REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FOR

QLM TECHNOLOGY LTD

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

QLM TECHNOLOGY LTD

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS:	X Ai M K Reed J Mccallion B J Bulkin D Gupta
REGISTERED OFFICE:	Quest House St Mellons Business Park Cardiff CF3 0EY
REGISTERED NUMBER:	10673098 (England and Wales)
AUDITORS:	Thompson Taraz Rand Audit and Assurance Limited Chartered Accountants and Statutory Auditors 10 Jesus Lane Cambridge Cambridgeshire CB5 8BA

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

X Ai
M K Reed
J Mccallion
B J Bulkin

Other changes in directors holding office are as follows:

D J Keen - resigned 3 August 2022
S Nitin - resigned 3 August 2022
D Gupta - appointed 3 August 2022

GOING CONCERN
The board of directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered a period of 12 months from the date of approval of these financial statements.

The company is investment backed and secured further investment funding during the year under review, which ensured the company retained sufficient surplus cash to meet its working capital needs.

The expectation of the board of directors is one of continued development during the 2023 financial year. The board forecast a loss to 31st December 2023 due to the early-stage nature of the product and the continued product development costs.

The company intends to fund its future development over the following twelve months from trading income and the substantial reserves from the last funding round.

The board of directors therefore believe that the company is well placed to manage its financing and other business risks satisfactorily and consider the business will have adequate financial resources to continue in operation for at least 12 months from the date of approving these financial statement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors and the financial statements 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the company for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that each director ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Thompson Taraz Rand Audit and Assurance Limited, have advised the board of directors they do not intend to seek re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

X Ai - Director

23 November 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF QLM TECHNOLOGY LTD

Opinion
We have audited the financial statements of QLM Technology Ltd (the 'company') for the year ended 31 December 2022 which comprise the Profit and loss account, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, *including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of* Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion except for matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2022 and of its loss for the year then ended.

- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and

- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified 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 Auditors' 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, 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. With respect to the closing stock figure of £454,282 the audit evidence available to us in connection with the existence and completeness of stock was limited.

We were unable to satisfy ourselves by alternative means concerning the stock quantities held at 31 December 2022 by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount is necessary.

Conclusions relating to going concern
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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 in the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

In connection with our audit of the financial statements, 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 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has 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 Report of the Directors.

As detailed under the basis for qualified opinion, we did not receive the information and explanations considered necessary for the purpose of our audit and have therefore been unable to conclude if proper accounting records have been kept.

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:

- 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on pages two and three, 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF QLM TECHNOLOGY LTD

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates through our general commercial and sector experience and discussions with management. We determined that the following laws and regulations were most significant: the Companies Act 2006, FRS 102 'the Financial Reporting Standards applicable in the UK and Republic of Ireland" and relevant UK tax legislation. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures within the financial statements such as Health and Safety laws and regulations. Employment Legislation The risk of non-compliance with Health and Safety laws and regulations was addressed through inquiries of management.

We made inquiries with management to understand whether there were any instances of non-compliance with laws-and regulations or whether they had any knowledge of actual, or suspected fraud. From the procedures performed we did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.

We evaluated directors and managements incentives and opportunities for fraudulent manipulation of the financial statements (including management override of controls) and determined the principal risks were related to the posting of manual journal entries, management bias through application of judgement and assumptions in significant accounting estimates particular relating to the treat of Research and Development expenditure.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and. performed our audit in accordance with auditing standards; For example, the further· removed none compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standard would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non- compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
QLM TECHNOLOGY LTD

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 a Report of the Auditors 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.

Andrew Rand (Senior Statutory Auditor)
for and on behalf of Thompson Taraz Rand Audit and Assurance Limited
Chartered Accountants and Statutory Auditors
10 Jesus Lane
Cambridge
Cambridgeshire
CB5 8BA

23 November 2023

BALANCE SHEET
31 DECEMBER 2022

	Notes	2022 £	2021 as restated £
FIXED ASSETS			
Tangible assets	7	**87,244**	63,812
CURRENT ASSETS			
Stocks		**454,282**	-
Debtors and prepayments	8	**883,274**	405,657
Cash at bank		**9,048,218**	1,218,376
		10,385,774	1,624,033
CREDITORS			
Amounts falling due within one year	9	**(335,604)**	(306,164)
NET CURRENT ASSETS		**10,050,170**	1,317,869
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,137,414**	1,381,681
CREDITORS			
Amounts falling due after more than one year	10	**(29,922)**	(39,691)
PROVISIONS FOR LIABILITIES		**(16,576)**	(12,124)
NET ASSETS		**10,090,916**	1,329,866
CAPITAL AND RESERVES			
Called up share capital	12	**649**	323
Share premium		**15,568,632**	3,379,815
Share based payment reserve	13	**380,121**	214,253
Retained earnings		**(5,858,486)**	(2,264,525)
SHAREHOLDERS' FUNDS		**10,090,916**	1,329,866

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Profit and loss account has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 23 November 2023 and were signed on its behalf by:

X Ai - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. STATUTORY INFORMATION

QLM Technology Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£). Amounts have been rounded to the nearest pound.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention.

Turnover
Turnover is recognised to the extent that it is probable that economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, value added tax and other sales taxes.

Turnover is recognised in respect of the provision of technological consultancy services which is recognised once the right to consideration has been earned and the supply of goods such as the sale of gas detection and imaging systems is recognised at the point significant risk and rewards of ownership are transferred to the buyer. This is usually on dispatch.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery etc - 33.33% on cost and at varying rates on cost

Government grants
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received using the performance model.

The grant will therefore be recognised in other income when the grant proceeds are received or receivable provided the terms of the grant do not impose future performance related conditions.

If the terms of the grant do impose future performance related conditions, the grant is only recognised in income when the performance related conditions are met.

Any grants that are received before the recognition criteria is met are recognised in the entity's financial statements as a liability.

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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3. **ACCOUNTING POLICIES - continued**

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets or financial liabilities or equity instruments.

Basic financial assets:
Basic financial assets which include assets and such as debtors, cash and cash equivalents , are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitute a financing transaction, where the transaction is measured at the present value of future receipts are discounted at a market rate of interest. Assets receivable within one year are not discounted.

Basic financial liabilities:
Basic financial liabilities. including creditors, bank loans, are initially measured at transaction price net of transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not discounted.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development costs
Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the profit and loss account as the expense as incurred.

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

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3. **ACCOUNTING POLICIES - continued**

Going concern
The board of directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered a period of 12 months from the date of approval of these financial statements.

The company is investment backed and secured further investment funding during the year under review, which ensured the company retained sufficient surplus cash to meet its working capital needs.

The expectation of the board of directors is one of continued development during the 2023 financial year. The board forecast a loss to 31st December 2023 due to the early-stage nature of the product and the continued product development costs, in addition to increasing costs of sale.

The company intends to fund its future development over the following twelve months from trading income and the substantial reserves from the last funding round.

The board of directors therefore believe that the company is well placed to manage its financing and other business risks satisfactorily and consider the business will have adequate financial resources to continue in operation for at least 12 months from the date of approving these financial statement.

Share based payments
Where employees are rewarded by way of share issue the market value of the shares are recorded in the share capital and share premium accounts. A corresponding debit is recognised in wages to fully reflect the value of the services carried out.

Market value is considered to be equal to that of the last share issue to unrelated third party investors which was carried out on an arms length basis.

Where employees receive the right to a share option as a reward for services then a cost of the services is recognised across the vesting period. Where there is no vesting period then the cost is recognised immediately upon the issue of shares.

The valuation of share options has been done using the Black-Scholes model.

The cumulative total of the charges across the vesting period are recorded in the fair value reserve. Where shares are exercised or lapse a corresponding transfer is made between the fair value reserve and retained earnings.

4. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 15 (2021 - 11).

continued...

5. PRIOR YEAR ADJUSTMENT

The prior year comparatives have been updated to reflect the operation of an EMI scheme. The adjustments increase wages in the previous year by £148,075 and decrease reserves accordingly. Further to this the opening reserves in the prior period reduced by £66,179 which reflect the charge missing from the March 2021 accounts.

Overall the prior year adjustments disclosed above have decreased retained profit by £214,253. This amount has been taken to the share based payment reserve. Please refer to the EMI note for further details.

The prior year grant debtor of £75,424 has been moved from trade debtors to other debtors. The adjustment has had no effect on profit.

6. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 January 2022	**74,396**
Additions	**54,483**
At 31 December 2022	**128,879**
DEPRECIATION	
At 1 January 2022	**10,584**
Charge for year	**31,051**
At 31 December 2022	**41,635**
NET BOOK VALUE	
At 31 December 2022	**87,244**
At 31 December 2021	63,812

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 as restated £
Trade debtors	**97,435**	48,000
Prepayments	**144,017**	26,370
Other debtors	**641,822**	331,287
	883,274	405,657

continued...

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021 as restated
	£	£
Bank loans and overdrafts	9,768	9,527
Trade creditors	140,631	63,635
Taxation and social security	37,714	31,642
Other creditors	147,491	201,360
	335,604	306,164

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022	2021 as restated
	£	£
Bank loans	29,922	39,691

10. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021 as restated
	£	£
Within one year	79,120	88,574
Between one and five years	158,523	80,409
	237,643	168,983

The operating lease relates to rental of office and laboratory premises.

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021 as restated
			£	£
14,888,000	Ordinary.	0.001 p	113	113
16,354,161	A Ordinary	0.001 p	205	203
700	Deferred	1p	7	7
32,352,941	B Ordinary	0.001 p	324	-
			649	323

The following shares were issued during the year:

238,350 A Ordinary shares of 0.001p for cash of £89143
32,352,941 B Ordinary shares of 0.001p for cash of £12100000

continued...

12. RESERVES

	Share based payment reserve £
At 1 January 2022	214,253
Cash share issue	165,868
At 31 December 2022	380,121

13. RESEARCH AND DEVELOPMENT TAX CREDIT

At the balance sheet date the company had a tax credit of £127,266 (2021: £87,342) which is available for relief against future corporation tax liabilities. The credit has not been capitalised.

14. SHARE OPTIONS AND SHARE BASED PAYMENTS

Share Option Scheme:
The company operates an EMI scheme for employees. The options vest between 37 and 49 months of an employees continued service but lapse in 10 years from the date of the agreement if unexercised. Once exercised the liability to the company will be settled through the issue of new share capital. The company reserves the right to sell any proportion of the shares required to cover employment related taxes.

The number of shares included in the EMI scheme are as follows:

Grant price	Number of shares 2022	Number of shares 2021
£0.0550	639,000	639,000
£0.1375	1,197,000	1,197,000
£0.1760	2,615,195	
£0.3740	3,997,500	

The number of shares vested in the year was 27,890

The number of employees that have share options is 18 (2021: 17)

The charge in the financial statements for the year under review is £165,868 (2021: £148,075) and is included in administration wages.

Share based payments:
During the year 238,350 (2021: 374,550) shares were issued to board members at an exercise price of 37.4p (2021: 17.6p) per share in compensation for services rendered. The exercise price is considered market rate based upon pre-year end and post-year end share issues to third party investors. This payment has been recorded as director salaries in the profit and loss statement.