff (both one on one and group) to discuss the values and what they mean to each employee must be undertaken when implementing a value system. This will help to get everyone in the Company on the same page and committed.
4. The values of the Company must endure changes in leadership. The longer ethical values last, the more ingrained they will become.

### **Values**

The Company conducts its business around seven core values:

1. *Integrity – applying high ethical standards and being honest.* The Company will conduct its business with honesty to all stakeholders and will uphold high moral principles.
2. *Mutual respect, empathy and trust in dealing with others.* An environment of mutual respect, empathy and trust is necessary to promote integrity. Trust in the workplace is critical to organisational success.
3. *Innovation – a passion to experiment and deliver new solutions.* A focus on research and development is very important to the future success of the Company. The Company is continually looking to deliver innovative solutions and has a collaborative approach to meeting customer needs.
4. *Teamwork – drives high performance.* Microsaic relies heavily on teamwork. A team approach is more efficient, faster, benefits from multi-skills especially in problem solving, increases learning

opportunities and encourages a sense of belonging, which often translates to a greater sense of ownership and accountability for the work.

5. *Quality – we take pride in everything we do.* The Company is strongly focused on quality from the products it produces to the processes it operates. The Company is ISO 9001:2015 compliant.
6. *Customer focus – go the extra mile for our customers.* The Company assigns the highest priority to customer satisfaction. We listen to our customers and create solutions for unmet customer needs.
7. *Shareholder value – striving to deliver value to shareholders.* The key objective of the Company is achieving sustainable profitability. Every employee understands how they fit into the profitability picture. Everyone’s common goal is to build a strong, profitable Company that will endure and provide a reasonable return to shareholders.

**PRINCIPLE 9:** Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

See the website for further disclosures at <https://www.microsaic.com/investors/governance-new/>

**PRINCIPLE 10:** Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The following committee reports are included in these Annual Report & Accounts as shown below. They include details of the work of those committees:

- The Directors’ Remuneration Committee Report – pages 22 to 24; and
- The Directors’ Finance & Audit Committee Report – pages 25 to 26.

The Corporate Governance Report was approved by the Board of Directors on 15 January 2024 and signed on its behalf by:

**Bob Moore**  
Executive Chairman

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSAIC SYSTEMS PLC**

### **For the year ended 31 December 2022**

#### **Opinion**

We have audited the financial statements of Microsaic Systems plc for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Our approach to the audit**

We tailored the scope of our audit to ensure that we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to be communicated in our report.

## **Our application of materiality**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of misstatements and in forming our opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider materiality to be magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatement below this level will not necessarily be evaluated as immaterial as we also take account of the qualitative nature of identified misstatements, and the circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, and taking into account the possible metrics used by investors and other readers of the accounts, we applied a materiality of £55,000 (2021: £50,000). This is based on 2.5% of operating expenditure in the draft financial statements at the planning stage of the audit for the year ended 31 December 2022. Performance materiality was set at 65% of materiality.

Our triviality level was set at £2,000 and any uncorrected audit differences below this level were not reported to management, unless warranted under qualitative grounds.

## **Material uncertainty relating to going concern**

We draw attention to note 3 in the financial statements, which indicates that the company's ability to continue as a going concern is dependent upon successful completion of a fundraise, this to provide the Company with sufficient working capital and to finance its proposed reduced cost base, as well as providing sufficient cash to complete and develop a proposed acquisition of trade and assets.

Given the inherent uncertainty of a fundraise, along with other matters as set forth in note 3, we concur with the directors' assessment that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following:

- Obtained and critically assessed for arithmetical accuracy and consistency the directors' formal going concern assessment;
- Reviewed the projected cashflows and other available evidence to assess the ability of the company to continue in operation for at least 12 months from the date of signing this report;
- Identified the key assumptions within the forecast, being the existence and timing of sales opportunities and the completeness of forecast costs, and challenged management on the appropriateness of these;
- Performed a sensitivity analysis on these key assumptions underlying the directors' going concern assessment;
- Obtained corroborating evidence for the existence of the sales pipeline and likelihood of conversion through review of correspondence with sales prospects;

- Critically reviewed the provided business case for the proposed acquisition, and stress tested the forecasts to identify the cash requirements over the next twelve months
- Obtained representations and underlying evidence from third party brokers regarding the plausibility of the Company raising the required funding;
- Discussed events after the reporting date with the directors to assess their impact on the going concern assumption, including comparison of the post year end cash balances to forecast positions; and
- Reviewed the disclosures relating to going concern included within these financial statements to ensure they are consistent with the requirements of UK-adopted international accounting standards, and that they present a true and fair view to readers of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, and UK Tax legislation, the AIM Rules for Companies and UK Tax legislation, particularly with reference to Research Development Expenditure Credits.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

.....

Roger Weston (Senior Statutory Auditor)  
for and on behalf of Saffery LLP

Chartered Accountants  
Statutory Auditors

71 Queen Victoria Street  
London  
EC4V 4BE  
15 January 2024

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

	Notes	Year to 31 December 2022 £	Year to 31 December 2021 RESTATED £
<b>Revenue</b>	5	1,567,697	906,876
Cost of sales		(618,330)	(526,225)
<b>Gross profit</b>		949,367	380,651
<b>Other operating income</b>	6	-	67,283
Professional fees – Corporate transactions		-	(65,789)
Impairment of related party debt	28	(1,130,169)	
Other operating expenses		(2,135,792)	(2,416,380)
<b>Total operating expenses</b>	7	(3,265,961)	(2,482,169)
<b>Loss from operations before share-based payments</b>		(2,316,594)	(2,034,235)
Share-based payments	25	(234,749)	(1,363,764)
<b>Loss from operations after share-based payments</b>	7	(2,551,343)	(3,397,999)
Financial cost	8	(7,013)	(4,604)
Finance income	8	23,423	6,237
<b>Loss before tax</b>		(2,534,933)	(3,396,366)
Tax on loss on ordinary activities	9	246,224	267,785
<b>Total comprehensive loss for the year</b>		(2,288,709)	(3,128,581)
<b>Loss per share attributable to the equity holders of the Company</b>			
Basic and diluted loss per ordinary share (pence)	10	(0.036)p	(0.056)p

The notes on pages 44 to 74 form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Notes	31 December 2022 £	31 December 2021 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	69,160	74,405
Property, plant and equipment	12	380,272	305,687
Right of use assets	13	54,005	126,533
<b>Total non-current assets</b>		503,437	506,625
<b>Current assets</b>			
Inventories	14	274,045	283,902
Trade and other receivables	15	594,364	631,948
Corporation tax receivable	9	514,009	267,785
Cash and cash equivalents		1,241,480	3,464,876
<b>Total current assets</b>		2,623,898	4,648,511
<b>TOTAL ASSETS</b>		3,127,335	5,155,136
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	1,731,413	1,702,913
Share premium	21	28,262,518	28,006,018
Share-based payment reserve		2,400,796	2,888,707
Retained losses		(29,675,468)	(28,024,418)
<b>Total equity</b>		2,719,259	4,573,220
<b>Current liabilities</b>			
Trade and other payables	16	236,445	354,611
Lease liability	13	52,918	71,187
<b>Total current liabilities</b>		289,363	425,798
<b>Non-current liabilities</b>			
Provisions	17	115,385	99,960
Lease liability	13	3,328	56,158
<b>Total non-current liabilities</b>		118,713	156,118
<b>Total liabilities</b>		408,076	581,916
<b>TOTAL EQUITY AND LIABILITIES</b>		3,127,335	5,155,136

The financial statements were approved for issue by the Board of Directors on 15 January 2024 and signed on its behalf by:

**Bob Moore**

Executive Chairman

Company number 03568010

The notes on pages 44 to 74 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2022**

	Notes	Share capital £	Share premium £	Share -based payment reserve £	Retained Losses £	Total equity £
<b>At 1 January 2021</b>		1,140,913	24,867,886	324,264	(25,090,083)	1,242,980
Total comprehensive loss for the year		-	-	-	(3,128,581)	(3,128,581)
<b>Transaction with owners:</b>						
Shares issued— placing	19	562,000	5,058,000	-	-	5,620,000
Share issue costs	21	-	(1,919,868)	1,503,008	-	(416,860)
Transfer in respect of lapsed share options		-	-	(194,246)	194,246	-
Share-based payments-share options	25	-	-	1,255,681	-	1,255,681
<b>At 31 December 2021</b>		1,702,913	28,006,018	2,888,707	(28,024,418)	4,573,220
Total comprehensive loss for the year		-	-	-	(2,288,709)	(2,288,709)
<b>Transaction with owners:</b>						
Shares issued	19	28,500	256,500	-	-	285,000
Transfer in respect of directors warrants exercised	19			(300,075)	300,075	-
Transfer in respect of lapsed share options		-	-	(337,584)	337,584	-
Share-based payments options	25	-	-	149,748	-	149,748
<b>At 31 December 2022</b>		1,731,413	28,262,518	2,400,796	(29,675,468)	2,719,259

The notes on pages 44 to 74 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2022**

		Year to 31 December 2022 £	Year to 31 December 2021 £
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	31	(2,133,332)	(1,827,851)
Corporation tax received		-	218,568
<b>Net cash used in operating activities</b>		<b>(2,133,332)</b>	<b>(1,609,283)</b>
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	11	(26,880)	(28,883)
Purchases of property, plant and equipment	12	(208,495)	(305,334)
Interest received		23,423	6,237
<b>Net cash used in investing activities</b>		<b>(211,952)</b>	<b>(327,980)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues		200,000	5,500,000
Share issue costs		-	(416,860)
Repayment of lease liabilities	13	(78,112)	(78,070)
<b>Net cash generated by / (used in) financing activities</b>		<b>121,888</b>	<b>5,005,070</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,223,396)</b>	<b>3,067,807</b>
Cash and cash equivalents at the beginning of the year		3,464,876	397,069
<b>Cash and cash equivalents at the end of the year</b>		<b>1,241,480</b>	<b>3,464,876</b>

The notes on pages 44 to 74 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 December 2022**

The principal activity of the Company continues to be the research, development and commercialisation of miniaturised mass spectrometry instruments that are designed to improve the efficiency of pharmaceutical R&D. The Company is incorporated as a public limited company (plc) in England and its registered address is 1-7 Park Road, Caterham, Surrey, CR3 5TB. The Company has no subsidiaries, so the financial information relates to the Company only.

#### **1. Accounting policies**

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

##### **Basis of preparation**

These financial statements have been prepared in accordance with UK-adopted international accounting standards (IFRS) in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

These financial statements have been prepared under the historical cost basis.

##### **Revenue recognition**

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

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

The Company recognises revenue from the following four sources:

- 1) Sale of products;
- 2) Sale of consumables and spare parts;
- 3) Product support services; and
- 4) 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 support services 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.

## **1. Accounting policies (continued)**

### *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 support services revenue*

Product support services 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. Payment terms are generally 30 days from the date of invoice.

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.

### **Cost of sales**

With effect from 1 January 2022, the company has changed the 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 32, 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 support services*

The cost of sales of product support services income is the time-based apportionment of the employment costs of the relevant staff spent on the delivery of the product support services 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*

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.

#### **Other operating income**

Other operating income includes grant income, insurance income arising from a claim and income from development contracts. The Company's management assesses the contracts at each balance sheet date, including the costs to completion, which are subject to estimation uncertainty. Grant income is recognised when there is reasonable assurance that the grant will be received, and the Company will comply with any attached conditions. Grants are recognised in the profit or loss in line with the expenditure they are intended to compensate and are shown gross of the underlying expense. The Company received CJRS grants during the prior year, which has been recognised in line with the corresponding payroll expenditure. There are no unfulfilled conditions attached to the grant that the Company is aware of.

#### **Segmental reporting**

The Company currently has one business segment, being the research, development and commercialisation of scientific instruments. This is undertaken wholly within the United Kingdom. Revenue by geographical market is analysed in note 5.

#### **Intangible assets**

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

Certain software is stated at historic cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to operating expenses and calculated to write off the cost in equal annual instalments over three years, which is considered to be a prudent estimate of its useful economic life.

## **Accounting policies (continued)**

### **Property, plant and equipment**

Items of property, plant and equipment are stated at cost of acquisition or production costs less accumulated depreciation and impairment losses. Depreciation is charged to the statement of comprehensive income on a straight-line basis to write-off the carrying value of each asset to residual value over its estimated useful economic life as follows:

Plant and equipment - 33.3% on a straight line basis

Fixtures and fittings - 33.3% on a straight line basis

Software - 33.3% on a straight line basis

### **Pensions**

The Company has an auto-enrolment pension scheme for employees. Contributions are charged to the statement of comprehensive income in the period they are payable.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses. The inventory provision is based on identifying slow moving stock items from recent historic and anticipated future sales and providing where appropriate for those items which may be surplus to anticipated or identifiable demand.

### **Provisions**

Provisions are established where the Directors have identified an obligation which is probable and where the amount can be estimated reliably.

### **Taxation**

Current taxes are based on the results of the Company and are calculated according to local tax rules using the tax rates that have been enacted by the balance sheet date.

The Company recognises research and development tax credits receivable in cash as a current asset under the heading corporation tax receivable. Any difference to amounts received are dealt with as adjustments to prior period tax.

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantially enacted tax rates. Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and that it is probable that future taxable profit will be available against which the asset can be utilised.

### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction, or forward contract rate, if applicable. All differences are taken to the statement of comprehensive income.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Examples of the Company's financial instruments include:

## 1. Accounting policies (continued)

### *Cash and cash equivalents*

The fair value of cash and cash equivalents is considered to be their carrying amount due to their short-term maturity.

### *Trade receivables*

The Company's trade receivables do not carry a significant financing element as defined by IFRS 15. Therefore, trade receivables are recorded at transaction price (e.g., invoice amount excluding costs collected on behalf of third parties) and throughout the life of the receivable at an amount equal to lifetime expected credit losses ("ECL"). 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%

Other points:

- The Company determines whether trade receivables are impaired through regular meetings between finance and business development.
- The credit situation of new customers is reviewed before the first shipment. If possible, a credit report is obtained. If there is any concern over the credit worthiness of the customer, the Company may ask the customer to pay an amount in advance or enter into a confirmed letter of credit (Non-UK/Europe) etc.
- Trade receivables are considered low risk at initial recognition but this changes if they have an overdue invoice(s). Depending on the value of the shipment, the customer may be placed on hold until the overdue amount is paid. Discussions as to why an invoice is overdue are held promptly between finance and business development and the customer.
- The provision is monitored at customer level by business development and finance.
- If the Company is having ongoing dialogue with the customer regarding their overdue balance the debt will not be written off. It may be that a payment plan can be agreed or more time is given to the customer to sell the product. If the customer is not actively engaging with the Company legal action may be taken.
- Forward looking information from business development is taken into account when preparing the provision matrix including geographical risk, changes in customer circumstances and macro-economic factors.

Under IFRS 9 impairment for receivables including trade receivables is assessed using an expected loss model. For trade receivables this focuses on the risk that, and an extent to which, a receivable will default. Accordingly, the Company calculates the allowance for credit losses by considering the cash shortfalls it would incur in various default scenarios and multiplying the shortfalls by the probability of each scenario occurring. The Company only has short-term receivables and has adopted a "simplified approach" in assessing impairment.

The Company has applied a simplified "provision matrix" for calculating expected losses as a practical expedient (e.g., for trade receivables), as the Directors believe that this is consistent with the general principles for measuring expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.



## 1. Accounting policies (continued)

In preparing the provision matrix the Company looks at the geographic base of its trade receivables and whether they are existing or new customers. Finally, management considered forward looking information that may affect the default rates applied in the matrix.

The risk profile of related party debts are considered to differ from the wider trade receivables pool, and so the above provision matrix percentages are not applied to the amounts owed by DeepVerge subsidiaries.

In the light of the adjusting post balance sheet event set out in note 30, it is the opinion of the directors that conditions at the year-end were such that the expected credit loss on those debts is equal to the amount unpaid at 26 June 2023, less reclaimable VAT.

### *Financial liability and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

### *Bank borrowings*

The Company had no bank borrowings at 31 December 2022 and 2021.

### *Trade payables*

Trade payables are not interest bearing and are stated at their nominal value.

### *Equity instruments*

Equity instruments issued by the Company are recorded at the value of the proceeds received net of direct issue costs including the fair value of any warrants issued in lieu of issue costs. The Company has no derivative financial assets or investments in equity instruments.

## **Leases**

For all leases, the Company recognises a right of use asset and corresponding lease liability on the balance sheet, which are depreciated and amortised respectively over the lease term. However, where leases are low value or of less than 12 months old, the Company has taken advantage of the practical expedient allowing the expense to be recognised on a straight line basis over the lease term.

## **Research and development**

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

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

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

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

### Share-based payments

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

#### 1. Accounting policies (continued)

The fair value of warrants issued to advisors as remuneration for their services in a fundraising will be charged to share premium over the vesting period of the award.

#### 2. Adoption of new and revised standards

During the financial year, the Company adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

Standard	Effective date, annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3 <i>Business Combinations</i> )	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> )	1 January 2022
Annual improvements 2018-2020 cycle	1 January 2022

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

#### Standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but were not yet effective.

Standard	Effective date, annual period beginning on or after
IFRS 17 – <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 17 – <i>Insurance Contracts</i> ; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 <i>Insurance Contracts</i> )	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i> )	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> )	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 <i>Income Taxes</i> )	1 January 2023

The Directors are evaluating the impact that these standards will have on the financial statements of Company, but at this stage the impact is not expected to be material.

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, have not been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Standard	Effective date, annual period beginning on or after
Classification of Liabilities as Current or Non-Current, Non-current Liabilities with Covenants: <i>amendments to IAS 1</i>	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024

The Directors are evaluating the impact that these standards will have on the financial statements of Company, but at this stage the impact is not expected to be material.

### 3. Going concern

The Company is loss making and has raised funds in the past by issuing equity in discrete tranches. The most recent fundraise was completed on 5 February 2021 where the Company raised £5.2 million after expenses from new and existing shareholders.

The Company's trading performance improved in 2022, with higher sales and reduced losses. However, excluding revenues from DeepVerge, revenues were only £318,869, significantly below the prior year. Only 5 units were shipped in 2022 before year end compared to 19 in 2021. The supply chain has since improved and production restarted in May 2023, with 7 units expected to be shipped by the end of 2023. As of year end 2023, there is a prospective equipment sales pipeline of approximately 19 units in addition to service and spares revenue. It is unlikely that all of these prospective sales will become firm orders. The board has enacted plan to enable to company to operate on a much reduced cost base. In particular, this has unfortunately necessitated the redundancy of all Microsaic staff, to be completed in early 2024. Going forward, the Company will outsource more of the manufacturing cycle, including the sourcing of components and shipping, to its existing manufacturing partner. Through the use of contractors, the Company will continue to assist with the testing and installation of units, as well as the development of designs. The board have prepared cashflow forecasts based on this new operating model to cover the next 12 months.

Alongside this new operating model, it is the intention of the board to acquire the trade and assets relating to the Microtox® brand and Modern Water business. Cashflow forecasts have been prepared covering the next 12 months, and it is the opinion of the directors that the acquired trade can be cash positive over that period. In preparing these forecasts, the Directors have made assumptions regarding the level of sales and costs based on historical trading performance, and an expectation that the business will be able to resume production of reagents within a few months of acquisition.

Factoring in those forecasts, the Board has conducted a thorough assessment of the Company's cash reserves and working capital requirements from the date of approval of the financial statements. As at 8 January 2024, the cash and bank balances had fallen to £148k. The Board acknowledges that, in the absence of additional funding, the company will not have sufficient working capital to continue in operations beyond January 2024 and that a fundraise is required to allow the Company to transition to reduced cost base operations and complete the proposed acquisition. As such, the Board has commenced a fundraising exercise, and obtained sufficient firm commitments to meet the cash requirements of its forecasts. The completion of the fundraise is dependent upon the restoration of the company's shares to trading on AIM

and the company entering into an acquisition agreement for the trade and assets of the Microtox® brand and Modern Water business. As such, there is a material uncertainty regarding the going concern status of the Company.

Stakeholders should be aware of the material uncertainty surrounding the need for additional funding and the associated risks involved. Assuming the acquisition proceeds, the directors have assessed a cash requirement for a plausible downside scenario covering 12 months from the date of approval of the financial statements at minimum gross proceeds of £1.0 million, and have determined the amount to be raised through the proposed fundraise sufficient to meet these requirements. The Company will actively monitor and assess its financial position to ensure that it can meet the demands of its plans effectively.

Having taken this careful approach through a review of the Company cost base, proposed fundraise and proposed acquisition, the Board believes that the enlarged Company will have enough cash to cover its anticipated working capital requirements for at least the next 12 months from the date of signing of the Annual Report and Accounts. On this basis, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis, subject to the above material uncertainty.

#### **4. Critical accounting estimates and judgements**

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

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

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

##### ***Carrying value of trade receivables***

The Company's policies for calculating expected credit losses on trade receivables are set out in note 1.

An area of significant judgment in the year is the expected credit loss arising on the debts owed by Deepverge plc and its subsidiaries, totalling £1,511,198. On 26 June 2023, DeepVerge plc announced that it would no longer be in a position to support its subsidiaries, and was anticipating a sale or liquidation of those assets. As such, no recovery of the remaining £1,351,894 owed is expected.

It is the judgement of the directors that the conditions leading to this situation would have been present at 31 December 2022. As such, this has been recognised as an adjusting event after the reporting date, and impairment of £1,130,169 recognised; being the outstanding debt less VAT recoverable.

##### ***Share-based payments***

The calculation of the share-based payment expense utilises assumptions and estimates (for example volatility, future exercise rates etc) which may differ from actual results. Details of the assumptions are set out in note 25. The Company uses the Black Scholes Option pricing model to determine a theoretical option call price. If there are market related conditions (e.g., realising certain share price targets before vesting) then the Company uses external advisers to apply more advanced modelling techniques. In terms of inputs volatility is the most difficult input to estimate and is probably the key input where management has had to use its discretion.

### ***Carrying value of inventories***

It is the intention of the directors that the Company will move away from purely the sale of goods as its primary revenue stream, instead developing new lines of service revenue. As such, there is a risk that the inventory holding may not recover its full carrying value.

The directors believe that all inventories held at 31 December 2022 will ultimately be sold above their purchase price. However, in light of the uncertainty in these forecasts, and the potential for stock turnover days to significantly increase, a provision of £61,987 (2021: £90,139) has been made for stock obsolescence. There is significant uncertainty in this estimate, but the directors believe it is an appropriate estimate for potential future write off of inventories.

The detailed breakdown of inventories can be seen in note 14.

These assumptions are reviewed at each balance sheet date and amended if required.

## **5. Revenue**

Throughout 2022, the Company operated in one business segment, that of research, development and commercialisation of mass spectrometry instruments. Products are sold ex-works: The attribution of revenue is based on the country or group of countries to where the goods are shipped. In 2022 our largest customers had the following revenues as a percentage of total revenues:

Customer number 1 – 79.7% (Note that this customer is DeepVerge and, as disclosed elsewhere in the report, although modest revenues were achieved in early 2023, no further revenues have been or are expected to be received since then).

The geographical analysis of revenue (by shipment destination) was as follows:

	Year to 31 December 2022 £	Year to 31 December 2021 £
UK	1,354,872	532,364
USA	103,752	187,673
EU	67,646	71,887
China	30,631	106,076
ROW	10,796	8,876
	<hr/> 1,567,697	<hr/> 906,876

## 5. Revenue (continued)

The analysis of revenue by product or service was as follows:

	Year to 31 December 2022 £	Year to 31 December 2021 £
Equipment units	206,915	617,613
Consumables	11,942	36,983
Service spares	107,717	193,849
Accessories	17,738	-
Product support	54,803	58,431
Consulting services	1,168,582	-
	<u>1,567,697</u>	<u>906,876</u>

## 6. Other operating income

	Year to 31 December 2022 £	Year to 31 December 2021 £
Coronavirus Job Retention Scheme Grant	-	20,829
Co-development income	-	26,204
Insurance claims	-	20,250
	<u>-</u>	<u>67,283</u>

## 7. Expenses by nature

	Year to 31 December 2022 £	Year to 31 December 2021 £
Loss from operations after share-based payments is stated after charging/(crediting):		RESTATED
Amortisation and impairment of intangible assets	30,487	38,241
Depreciation of right of use assets	72,528	70,499
Impairment of related party debt	1,130,169	-
Expected credit losses (excluding impairment of related party debt)	(2,754)	(46,746)
Movement in inventory provision	(28,152)	32,535
Inventory items expensed	313,047	616,282
Staff benefit expense	1,519,276	2,807,699
Depreciation of property, plant and equipment	178,102	90,628
Provision for warranty	(415)	(24,075)
Research and development expenses	783,544	752,257
Professional fees (including audit fees detailed below)	220,990	161,791
Pension costs	144,038	173,051
Exchange loss/(gain)	1,198	1,216
Directors' emoluments (before pensions and share based payments)	60,213	266,799

**7. Expenses by nature (continued)**

	Year to 31 December 2022 £	Year to 31 December 2021 £
<b>Services provided by the Company's auditors</b>		
Fees payable to the Company's auditors for the audit of the financial statements	31,065	22,150
Fees payable in respect of prior years	7,350	-
Fees payable to the Company's auditors for other services		
- Audit related services	4,300	1,575
	42,715	23,725

**8. Finance income and Finance cost**

	Year to 31 December 2022 £	Year to 31 December 2021 £
Bank interest receivable	23,423	6,237
Interest cost under IFRS 16	(7,013)	(4,433)
Other interest	-	(171)
	(7,013)	(4,604)

**9. Tax on loss on ordinary activities**

	Year to 31 December 2022 £	Year to 31 December 2021 £
<b>Domestic current period tax</b>		
UK corporation tax	(246,224)	(267,785)
<b>Tax on loss on ordinary activities</b>	<b>(246,224)</b>	<b>(267,785)</b>

## 9. Tax on loss on ordinary activities (continued)

Factors affecting the current tax credit for the period:	Year to 31 December 2022 £	Year to 31 December 2021 £
Loss before tax	(2,534,933)	(3,396,366)
Loss before tax multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	(481,637)	(645,310)
Effects of:		
Expenses not deductible for tax purposes	29,173	251,679
Fixed asset differences	(6,689)	(39,228)
Additional deduction for R&D expenditure	(193,535)	(116,399)
R&D Expenditure Credit	-	484
Movement in deferred tax not recognised	317,880	279,259
Capital gain	-	1,730
Other tax adjustments, reliefs and transfers	(7,600)	-
Surrender of tax losses for R&D tax credit refund	81,097	-
Adjustments to tax charge in respect of previous periods	15,087	-
Current tax credit	(246,224)	(267,785)

The Company has estimated tax losses of £26,930,453 (2021: £25,056,703) available for carry forward against future trading profits. Deferred tax is detailed in note 18.

## 10. Basic and diluted loss per ordinary share

	Year to 31 December 2022	Year to 31 December 2021
Loss after tax attributable to equity shareholders £	(2,288,709)	(3,128,581)
Weighted average number of ordinary 0.01p shares for the purpose of basic and diluted loss per share	6,324,666,516	5,537,461,036
Basic and diluted loss per ordinary share	(0.036)p	(0.056)p

The basic loss per share reduced by 36% from 0.056p per share to 0.036p per share. This reflects the decrease in the loss after tax to equity shareholders and the increased weighted average shares outstanding in the year ended 31 December 2022 compared to year ended 31 December 2021.

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.



## 11. Intangible assets

Intangible assets comprise patents, trademarks and software owned by the Company. The cost is amortised on a straight-line basis over their estimated useful life.

Year ended 31 December 2022:	£
<b>Cost</b>	
At 1 January 2022	621,179
Additions	26,880
Disposals	(20,546)
At 31 December 2022	627,513
<b>Amortisation</b>	
At 1 January 2022	546,774
Charge for the year	30,487
Disposals	(18,908)
At 31 December 2022	558,353
<b>Net book value</b>	
At 31 December 2022	69,160
Year ended 31 December 2021	£
<b>Cost</b>	592,296
At 1 January 2021	
Additions	28,883
At 31 December 2021	621,179
<b>Amortisation</b>	
At 1 January 2021	508,533
Charge for the year	38,241
At 31 December 2021	546,774
<b>Net book value</b>	
At 31 December 2021	74,405

## 12. Property, plant and equipment

Year ended 31 December 2022:

	Plant and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2022	1,066,414	178,307	1,244,721
Additions	208,495	-	208,495
Transfers	44,192	-	44,192
Disposals	(42,583)	-	(42,583)
At 31 December 2022	1,276,518	178,307	1,454,825
<b>Depreciation</b>			
At 1 January 2022	760,727	178,307	939,034
Charge for the year	178,102	-	178,102
Disposals	(42,583)	-	(42,583)
At 31 December 2022	896,246	178,307	1,074,553
<b>Net book value</b>			
At 31 December 2022	380,272	-	380,272

Year ended 31 December 2021:

	Plant and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2021	850,596	178,307	1,028,903
Additions	305,334	-	305,334
Disposals	(64,246)	-	(64,246)
Transfers	(25,270)	-	(25,270)
At 31 December 2021	1,066,414	178,307	1,244,721
<b>Depreciation</b>			
At 1 January 2021	736,472	178,286	914,758
Charge for the year	90,607	21	90,628
Disposals	(64,246)	-	(64,246)
Transfers	(2,106)	-	(2,106)
At 31 December 2021	760,727	178,307	939,034
<b>Net book value</b>			
At 31 December 2021	305,687	-	305,687

Transfers from plant and equipment were moved to stock and then sold to a customer.

### 13. Lease reporting

#### Right of use lease assets

	Property £	Equipment £	Total £
<b>Cost</b>			
At 1 January 2022	318,696	9,961	328,657
Additions	-	-	-
Disposals	-	-	-
At 31 December 2022	318,696	9,961	328,657
<b>Depreciation</b>			
At 1 January 2022	201,459	665	202,124
Charge for the year	69,466	3,062	72,528
Disposals	-	-	-
At 31 December 2022	270,925	3,727	274,652
<b>Carrying amount</b>			
At 31 December 2022	47,771	6,234	54,005

	Property £	Equipment £	Total £
<b>Cost</b>			
At 1 January 2021	179,763	8,441	188,204
Additions	138,933	9,961	148,894
Disposals	-	(8,441)	(8,441)
At 31 December 2021	318,696	9,961	328,657
<b>Depreciation</b>			
At 1 January 2021	133,816	4,984	138,800
Charge for the year	67,643	2,856	70,499
Disposals	-	(7,175)	(7,175)
At 31 December 2021	201,459	665	202,124
<b>Carrying amount</b>			
At 31 December 2021	117,237	9,296	126,533

### 13. Lease reporting (continued)

Lease liability	Property	Equipment	Total
	£	£	£
At 1 January 2022	118,093	9,252	127,345
Repayment of lease liabilities	(75,000)	(3,112)	(78,112)
Additions	-	-	-
Interest on lease liabilities	6,782	231	7,013
Disposals	-	-	-
At 31 December 2022	49,875	6,371	56,246

	Property	Equipment	Total
	£	£	£
At 1 January 2021	49,831	3,636	53,467
Repayment of lease liabilities	(74,997)	(3,073)	(78,070)
Additions	138,933	9,961	148,894
Interest on lease liabilities	4,326	107	4,433
Disposals	-	(1,379)	(1,379)
At 31 December 2021	118,093	9,252	127,345

#### Lease liability maturity analysis

	2022		2021	
	Property £	Equipment £	Property £	Equipment £
Gross lease payments due:				
Within one year	51,666	3,220	75,000	3,279
Between two and five years	-	3,448	51,666	6,609
	51,666	6,668	126,666	9,888
Less future financing charges	(1,791)	(297)	(8,573)	(636)
	49,875	6,371	118,093	9,252

### 14. Inventories

	Year to 31 December 2022 £	Year to 31 December 2021 £
Raw materials	266,853	177,212
Finished goods	69,179	196,829
Subtotal	336,032	374,041
Provision for inventories	(61,987)	(90,139)
Total	274,045	283,902

#### 14. Inventories (continued)

During 2022, continuing component shortages in the supply chain largely prevented the manufacture of complete mass spectrometers, with only two being manufactured during the year. Consequently, the balance of sales of these products was met from inventories and some obsolete units were written off which together reduced the stock of finished goods over the year. In contrast, raw materials increased as key components were purchased in bulk when available in the supply chain so that once all components become available it became possible to resume manufacture of complete mass spectrometers during 2023.

The stock provision reduced overall. Some older raw materials were written off during the year, whilst the overall provision for raw materials increased in respect of slow-moving items. This was offset, however, as older units of now superseded finished goods were also written off during 2022, which substantially reduced the remaining provision for finished goods to a negligible level.

#### 15. Trade and other receivables

	Year to 31 December 2022 £	Year to 31 December 2021 £
<b>Amounts falling due within one year</b>		
Trade receivables	1,518,977	327,061
Provision for expected credit losses	(1,130,178)	(2,762)
Other receivables	205,565	307,649
Other taxes and social security	-	-
	<b>594,364</b>	<b>631,948</b>
	Year to 31 December 2022 £	Year to 31 December 2021 £
Not past due	266,927	299,160
1 to 30 days past due	145,494	901
31 to 60 days past due	137,000	-
61 to 90 days past due	120,000	-
91 to 120 days past due	216,775	-
121 to 150 days past due	147,043	-
151 to 180 days past due	77,160	-
Over 180 days past due	408,578	27,000
	<b>1,518,977</b>	<b>327,061</b>

## 15. Trade and other receivables (continued)

	Year to 31 December 2022	Year to 31 December 2021
	£	£
<b>Provision for expected credit losses on trade receivables:</b>		
Balance brought forward	(2,762)	(68,587)
Written back to P&L during the year	-	68,587
Provided during the year	(1,127,416)	(2,762)
Balance carried forward	(1,130,178)	(2,762)

The provision for expected credit losses on trade receivables is mandatorily measured at an amount equal to the lifetime expected credit losses. The Company's approach to calculating the lifetime expected credit losses is described in note 1.

## 16. Trade and other payables

	Year to 31 December 2022	Year to 31 December 2021
	£	£
<b>Amounts falling due within one year</b>		
Trade payables	99,456	230,494
Other taxes and social security	43,613	43,514
Other payables	11,961	30,979
Accruals and deferred income	81,415	49,624
	236,445	354,611

## 17. Provisions

	Dilapidations £	Warranties £	TOTAL £
Balance at 1 January 2022	75,779	24,181	99,960
Provided for/(reduced) during the year	15,840	(415)	15,425
Balance at 31 December 2022	91,619	23,766	115,385

	Dilapidations £	Warranties £	TOTAL £
Balance at 1 January 2021	75,779	48,256	124,035
Provided for/(reduced) during the year	-	(24,075)	(24,075)
Balance at 31 December 2021	75,779	24,181	99,960

The provision for anticipated dilapidations is in respect of the Company's leasehold premises at Woking. The amount carried forward of £91,619 is based on the potential future cost which could be incurred at the end of the lease.

## 17. Provisions (continued)

The Company provides OEMs and distributors with a 15-month warranty on Mass Spectrometer products. The provision represents the anticipated cost of servicing those warranty claims. The provision is based on historical costs including product, replacement parts and the cost-of-service engineers that may have to be incurred over the warranty period. One unit (2021: Nil) was replaced during the year rather than being repaired, as this was considered to be more efficient. The provision for warranty at the end of the year was £23,766 (2021: £24,181).

## 18. Deferred tax

Deferred taxation provided in the financial statements:	£	£
	Year to 31 December 2022	Year to 31 December 2021
	£	£
Accelerated capital allowances	95,068	61,741
Tax losses carried forward	(95,068)	(61,741)
	-	-

A deferred tax asset in respect of tax losses has only been recognised to the extent of the deferred tax liability in respect of accelerated capital allowances at a tax rate of 25% (2021: 25%). The Company has estimated tax losses of £26,930,453 (2021: £25,056,703) available for carry forward against future trading profits. The additional deferred tax asset that would arise on these losses if it were recognised at 25% is £6,637,545 (2021: £6,202,435).

## 19. Share capital

The total share capital of the Company comprises Ordinary and Deferred shares as follows:

	2022	2022	2021	2021
Allotted, called up and fully paid:	Number	£	Number	£
Ordinary shares of 0.01p each	6,361,365,146	636,137	6,076,365,146	607,637
Deferred shares of 0.24p each	456,365,146	1,095,276	456,365,146	1,095,276
As at 31 December	6,817,730,292	1,731,413	6,532,730,292	1,702,913

The Ordinary share capital of the Company comprises:

	2022	2022	2021	2021
Allotted, called up and fully paid:	Number	£	Number	£
Ordinary shares of 0.01p (0.25p) each as at 1 January	6,076,365,146	607,637	456,365,146	1,140,913
Effect of share split and deferment	-	-	-	(1,095,276)
Issue of ordinary share capital of 0.01p each	285,000,000	28,500	5,620,000,000	562,000
As at 31 December	6,361,365,146	636,137	6,076,365,146	607,637

## 19. Share capital (continued)

In the year ended 31 December 2022 there were a total of 285,000,000 newly issued shares. Of these, 200,000,000 were subscribed by Nigel Burton in February 2022 through the exercise of 200,000,000 share warrants. Additionally, 85,000,000 newly issued shares represented Non-Executive Directors' fees for the second year settled in shares in respect of Gerard Brandon (50,000,000 shares) and Dr Nigel Burton (35,000,000 shares).

During the prior year (in February 2021), the Company undertook a share reorganisation and split each ordinary share of 0.25p each into one (1) ordinary share of 0.01p each and twenty-four (24) deferred shares of 0.01p each followed by the immediate consolidation of every twenty-four (24) deferred shares of 0.01 pence each into one (1) deferred share of 0.24 pence.

Each ordinary share of 0.01p each carries the same rights as the ordinary shares of 0.25p each did before the share reorganisation. That is, each ordinary share has the right to one vote and is entitled to participate in any distribution made by the Company including the right to receive a dividend, and on a winding up of the Company. The ordinary shares are not redeemable or liable to be redeemed at the option of the Company or the shareholder.

Each deferred share of 0.24p has no right to receive notice of, or attend or vote at, any general meeting of the Company, no right to participate in the profits of the Company whether by dividend, other distribution, return of capital (whether or not upon a winding up) or otherwise, save that, upon a return of capital upon a winding up, the holders of deferred shares shall be entitled to the return of the nominal value of each deferred share held after £10,000,000 has been returned on each ordinary share, nor are the deferred shares redeemable or liable to be redeemed at the option of the Company or the shareholder.

In addition, the Company issued 5,620,000,000 ordinary shares of 0.01p each as follows:

- 5,000,000,000 ordinary shares of 0.01p each to raise £5.0 million before expenses at the placing price of 0.1 pence per new ordinary share;
- 500,000,000 ordinary shares of 0.01p each to raise £500,000 to the Company's Broker Turner Pope at the Placing Price of 0.1 pence per new ordinary share to meet additional demand for the shares;
- 35,000,000 ordinary shares of 0.01p each at the placing price of 0.1 pence per new ordinary share in respect of the first year of fees due to Turner Pope for the provision of its broking services to the Company; and
- 85,000,000 ordinary shares of 0.01p each at the placing price of 0.1 pence per new ordinary share in settlement of the Non-executive Directors' first year's fees in respect of Gerard Brandon (50,000,000 shares) and Dr Nigel Burton (35,000,000 shares).

The Deferred share capital of the Company comprises:

	2022	2022	2021	2021
Allotted, called up and fully paid:	Number	£	Number	£
Deferred shares of 0.24p each as at 1 January	456,365,146	1,095,276	-	-
Effect of share split on 4 February 2021 to deferred shares of 0.24p each	-	-	456,365,146	1,095,276
As at 31 December	456,365,146	1,095,276	456,365,146	1,095,276



## 20. Reserves

The share premium account represents the excess over the nominal value for shares allotted less issue costs. The share option reserve represents accumulated charges made under IFRS 2 in respect of share-based payments. Where share options that have vested expire, lapse or are exercised, the amounts within the share-based payments reserve relating to those options are transferred to retained earnings as shown in the Statement of Changes in Equity.

## 21. Share premium

	Year to 31 December 2022 £	Year to 31 December 2021 £
Opening balance brought forward	28,006,018	24,867,886
Share issue in the year	256,500	5,058,000
Share issue costs – Cash	-	(416,860)
Share issue costs – Broker Warrants	-	(1,503,008)
Closing balance carried forward	28,262,518	28,006,018

The movement on share premium in the year relates to 285,000,000 newly issued shares as described in note 19.

For the prior year, the fundraising in February 2021 raised a total of £5.5 million (before expenses) at a placing price of 0.1p per share. The placing raised £5.0 million and the broker warrant £0.5 million, before expenses. The share premium on the fundraising was the placing price of 0.1p per share less the nominal value of 0.01p per share multiplied by the number of shares issued. The cash costs amounted to £416,860 including broker commissions and fees, legal fees etc. In addition, 997,000,000 broker warrants were issued to Turner Pope Investments (TPI) Ltd at a fair value of £1,503,008.

At the same time as the fundraising in February 2021, 120,000,000 ordinary shares of 0.01p were issued in lieu of fees in respect of the first year of fees due to Turner Pope Investments (TPI) for the provision of its broking services to the Company and of the first year of fees for the Non-executive Directors. Further details of the prior year's share issues are set out in note 19.

## 22. Commitments

	Year to 31 December 2022 £	Year to 31 December 2021 £
Contracted for but not provided in the financial statements	651,944	781,990

The commitment above relates to purchase orders placed on, and related contractual arrangements and obligations, with third-party manufacturers.

### 23. Directors' emoluments

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Salaries and fees	60,058	264,797
Non-cash payments	155	2,002
Pension costs	2,363	27,325
Employment related share-based payments	85,000	1,071,773
	147,576	1,365,897

In the year to 31 December 2022, one Executive Director that served during the year accrued benefits under the Company's auto-enrolment pension scheme. The employment related share-based payments comprise directors fees paid in share options to two directors.

There are no key management personnel other than the Directors. The highest paid Director, Mr Gerard Brandon, received emoluments of £50,000 as disclosed in the Directors' Remuneration Report, which included a share-based payment charge of £50,000.

There was an unrealised gain of £30,000 on the exercise of 200,000,000 warrants by Dr Nigel Burton during the year.

### 24. Employees

	Year to 31 December 2022	Year to 31 December 2021
	Number	Number
Directors	3	4
Other staff	19	18
Average Headcount	22	22

	Year to 31 December 2022	Year to 31 December 2021
	£	£
<b>Employment costs (including Directors)</b>		
Wages and salaries	985,734	1,123,317
Social security costs	133,630	160,902
Termination payments	21,125	18,189
Pension costs	144,038	173,051
Employment related share-based payments	234,749	1,332,240
	1,519,276	2,807,699

## 25. Share-based payments

The share-based payments charge comprises	Year to 31 December 2022	Year to 31 December 2021
	£	£
Directors' fees settled in shares	85,000	76,559
Vesting of share options	149,749	1,255,681
Employment related share-based payments	234,749	1,332,240
Brokers' fees settled in shares	-	31,524
	234,749	1,363,764

The Directors' fees settled in shares in respect of the financial years ended 31 December 2022 and 31 December 2021 and Broker's fees settled in shares in respect of the year ended 31 December 2021 are both in respect of fees incurred. The Directors' fees relate to annual fees. The Broker's fees were settled in advance at the placing date of 5 February 2021 with a valuation of 0.1p per ordinary share of 0.01p nominal value, which aligned with the placing price.

### Share option schemes

The Company operates an EMI 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 31 December 2022 and 31 December 2021 and the weighted average exercise price.

	Year to 31 December 2022		Year to 31 December 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	1,125,000,000	0.1p	17,475,000	5.1p
Granted during the year	-	-	1,125,000,000	0.1p
Forfeited/expired during the year	(320,000,000)	0.1p	(17,475,000)	(5.1p)
Exercised during the year	(200,000,000)	0.1p	-	-
Outstanding at 31 December	605,000,000	0.1p	1,125,000,000	0.1p
Exercisable at 31 December	325,000,000	0.1p	750,000,000	0.1p

200,000,000 of options were exercised on 11 February 2022 at an exercise price of 0.1p when the market price was 0.115p on that date.

In the prior year, Staff and Directors agreed to cancel existing options prior to the award of new options as these options were all out-of-the-money. Existing options held by Directors and staff amounting to 13,110,000 were cancelled on 4 February 2021. A further 3,500,000 options held by Peter Grant were cancelled on 5 February 2021, and 865,000 options related to previous leavers.

Options and warrants over 1,125 million ordinary shares were awarded to Directors, staff and a consultant on 5 February 2021 at the time of the fundraising. The new options granted are exercisable at the placing price of 0.1p for five years from the 5 February 2021.

## 25. Share-based payments (continued)

Details of options in issue at the year-end are:

Date of grant	Exercise price	Latest exercise date	Estimated fair value	Number of options 31 December 2022	Number of options 31 December 2021
February 2021	0.1p	February 2026	0.150p	325,000,000	750,000,000
February 2021	0.1p	February 2026	0.153p	280,000,000	375,000,000
				605,000,000	1,125,000,000

The weighted average share price at the date of grant for share options was 0.25 pence. The options outstanding at 31 December 2022 were all granted at an exercise price of 0.1p with an exercise period of five years from the date of grant and a remaining contractual life of 3 years and 1 month.

The 375 million options granted to staff during the prior year have no performance conditions associated with them but there is a two-year holding period before the options can vest.

The 750 million options and warrants granted during the prior year to Directors and a consultant vested during the year, as the performance criterion that the Company's ordinary shares traded at a Volume Weighted Average Price at or above a 50% premium to the placing price for 20 consecutive business days, was achieved. The share-based payment charge was estimated at £1,125,281 and this was recognised in full in 2021.

The fair value of the 375 million options granted to staff in February 2021 was estimated at 0.153p per share and for the 750 million options granted to Directors was estimated at 0.150p per share on the measurement date.

The estimated fair values of the share options were calculated by applying the Black Scholes or Monte Carlo models in all cases except for the 750 million options granted to Directors. In respect of the 750 million options granted to the Directors, a binomial model was used since the options were significantly in the money at the grant date and there was a very high probability of achieving the share price hurdle condition.

In line with the application guidance in IFRS 2, the Directors considered the most appropriate method of calculating volatility to be the use of the historical volatility of comparable listed companies. The model inputs are detailed below.

The model inputs using Black Scholes were:

Date of grant	Exercise price	Share price	Risk free rate	Expected volatility	Gross dividend yield
February 2021	0.10p	0.25p	0.03%	29%	-

The expected volatility for the February 2021 grant is based on the 5-year volatility of comparable companies.

## 25. Share-based payments (continued)

Total expenses of £85,000 (2021: £1,332,280) related to equity settled share-based payment transactions were recognised in the Statement of Comprehensive Income the year comprising charges in respect of directors' fees settled in shares. For the prior year, the figure comprised new options granted totalling £1,385,700 plus directors' fees settled in shares totalling £76,599 less credits in respect of cancelled options that had not vested totalling £130,019.

In respect of cancelled options that had vested, £337,584 (2021: £194,246) was transferred from share-based payment reserve to the retained losses reserve. In respect of exercised options, £300,075 (2021: £Nil) was transferred from share-based payment reserve to the retained losses reserve.

## 26. Warrants

Broker warrants to subscribe for up to 997,000,000 ordinary shares, which represented 20 per cent of the placing shares, were granted to Turner Pope Investments (TPI) Ltd as part of the fundraising in February 2021. The broker warrants are capable of exercise for a period of two years from 5 February 2021. The warrants lapsed subsequent to the year end as set out in note 30. The fair market value of the warrants charged to share based payment reserve was calculated at £1,503,008 based on the following inputs:

Date of grant	Exercise price	Share price	Risk free rate	Expected volatility	Gross dividend yield
February 2021	0.1p	0.25p	0.03%	33%	-

The expected volatility for the February 2021 grant is based on the 2-year volatility of comparable companies.

## 27. Financial instruments

The Company's financial instruments comprise cash and various trade receivables and trade payables that arise directly from its operations. No trading in financial instruments is undertaken. The main risks arising from the Company's financial instruments are liquidity, currency and interest rate. The Board oversees the management of these risks, which are summarised below.

### Liquidity risk

The Company finances its operations from equity funding provided by shareholders and revenues generated by the business. The Company seeks to manage liquidity risk to ensure enough funds are available to meet working capital requirements.

The Company invests its cash reserves in bank and money market deposits as a liquid resource to fund its operations. The Company's strategy for managing cash is to balance interest income with counterparty risk ensuring the availability of cash to match the profile of the Company's cash flows.

In reviewing the Company as a going concern, as outlined in note 3, management prepared alternative business scenarios where performance falls below management expectation. Contingency plans and mitigating actions have been identified in case actual results differ from the Company's business plans. The business scenarios include exploration of the use of export trade financing, short term debt, letters of credit, performance/surety bonds on larger orders and equity funding options. Reduction of overhead by staff reduction, suspend discretionary spend on projects under development and initiate contingency plans to address the potential need for additional resources to achieve cashflow positive. There can be no guarantee that the commercial objectives of the Company will be achieved.

## **27. Financial instruments (continued)**

### **Inflationary risk**

The Company faces a risk in the current higher inflationary environment that slow paying trade debtors and cash balances will erode in value due to the impact of inflation. In respect of cash balances, this is slightly offset by higher interest rates on term deposits. Further, as expenses exceed revenue this increases the risk of widening losses, although this could be potentially offset by the Company's ability to grow revenue more than the corresponding increase in costs.

### **Interest rate risk**

The Company does not face any significant interest rate risk as it has no borrowings. Surplus funds are invested to maintain a balance between accessibility of funds, competitive rates, and counterparty risk while investing funds safely.

### **Credit risk**

The Company manages its credit risk in cash and cash equivalents by spreading surplus funds between creditworthy financial institutions. The Company is also exposed to credit risk attributable to trade and other receivables. The maximum credit risk in respect of the financial assets at each period end is represented by the balance outstanding on trade and other receivables. The Company monitors the credit worthiness of its customers on a regular basis.

Prior to the RNS of 26 June 2023 issued by DeepVerge, management had actively engaged to manage the outstanding debts. A repayment plan was in place to pay down the debt, and services provided in 2023 were settled in line with the standard payment terms.

Credit control with related parties is managed by direct communication with the counterparty and all significant transactions required the approval of the Board of Directors of the Company.

### **Foreign currency risk**

The majority of the Company's transactions are denominated in pounds sterling. The Company has no long-term commitments to purchase goods or services in foreign currencies. Purchases denominated in foreign currency are expensed at the exchange rate prevailing at the date of the transaction and represents an immaterial proportion of the Company's total expenditure.

The only assets and liabilities denominated in foreign currencies relate to trade receivables and trade payables with overseas counterparties together with small balances of US dollar and Euro currencies to settle these liabilities. The risks and sums involved are immaterial.

### **Fair values**

The Directors consider that there is no material difference between the book value and the fair value of the financial instruments on 31 December 2022 and 31 December 2021.

### **Capital management**

The Company's capital base comprises equity attributable to shareholders. As the Company's focus has been on establishing itself as a successful supplier of equipment design and engineering services, the primary objective in managing cash spend has been to achieve progress on product development and commercialisation in a cost-efficient manner and in managing liquidity risk to ensure the Company continues as a going concern.

## 28. Related party transactions

Microsaic and DeepVerge plc (“DeepVerge”) had two directors in common at the start of 2022: Gerard Brandon and Nigel Burton. Gerard Brandon was, until his resignation on 25 September 2023, Executive Chairman of Microsaic and was CEO of DeepVerge until 3 November 2022 and resigned from the Board of DeepVerge on 7 November 2022. Nigel Burton is a Non-executive Director of Microsaic and was a Non-executive Director of DeepVerge until becoming interim CEO on 3 November 2022.

Microsaic traded with two subsidiaries of DeepVerge during the year, Innovenn UK Limited and Rinocloud Limited, which for the purposes of this note are combined as a total. In summary for the year ended 31 December 2022, revenue from DeepVerge sales totalled £1,248,828 (2021: £385,593) and purchases from DeepVerge totalled £0 (2021: £210,600).

At 31 December 2022, £1,511,198 (2021: £247,412) inclusive of VAT was owed by DeepVerge to Microsaic relating to the supply of goods and services recognised as revenues for the year ended 31 December 2022. The Company had expected to receive material payments from DeepVerge beginning in December 2022, but in the absence of these and given the increasing levels of overdue payments from DeepVerge, the Company sought to reach a formal agreement with DeepVerge, as first announced in the RNS dated 18 April 2023. However, given the circumstances of DeepVerge’s financial position (per note 30), it was not possible to obtain written agreement although DeepVerge made initial payments in line with the informally agreed plan – hence the outstanding balance reduced from £1.5m to approximately £1.4 m gross in early 2023.

As described in note 30, subsequent to the year-end DeepVerge issued an RNS casting significant doubt on its ability to settle this debt. As outlined above, it is the opinion of the directors that the conditions leading to this were in existence at 31 December 2022, and so a provision for expected credit losses of £1,130,169 (2021: £0) has been recognised against this debt. This represents the amount of outstanding debt at 26 June 2023, less recoverable VAT.

At 31 December 2022, £65,610 (2021: £65,610) was owed by Microsaic to DeepVerge. This remains unpaid by Microsaic.

On 14 February 2022, Dr Nigel Burton, Non-executive Director, exercised warrants relating to 200 million Ordinary Shares, reflecting an investment of £200,000 in Microsaic.

On 12 January 2024 Microsaic entered into an acquisition agreement for the trade and assets of the MicroTox business of Modern Water, as set out in note 3.

## 29. Control

As at 31 December 2022, no individual shareholder had a controlling interest in the Company.

## 30. Events after the Reporting Date

Adjusting events subsequent to 31 December 2022:

- On 26 June 2023, the related party DeepVerge announced that it would no longer support the ongoing costs of its subsidiaries and is seeking to realise whatever value is possible through the sale of one or more of the Labskin, Modern Water and Glanaco business units and DeepVerge’s shares were suspended. As at 26 June 2023, the balance owed by DeepVerge to Microsaic stood at £1,351,894. Following the deduction of VAT on the amount outstanding of £221,725, which has since been recovered from HMRC as bad debt relief, the net of VAT potential bad debt £1,130,169. As the likelihood of any further receipts from DeepVerge is highly uncertain, this amount of £1,130,169 has been charged in full within expected credit losses as at 31 December 2022.

Non-adjusting events subsequent to 31 December 2022:

- On 5 February 2023, the Broker warrants to subscribe for up to 997,000,000 ordinary shares at an exercise price of 0.1p as set out in note 26 lapsed unexercised;

**30. Events after the Reporting Date (continued)**

- On 25 September 2023 it was announced that Gerry Brandon, Executive Chairman, had resigned and left the Company and the Board with immediate effect, to be replaced as Executive Chairman by Bob Moore, who joined the Company as a Non-Executive Director in March 2022.
- As announced on 3 November 2023, and explained in further detail in the shareholder circular dated 4 December 2023, the Company has begun a very significant cost reduction exercise which is expected to result in the Company remaining as an operating business, with access to sufficient resources (including external contractors) to maintain production of the current mass spectrometer machines and the continuation of existing trading relationships. Ongoing activities are expected to include recently redesigned PFAS and ProteinID technologies which have undergone internal testing ahead of commercial field trials, and which the Company now expects to bring to market through partnership agreements in 2024.



### 31. Cash absorbed by operations

	Year to 31 December 2022	Year to 31 December 2021
	£	£
Total comprehensive loss for the year	(2,288,709)	(3,128,581)
<b>Adjustments for:</b>		
Amortisation of intangible assets	30,487	38,241
Depreciation of right of use assets	72,528	70,499
Depreciation of property, plant and equipment	178,102	90,628
Transfer of property, plant and equipment to cost of goods	(44,192)	23,164
(Profit)/Loss on the disposal of assets	1,638	(113)
Decrease in provision for warranty	(415)	(24,075)
Increase in provision for dilapidations	15,840	-
(Decrease)/Increase in provision for expected credit losses	1,127,416	(65,825)
Share-based payments	234,749	1,363,764
Increase/(Decrease) in inventory provision	(28,152)	32,535
Tax on loss on ordinary activities	(246,224)	(267,785)
Interest on lease liability	7,013	4,433
Interest received	(23,423)	(6,237)
<b>Movements in working capital</b>		
Decrease /(Increase) in inventories	38,008	253,152
(Increase)/Decrease in trade and other receivables	(1,089,832)	(398,083)
Increase/(Decrease) in trade and other payables	(118,166)	168,684
Accrued furlough income	-	17,748
<b>Cash absorbed by operations</b>	<b>(2,133,332)</b>	<b>(1,827,851)</b>

### 32. Prior period restatement

As set out in the Accounting Policies (Note 1) for Cost of Sales, from 1 January 2022 new policies were adopted. Accordingly, for the year to 31 December 2021, Cost of Sales and other operating expenses have been restated to reclassify the amount £15,233 from operating expenses to cost of sales. There was no effect on the loss after tax.

The previous policy for cost of sales included external direct costs but did not include an apportionment of staff costs. Under the new policy, includes a time-based apportionment of staff costs in respect of providing services to customers. With the introduction of new service-based revenue stream, this better reflects the matching of income and expenditure arising from contracts with customers.

As a result of the changes, updates to the disclosures in note 7 Expenses by Nature have also been updated. Research & Development expenses, which were previously shown on the face of the Statement of Comprehensive Income, are now split between Administrative Expenses and Cost of Sales, and so disclosed

in total in note 7. Similarly, as Cost of Sales no longer solely includes the cost of inventories sold, note 7 discloses the cost of inventory items expensed. Comparative disclosures have been made in line with the current year disclosures.