Company registration number 10673098 (England and Wales)

QLM Technology Ltd

Annual Report and Financial Statements

For The Year Ended 31 December 2023

QLM TECHNOLOGY LTD

COMPANY INFORMATION

Directors	Dr X Ai Mr B J Bulkin Mr D Gupta Mr J McCallion Dr M K Reed
Company number	10673098
Registered office	Quest House St Mellons Business Park Cardiff CF3 0EY
Auditor	Azets Audit Services 2nd Floor, Regis House 45 King William Street London United Kingdom EC4R 9AN

QLM TECHNOLOGY LTD

CONTENTS

	Page
Directors' report	1 - 2
Directors' responsibilities statement	3
Independent auditor's report	4 - 6
Balance sheet	7
Notes to the financial statements	8 - 17

QLM TECHNOLOGY LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their annual report and financial statements for the year ended 31 December 2023.

Principal activities
The principal activity of the Company continued to be that of developing emissions monitoring technology.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr X Ai
Mr B J Bulkin
Mr D Gupta
Mr J McCallion
Dr M K Reed

Going Concern
At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As part of regular budgeting, management have prepared cash flow forecasts for 12 months from signing of the financial statements and accordingly these financial statements have been prepared on the going concern basis.

Post reporting date events
On 12 June 2024 the Company created an unsecured convertible loan note facility of £5.0m, under which loan notes totalling £2.5m were immediately issued. These loan notes carry a fixed interest rate and are convertible into shares of the Company at the option of the note holders in the following circumstance: at the next relevant fund raising; following a change or control; or on 12 June 2027.

The issuance of the convertible loan notes is considered a non-adjusting event under FRS 102 Section 32. As such, no adjustments have been made to the financial statements as a result of this event.

The financial impact of the conversion option cannot be reliably estimated at this time and will depend on the Company's valuation at the time of conversion.

Auditor
Azets Audit Services were appointed as auditor to the Company commencing 24 November 2023 following the resignation of the previous auditors, Thompson Taraz Rand Audit and Assurance Limited. In accordance with section 487 (2) of the Companies Act 2006, they will be deemed to be reappointed.

Statement of disclosure to auditor
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Small companies exemption
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Dr X Ai
Director

27 June 2024

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors are responsible for preparing the annual report 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 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.
- state whether applicable UK accounting standards havea been followed, subject to any material deparatures disclosed and explained in these 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QLM TECHNOLOGY LTD

Qualified opinion on financial statements

We have audited the financial statements of QLM Technology Ltd (the 'Company') for the year ended 31 December 2023 which comprise the balance sheet, statement of comprehensive income, statement of changes in equity and notes 1 - 15 to the financial statements, including 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 the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 *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, 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.

In the prior year, the previous auditors were unable to obtain sufficient and appropriate evidence in respect of the existence and completeness of closing stock of £454,282. We therefore qualify our opinion on the stock opening balance for the year ended 31 December 2023 and the cost of sales expense for that year.

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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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 our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In respect solely of the limitation on our work relating to stock, as a result of the absence of sufficient evidence obtained during the 2022 audit with regards to the 2022 closing stock balance, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 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 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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the Company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services Limited

Laura Pingree
Senior Statutory Auditor
For and on behalf of Azets Audit Services

Date: 27 June 2024

Chartered Accountants
Statutory Auditor

2nd Floor, Regis House
45 King William Street
London
United Kingdom
EC4R 9AN

QLM TECHNOLOGY LTD

BALANCE SHEET

AS AT 31 DECEMBER 2023

		2023		2022	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**4**		275,697		87,244
Current assets					
Stocks		2,398,500		454,282	
Debtors	**5**	1,212,158		883,274	
Cash at bank and in hand		2,787,614		9,048,218	
		6,398,272		10,385,774	
Creditors: amounts falling due within one year	**6**	(586,272)		(335,604)	
Net current assets			5,812,000		10,050,170
Total assets less current liabilities			6,087,697		10,137,414
Creditors: amounts falling due after more than one year	**7**		-		(29,922)
Provisions for liabilities			-		(16,576)
Net assets			6,087,697		10,090,916
Capital and reserves					
Called up share capital	**9**		652		649
Share premium account			15,589,929		15,568,632
Share-based payment reserve			583,709		380,121
Profit and loss reserves			(10,086,593)		(5,858,486)
Total equity			6,087,697		10,090,916

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

The financial statements were approved by the board of Directors and authorised for issue on 27 June 2024 and are signed on its behalf by:

Dr X Ai
Director

Company Registration No. 10673098

1 Accounting policies

Company information

QLM Technology Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Quest House, St Mellons Business Park, Cardiff, CF3 0EY.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As part of regular budgeting, management have prepared cash flow forecasts for 12 months from signing of the financial statements and accordingly these financial statements have been prepared on the going concern basis.

On 12 June 2024 the Company created an unsecured convertible loan note facility of £5.0m, under which loan notes totalling £2.5m were immediately issued. These loan notes carry a fixed interest rate and are convertible into shares of the Company under certain circumstances at the option of the note holders in the following circumstance: at the next relevant fund raising; following a change or control; or on 12 June 2027.

The issuance of the convertible loan notes is considered a non-adjusting event under FRS 102 Section 32. As such, no adjustments have been made to the financial statements as a result of this event.

The financial impact of the conversion option cannot be reliably estimated at this time and will depend on the Company's valuation at the time of conversion.

1.3 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 relating to the supply of goods, including the sale of QLMs Quantum Gas LiDAR emission detection systems, is recognised at the point significant risk and rewards of ownership are transferred to the buyer, typically on dispatch of the system. Turnover relating to services provided, including the provision of reporting solutions and consultancy services, is recognised once the right to consideration has been earned.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Where the Company receives research and development expenditure credits ("RDEC") these are accounted for as government grant income within operating income as it more closely aligns with grant income as opposed to a taxation credit.

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	33% straight line
Leasehold improvements	20% straight line
Office equipment	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.9 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Classification of financial liabilities

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 of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.10 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 . Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet. The assets of the plan are held separately from the company in independently administered funds. Once contributions to the pension fund have been made, there is no further obligation for the company.

1.14 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Backsolve and Option Pricing Model (OPM) method. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1 Accounting policies **(Continued)**

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

Cost of sales / stock absorption

In accordance with the Financial Reporting Standard 102 (FRS 102), the Company has made certain judgements and estimates in determining the valuation of stock. A key area of judgement relates to the allocation of labour and overhead costs to stock.

The Company allocates labour and overhead costs to stock based on a standard costing system, which includes direct labour costs and a proportionate share of manufacturing overhead costs. The allocation of these costs is based on assumptions relating to operating capacity and labour time taken to manufacture finished goods. Variances between actual and standard costs are recognised in the profit and loss account in the period in which they occur.

Changes in production levels or cost structures could result in changes to the overhead absorption rates. The Company reviews these assumptions and estimates on an ongoing basis to ensure they remain appropriate.

Valuation of share based payment

During the year the Company issued new share-based payments to certain employees. These were valued using a Black-Scholes model with inputs given in note 8.

3 Employees

The average monthly number of persons (including Directors) employed by the company during the year was:

	2023 Number	2022 Number
Total	22	15

4 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Office equipment	Total
	£	£	£	£
Cost				
At 1 January 2023	-	41,420	87,459	128,879
Additions	77,514	146,770	22,784	247,068
At 31 December 2023	77,514	188,190	110,243	375,947
Depreciation and impairment				
At 1 January 2023	-	8,136	33,499	41,635
Depreciation charged in the year	3,091	22,848	32,676	58,615
At 31 December 2023	3,091	30,984	66,175	100,250
Carrying amount				
At 31 December 2023	74,423	157,206	44,068	275,697
At 31 December 2022	-	33,284	53,960	87,244

5 Debtors

	2023	2022
Amounts falling due within one year:	£	£
Trade debtors	295,622	97,435
Other debtors	795,521	641,822
Prepayments and accrued income	121,015	144,017
	1,212,158	883,274

Included within other debtors is a research and development tax credit of £646,494 (2022 - £138,451) which is expected to be repaid to the Company by HMRC.

6 Creditors: amounts falling due within one year

	2023	2022
	£	£
Bank loans	29,921	9,768
Trade creditors	357,541	140,631
Taxation and social security	55,925	37,714
Other creditors	142,885	147,491
	586,272	335,604

A fixed charge had been registered against all present freehold and leasehold property in respect of the bank loan with HSBC UK Bank Plc. This charge has been removed post year end.

7 Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Bank loans	-	29,922

8 Share-based payment transactions

The Company has two share-based payment arrangements, as follows:

1. EMI Share option scheme

The Company operates an EMI scheme for employees. The options vest on a graded basis, in equal instalments over either a three or four year period. The options lapse after ten years from the grant date if unexercised. If an exit event occurs prior to the graded vesting dates then all options vest immediately. An employee that leaves the Company is permitted to exercise their vested options within 90 days of leaving if they are deemed to be a good leaver.

In respect of the new options issued in the year ended 31 December 2023, the Backsolve model has been used to calculate the implied equity valuation of the Company with reference to the B Ordinary Share funding round that also took place during the year at £0.374 per share. The implied equity valuation is apportioned to individual equity classes based upon varying rights and preferences under the Option Pricing Model (OPM) method.

The estimated fair value for each share option granted was £0.10.

The reconciliation of outstanding share options are as follows:

	Number of share options		Weighted average exercise price	
	2023	2022 Restated	2023	2022 Restated
	Number	Number	£	£
Outstanding at 1 January 2023	7,439,665	4,451,195	0.24	0.15
Granted	942,000	3,055,500	0.37	0.37
Forfeited	(744,380)	(67,030)	0.20	0.16
Exercised	(278,685)	-	0.10	-
Outstanding at 31 December 2023	7,358,600	7,439,665	0.27	0.24
Exercisable at 31 December 2023	3,693,983	2,288,232	0.21	0.13

Other inputs in the valuation were as follows in the year ended 31 December 2023:

	2023
Equity valuation	20,881,773
Expected volatility	58.5%
Expected life	5 years
Risk free rate	1.96%
Expected dividends yield	0%

8 Share-based payment transactions **(Continued)**

Share-based payment expenses

The share-based payment charge for the year is £203,588 (2022: £165,868) which related to equity-settled share-based payment transactions.

2. Other share-based payments (Ordinary and A Ordinary shares)

In 2017 / 2018, certain management team members subscribed for Ordinary and A Ordinary shares in the Company. The share terms state that the Company can buy back the shares of any leavers. Such a condition does not apply to other shareholders. As such, the shares are considered to represent a share-based payment.

The Company has recognised no expense in its Statement of Comprehensive Income historically or in the year ended 31 December 2023. The shares have an insignificant estimated fair value, as the shares were subscribed for when the Company equity valuation was negligible.

9 Called up share capital

	2023	2022 Restated	2023	2022
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary shares of 0.001p each	11,578,685	11,300,000	116	113
Ordinary A shares of 0.001p each	20,535,068	20,535,068	205	205
Ordinary B shares of 0.001p each	32,352,941	32,352,941	324	324
Deferred shares of 1p each	700	700	7	7
	64,467,394	64,188,709	652	649

During the year, 278,685 ordinary shares were issued with nominal value of £3. During the prior year, 238,350 ordinary A shares were issued with nominal value of £2 and 32,352,941 ordinary B shares were issues with nominal value of £324.

Ordinary A shares and ordinary B shares rank pari passu to ordinary shares. The deferred shares are non-redeemable and do not carry voting rights. All shares carry rights to dividends.

10 Events after the reporting date

On 12 June 2024 the Company created an unsecured convertible loan note facility of £5.0m, under which loan notes totalling £2.5m were immediately issued. These loan notes carry a fixed interest rate and are convertible into shares of the Company at the option of the note holders in the following circumstance: at the next relevant fund raising; following a change or control; or on 12 June 2027.

The issuance of the convertible loan notes is considered a non-adjusting event under FRS 102 Section 32. As such, no adjustments have been made to the financial statements as a result of this event.

The financial impact of the conversion option cannot be reliably estimated at this time and will depend on the Company's valuation at the time of conversion.

11 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties which were not considered to be arms length:

	Monitoring fees 2023	Monitoring fees 2022 Restated
	£	£
Entities with control, joint control or significant influence over the company	94,993	109,324
Other related parties	56,975	67,041

11 Related party transactions **(Continued)**

Monitoring fees are paid to two entities with significant influence over the Company, Green Angel Syndicate, an investor in QLM, and Travel Assets Group, an entity over which one of the Company's shareholders has significant influence. Monitoring fees are also paid to three other related parties who do not have significant influence over the Company, but are considered related parties based on their position as shareholders of the Company: Development Bank of Wales, Quantum Exponential plc and Newable Investments.

The Company is exempt from disclosing other related party transactions under the Small Companies Disclosure exemptions as they are considered to be arms length.

12 Restatement

The financial statements for the year ended 31 December 2023 include restatements for the comparatives where notes were omitted. See notes 8, 9, and 11. The comparatives are unaudited.