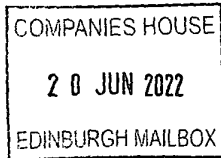


Registered Number:SC243330



M SQUARED LASERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022



M SQUARED LASERS LIMITED

COMPANY INFORMATION

Directors	Dr Graeme Malcolm Dr Gareth Maker Angus Morrison Stuart Malcolm Dr John Nicholls Douglas Bain (resigned 11 March 2021)
Company secretary	Stuart Malcolm
Registered number	SC243330
Registered office	Venture Building 1 Kelvin Campus, West of Scotland Science Park Maryhill Road Glasgow G20 0SP
Independent auditor	Anderson Anderson & Brown Audit LLP 1 Lochrin Square 92 Fountainbridge Edinburgh EH3 9QA

M SQUARED LASERS LIMITED

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M SQUARED LASERS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 28 FEBRUARY 2022

Introduction

M Squared Lasers Limited and subsidiaries ("Group") are private companies limited by shares incorporated in the United Kingdom (registered in Scotland), United States of America and Germany. The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to M Squared Lasers Limited and its subsidiary undertakings (see Note 15) when viewed as a whole.

Principal Activities

The Group makes the world's purest light – a technology that has transformative, real-world applications that can help global approaches to the climate emergency, greatly improve biomedical imaging, realise the next generation of semiconductors, and practically unlock the coming quantum age.

The Group focuses on photonics and quantum technology and is on a mission to harness the power of light to change the world. The Group is a developer of photonics and quantum technologies that enable new applications and industries, addressing some of society's greatest challenges. The Group continues to export in excess of 90% of its products and services overseas, including North America, Europe, China and Japan.

The Group has c. 97 employees, with its headquarters in Glasgow, Scotland, alongside offices in England, USA and Germany.

Business review

Financial year 2021/22 ("FY22") revenue was £17.4m (an increase of 5% on FY21), showing strong year on year growth, particularly during a continued period of operational disruption and lockdowns associated with the COVID-19 pandemic.

The Group tracks EBITDA as a primary financial KPI. EBITDA performance for FY22 is £6.0m, representing a 35% return on Revenue prior to financing costs.

Profit before tax in FY22 is £2.5m (14% of revenue) compared with £1.3m (8% of revenue) in FY21.

In this report, the Group consolidation has been prepared and reported at the level of M Squared Lasers Limited. The consolidation of the ultimate parent company, M Squared Technologies Group Limited has also been prepared and reported separately, via M Squared Technologies Group Limited annual report and financial statements.

The Group order book grew across all segments of the business during FY22, resulting in an advantageous opening position to underpin growth in its core areas during FY23 and beyond. The Group is also strategically well positioned to take advantage of key growth in markets, including semiconductors, displays, AR (augmented-reality) and VR (virtual-reality), metrology, and life sciences, alongside the break-through strategic area of quantum technology.

The Group has a long-term proven and acknowledged strength in identifying and commercialising its research & development (R&D) efforts with key global technology companies and governmental customers seeking the Group's support in areas of key technology or scientific challenges. The Group allocates a significant proportion of its available resources to R&D activities, in both existing and new product areas, primarily through a dedicated Innovation business unit which provides support across the business, whilst facilitating cashflow through customer partnerships, engineering service and support to end-users and grant funding.

The Group has adopted an 'Agile' project and organisational methodology to ensure that time and resource is efficiently and properly invested to provide the best short and long-term outcomes and deliverables for the business. This also allows organisational flexibility to, for example, target novel emerging technology opportunities and themes.

M SQUARED LASERS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2022

Business review (continued)

The Group is globally recognised as being at the vanguard of frontier science and deep-tech and continues to make significant progress across a range of core growth areas.

Current areas of focus and growth for the Group include:

The Group has made significant progress over the period in **Making Quantum Technology a Reality**, supported by, for example, UK and Scottish governments and also through a quantum technology partnership with the University of Strathclyde to progress quantum computing capabilities. In both externally and internally funded initiatives and partnerships in quantum computing, the Group has achieved key successes in the area of 'ultra-cold matter' quantum computing, as both a supplier and integrator to many of the key global programs in this emerging and scaling area. The Group continues to develop expertise in quantum accelerometers, quantum gravimeters and the optical lattice clock.

'Quantum Modules', which are products to facilitate the building and industrialisation of quantum technologies, were released to the market during the year and sales achieved indicated a promising response from both the research community and also the active emerging quantum industry.

The Group has consolidated its position in supporting the critical Earth observation segment of the space industry. The Group's activities deliver industry-leading state-of-the-art precision light sources which cover the broadest spectral regions yet demonstrated, for applications in leading Earth observation missions mapping atmospheric pollution and climate change gases for prevention of the climate emergency. This field was at the forefront of scientific and media attention during the UN Climate Change Conference ('COP 26') conference in Glasgow, where the Group is headquartered, in November 2021. These sources were also successfully expanded into other new missions and further deliveries and developments achieved with lead customers during FY22 producing precision light across the spectrum from deep ultra-violet to mid-infrared. The Group's mission heritage in these keystone missions both underpins our market position in this field and has, significantly, also yielded new laser products that are compelling for many other sectors.

Powering Industry: FY22 saw further expansion of the Group's precision light laser products into new areas of manufacturing for underpinning technology manufacture in such areas as semiconductors, conventional digital displays and also AR and VR capabilities, together with several novel metrology applications, as new industrial accounts qualified our products during FY22, improving precision of their manufacturing processes, whilst also producing improved yields, increased up-time and lowers costs of ownership. These products also contribute to substantial reduction in energy usage and associated carbon-dioxide emissions from these industrial processes.

Behind cutting edge healthcare: The Group's advanced imaging product lines were developed for higher resolution imaging performance and are now pushing boundaries in life-sciences, including neuroscience, cancer biology and plant biology. During the year additional imaging capability was demonstrated for a range of important bio-medical imaging applications, with sales expanding in the US and to Australia, based on the enhanced performance of our microscope platforms.

The era of quantum technology is set to play a major, transformative role in both the economy and society alike. The Group has made substantial **Investment in Strategic Partnerships** which are a critical success factor in this high barrier to entry field. The Group also has a strong and demonstrable track record in identifying and building multi-skilled partnerships, united under common goals and this has made the Group an obvious partner to many key global 'blue chip' corporations, as they seek to become 'quantum-ready' in their future roadmaps.

Financial Key Performance Indicators

The directors review a wide range of daily, monthly and other ongoing financial key performance indicators and metrics as a matter of routine, focusing on areas such as, for example, cash collection, procurement and manufacturing.

M SQUARED LASERS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2022

Research and development

The Group's Innovation business unit continues to develop a number of new laser-based photonic solutions, aimed at addressing global issues in the fields of physical, biological and chemical sciences.

The progress made in development of certain innovation programs was such that the directors, in line with previous reporting periods, consider it appropriate to capitalise £1,746,843 (FY21: £3,542,801) of related expenditure as an intangible asset with amortisation in the year of £2,023,233 (FY21: £1,571,950).

Principal risks and uncertainties

COVID-19

The directors have given due consideration to the impact of the worldwide COVID-19 pandemic on future operations and the impact this has had since March 2020. While challenges remain in the short term, the Group has developed a resilient strategy and infrastructure to ensure that growth can continue despite the challenges COVID-19 has brought and ongoing focus on this area is expected to provide mitigation to any short-term challenges.

Brexit

The directors have introduced a package of measures throughout FY22 to mitigate the ongoing commercial impact of Brexit to Group-wide operations, supply chain and growth, including the development of activities in its Berlin facility, where direct EU-market sales and service activities have been expanded. These measures have allowed the Group to appropriately navigate the risks and practical issues caused by Brexit and develop new working models to integrate this into future growth.

The directors are confident that the business can continue to manage the impact of Brexit.

Financial Exposure

The Group's principal financial assets are cash balances, trade and other debtors. The Group's credit risk is primarily attributable to its trade debtors. The directors are of the opinion that the Group has no concentration of credit risk, with exposure spread over a large number of customers, many of whom are long established research institutions, government bodies and 'blue chip' organisations.

The directors retain overall responsibility for the Group's system of internal financial control, which is designed to give reasonable assurance against material financial misstatement or loss. Financial controls have been established which the directors believe enable them to meet their responsibility for the integrity and accuracy of the Group's accounting records.

The directors consider that the current global economic conditions create uncertainty, particularly over movements in exchange rates between GBP (the Group's reporting currency) and the principal currencies in which the Group trades globally, and the impact that could have on financial and trading performance.

Interest rate risk

The Group has a mix of borrowings (with interest rates which can be fixed or floating), providing a certain degree of interest rate risk mitigation. The directors regularly reviewed interest rates throughout the year to determine the optimum risk mitigation strategy.

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary, although this is considered a rare occurrence.

M SQUARED LASERS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2022

Principal risks and uncertainties (continued)

Liquidity risk

The Group manages its cash and borrowing requirements in order to minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business.

Currency risk

The Group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The main currencies in which the Group operates are GBP, Euro and the US dollar. The Group considers that it has a natural hedge in that many of its key suppliers' invoice in the same currency as its main customers. However, this is reviewed on a regular basis and the use of foreign currency hedging would be considered if the directors concluded that foreign currency fluctuations could have a material impact.

Future developments

The directors believe that trading for FY23 will continue strongly despite the challenges noted above.

The end-markets for the Group's products, particularly in the field of quantum technology, continue to be well funded by many national governments and the directors expect there to be scope for further growth in the business.

The Group intends to maintain its investments within the valuable R&D projects that have underpinned its growth so far.

The directors would like to record their thanks and appreciation to all members of staff for their ongoing support and commitment provided during the reporting period.

This report was approved by the board and signed on its behalf.



.....
Dr Graeme P A Malcolm OBE FREng FRSE FInstP
Director

Date: 20th Jun 2022

M SQUARED LASERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 FEBRUARY 2022

The directors present their report and the financial statements for the year ended 28 February 2022.

Results and dividends

The profit for the year, after taxation, amounted to £1,568,125 (2021 - £717,604).

Existence of branches outside the UK

The Company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK other than its subsidiaries listed in note 15.

Post balance sheet events

There have been no significant events affecting the Group since the period end.

Going concern

The Group is funded by its shareholders, bank term loans, working capital facility and cash flow arising from its trading activities. As discussed above, the directors are pleased with the level of commercial adoption for certain of its technology propositions and have a reasonable expectation of continuing workflow.

In order to assess the appropriateness of adopting the going concern basis, the directors have reviewed the detailed forecasts of the Group and related potential scenarios. These forecasts show continued growth in both revenue and profitability across the Group and a positive cash flow, with the ability to meet financing requirements as they fall due for repayment.

Taking these factors into account and after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual financial statements.

Details of research and development in the year, future developments and financial risk management policies can be found in the Strategic Report on pages 1 to 4 and form part of this report by cross-reference.

M SQUARED LASERS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2022**

Directors

The directors who served during the year were:

Dr Graeme Malcolm
Dr Gareth Maker
Angus Morrison
Stuart Malcolm
Dr John Nicholls
Douglas Bain (resigned 11 March 2021)

Directors Indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Anderson Anderson & Brown Audit LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.


.....
Dr Graeme P A Malcolm OBE FREng FRSE FInstP
Director

Date: 20th June 2022

M SQUARED LASERS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2022

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group will continue in business.

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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

M SQUARED LASERS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M SQUARED LASERS LIMITED

Opinion

We have audited the financial statements of M Squared Lasers Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 28 February 2022, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, 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 the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 February 2022 and of the Group's profit 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 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

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 Group's or the parent 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.

M SQUARED LASERS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M SQUARED LASERS LIMITED (CONTINUED)

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.

Opinion 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 Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 7, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

M SQUARED LASERS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M SQUARED LASERS LIMITED (CONTINUED)

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 Group 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 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 within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Companies Act 2006 and UK Taxation legislation.

We considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- timing and completeness of revenue recognition;
- compliance with relevant laws and regulations which may impact on the financial statements and those that the company needs to comply with for the purpose of trading;
- management judgements applied in calculating provisions; and
- management override of controls to manipulate the Company's key performance indicators to meet targets.

We discussed these risks with client management, designed audit procedures to address these risks including:

- reviewed internal documentation and correspondence with regulators for evidence or irregularities;
- testing the timing and completeness of revenue;
- consideration of the assumptions applied whether the judgements applied in calculation of provisions were appropriate;
- reviewed areas of judgement and tested a sample of journal entries for indicators of management bias; and
- performed analytical procedures to identify any unusual or unexpected relationships which may be an indication of material misstatement due to fraud.

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 is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditor's report.

M SQUARED LASERS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M SQUARED LASERS LIMITED
(CONTINUED)**

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.

Anderson Anderson & Brown Audit LLP

Derek Mair (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

1 Lochrin Square
92 Fountainbridge
Edinburgh
EH3 9QA

Date: 20 June 2022

M SQUARED LASERS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2022**

	Note	2022 £	2021 £
Turnover	4	17,359,014	16,480,569
Cost of sales		(6,997,467)	(7,763,512)
Gross profit		10,361,547	8,717,057
Administrative expenses		(9,468,745)	(8,470,802)
Other operating income	5	1,832,674	1,834,152
Operating profit	6	2,725,476	2,080,407
Interest payable and similar expenses	10	(166,081)	(780,285)
Profit before tax		2,559,395	1,300,122
Tax on profit	11	(991,270)	(582,518)
Profit for the financial year		1,568,125	717,604
Other comprehensive income for the year			
Exchange differences on retranslation of subsidiary undertakings		(21,803)	5,775
Other comprehensive income for the year		(21,803)	5,775
Total comprehensive income for the year		1,546,322	723,379
Profit for the year attributable to:			
Owners of the parent company		1,568,125	717,604

The notes on pages 19 to 41 form part of these financial statements.

M SQUARED LASERS LIMITED**REGISTERED NUMBER:SC243330****CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	11,918,473	12,090,741
Tangible assets	14	357,969	319,456
		<u>12,276,442</u>	<u>12,410,197</u>
Current assets			
Stocks	16	4,931,492	4,515,055
Debtors: amounts falling due within one year	17	9,246,713	7,195,120
Cash at bank and in hand	18	124,533	878,303
		<u>14,302,738</u>	<u>12,588,478</u>
Creditors: amounts falling due within one year	19	(19,134,904)	(19,486,487)
Net current liabilities		<u>(4,832,166)</u>	<u>(6,898,009)</u>
Total assets less current liabilities		<u>7,444,276</u>	<u>5,512,188</u>
Creditors: amounts falling due after more than one year	20	(2,395,548)	(2,895,965)
Provisions for liabilities			
Deferred tax	22	(1,369,398)	(483,214)
		<u>(1,369,398)</u>	<u>(483,214)</u>
Net assets		<u><u>3,679,330</u></u>	<u><u>2,133,009</u></u>
Capital and reserves			
Called up share capital	23	47,105	47,105
Share premium account		463,862	463,862
Foreign exchange reserve		(99,359)	(77,555)
Profit and loss account		3,267,722	1,699,597
		<u><u>3,679,330</u></u>	<u><u>2,133,009</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



 Dr Graeme P A Malcolm OBE FREng FRSE FInstP
 Director

Date: 20th June 2022

The notes on pages 19 to 41 form part of these financial statements.

M SQUARED LASERS LIMITED**REGISTERED NUMBER:SC243330****COMPANY BALANCE SHEET
AS AT 28 FEBRUARY 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	10,845,894	10,907,248
Tangible assets	14	334,289	309,617
Investments	15	30,405	30,407
		<u>11,210,588</u>	<u>11,247,272</u>
Current assets			
Stocks	16	4,638,286	4,515,055
Debtors: amounts falling due within one year	17	3,822,455	6,668,286
Cash at bank and in hand	18	17,509	807,099
		<u>8,478,250</u>	<u>11,990,440</u>
Creditors: amounts falling due within one year	19	(11,967,058)	(18,426,564)
Net current liabilities		<u>(3,488,808)</u>	<u>(6,436,124)</u>
Total assets less current liabilities		<u>7,721,780</u>	<u>4,811,148</u>
Creditors: amounts falling due after more than one year	20	(1,123,548)	(1,501,520)
Provisions for liabilities			
Deferred taxation	22	(1,369,398)	(483,214)
		<u>(1,369,398)</u>	<u>(483,214)</u>
Net assets		<u>5,228,834</u>	<u>2,826,414</u>
Capital and reserves			
Called up share capital	23	47,105	47,105
Share premium account		463,862	463,862
Foreign exchange reserve		537	537
Profit and loss account brought forward		2,314,910	1,724,142
Profit for the year		2,402,420	690,617
Other changes in the profit and loss account		-	(99,849)
		<u>4,717,330</u>	<u>2,314,910</u>
Profit and loss account carried forward		<u>5,228,834</u>	<u>2,826,414</u>

M SQUARED LASERS LIMITED

REGISTERED NUMBER:SC243330

**COMPANY BALANCE SHEET (CONTINUED)
AS AT 28 FEBRUARY 2022**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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Dr Graeme P A Malcolm OBE FREng FRSE FInstP
Director

Date: 20th Jan 2022

The notes on pages 19 to 41 form part of these financial statements.

M SQUARED LASERS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2022**

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 March 2020	47,105	463,862	(145,774)	1,081,842	1,447,035
Comprehensive income for the year					
Profit for the year	-	-	-	717,604	717,604
Exchange differences on retranslation of subsidiary undertakings	-	-	68,219	-	68,219
Dividends: Equity capital	-	-	-	(99,849)	(99,849)
At 1 March 2021	<u>47,105</u>	<u>463,862</u>	<u>(77,555)</u>	<u>1,699,597</u>	<u>2,133,009</u>
Comprehensive income for the year					
Profit for the year	-	-	-	1,568,125	1,568,125
Exchange differences on retranslation of subsidiary undertakings	-	-	(21,804)	-	(21,804)
At 28 February 2022	<u><u>47,105</u></u>	<u><u>463,862</u></u>	<u><u>(99,359)</u></u>	<u><u>3,267,722</u></u>	<u><u>3,679,330</u></u>

The notes on pages 19 to 41 form part of these financial statements.

M SQUARED LASERS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2022**

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Profit and loss account £	Total equity £
At 1 March 2020	47,105	463,862	537	1,724,142	2,235,646
Comprehensive income for the year					
Profit for the year	-	-	-	690,617	690,617
Dividends: Equity capital	-	-	-	(99,849)	(99,849)
At 1 March 2021	47,105	463,862	537	2,314,910	2,826,414
Comprehensive income for the year					
Profit for the year	-	-	-	2,402,420	2,402,420
At 28 February 2022	47,105	463,862	537	4,717,330	5,228,834

The notes on pages 19 to 41 form part of these financial statements.

M SQUARED LASERS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	1,568,125	717,604
Adjustments for:		
Amortisation of intangible assets	2,632,608	1,962,273
Depreciation of tangible assets	164,092	152,810
Government grants	(1,832,674)	(1,834,152)
Interest paid	166,081	780,285
Taxation charge	991,270	582,518
(Increase) in stocks	(416,437)	(351,132)
(Increase) in debtors	(1,989,604)	(549,196)
Increase/(decrease) in creditors	247,535	(186,537)
(Decrease)/increase in amounts owed to groups	(977,090)	-
Corporation tax received	279,825	17,506
Foreign exchange	(21,468)	68,219
Tax credits included in operating profit	(446,900)	(611,261)
Net cash generated from operating activities	365,363	748,937
Cash flows from investing activities		
Purchase of intangible fixed assets	(2,460,340)	(4,739,738)
Purchase of tangible fixed assets	(202,941)	(292,776)
Government grants received	1,832,674	1,834,152
Net cash from investing activities	(830,607)	(3,198,362)
Cash flows from financing activities		
Repayment of loans	-	(1,950,000)
Other new loans	-	1,394,445
Repayment of other loans	(122,445)	(6,048,839)
New loans from group companies	-	10,509,098
Dividends paid	-	(99,849)
Interest paid	(166,081)	(780,285)
Net cash used in financing activities	(288,526)	3,024,570
Net (decrease)/increase in cash and cash equivalents	(753,770)	575,145
Cash and cash equivalents at beginning of year	878,303	303,158
Cash and cash equivalents at the end of year	124,533	878,303
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	124,533	878,303

The notes on pages 19 to 41 form part of these financial statements.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

1. General information

M Squared Lasers Limited is a limited liability company incorporated in Scotland. The registered office is Venture Building, 1 Kelvin Campus, West of Scotland Science Park, Maryhill Road, Glasgow, G20 0SP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

For their respective years ended 28 February 2022 the following subsidiaries are entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies: Solus Technologies Limited (SC303447) and M Squared Life Limited (SC522938).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

At the Balance sheet date the Group has net current liabilities of £4,832,166. Included within current liabilities are amounts owed to the immediate parent company of £9,532,008. The Directors have confirmed the continuing support of the parent company and that this balance will not be called up on to be repaid within the coming 12 month period.

The directors, having made due and careful enquiry, are of the opinion that the Group has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is deemed as 7 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Accounting policies (continued)

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Pensions

Defined contribution pension scheme

The Group contributes to a defined contribution scheme for its employees. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability on the Balance sheet. The assets of the scheme are held separately from the Group in independently administered funds.

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.14 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Research and Development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. This period is over 7 years on a straight line basis. Provision is made for any impairment.

Patents and Trademarks

Separately acquired patents and trademarks are included at cost and amortised in equal annual installments over a period of 5 years and 10 years respectively which is their estimated useful economic life. Provision is made for any impairment.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Accounting policies (continued)

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- Over period of lease (up to 4 years)
Office & laboratory equipment	- 25% per annum
Computer equipment	- 25% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Accounting policies (continued)

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

2. Accounting policies (continued)

2.22 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

3. Judgement in applying accounting policies and key sources of estimation uncertainty

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

Capitalisation of development expenditure

During the year £1,746,843 (2021: £3,542,801) of development expenditure was capitalised. The directors had to assess the technical, commercial and financial viability of individual projects. The directors prepared market research reports and technical feasibility project proposals in order to satisfy themselves that these projects had reached the required development stage and requirements for capitalisation. The assets are amortised over 7 years on a straight line basis.

Key source of estimation uncertainty - impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the future cash generation relative to carrying value of the intangible assets. Based on current market knowledge, the directors consider there was no impairment during the year (2021: nil). The carrying amount of intangible assets (excluding development costs) at the balance sheet date was £1,974,291 (2021: £1,870,170).

4. Turnover

The whole of the turnover is attributable to the Group's principal activity and represents the sale of goods and related services. A geographical analysis of turnover is not included as the directors believe it would be prejudicial to the Group's interests.

5. Other operating income

	2022 £	2021 £
Government grants receivable	1,832,674	1,834,152

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	525,802	83,798
Exchange differences	228,909	301,281
Other operating lease rentals	1,225,266	816,672
Depreciation of tangible fixed assets	164,092	152,810
Amortisation of intangible fixed assets	2,632,608	1,962,273

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

7. Auditor's remuneration

Fees payable to the Group's auditor and its associates in respect of:

Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements, including audit of subsidiaries	36,000	34,000
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8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Staff salaries and PHI	7,002,465	6,219,266	5,733,771	5,026,663
Social security costs	776,332	579,792	623,257	457,456
Cost of defined contribution scheme	143,093	199,643	120,050	158,187
	<u>7,921,890</u>	<u>6,998,701</u>	<u>6,477,078</u>	<u>5,642,306</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Production and Installation	46	37	42	33
Research and development	27	36	25	32
Sales and marketing	10	18	7	12
Administration	14	21	12	21
	<u>97</u>	<u>112</u>	<u>86</u>	<u>98</u>

M SQUARED LASERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022****9. Directors' remuneration**

	2022 £	2021 £
Directors' emoluments	2,200,240	1,283,801
Group contributions to defined contribution pension schemes	110,475	70,290
	<u>2,310,715</u>	<u>1,354,091</u>

During the year retirement benefits were accruing to 5 directors (2021 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £845,645 (2021 - £362,500).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £48,533 (2021 - £20,300).

10. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	<u>166,081</u>	<u>780,285</u>

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	84,911	116,140
Adjustments in respect of previous periods	-	33,032
	<u>84,911</u>	<u>149,172</u>
Foreign tax		
Foreign tax on income for the year	20,175	15,506
Total current tax	<u>105,086</u>	<u>164,678</u>
Deferred tax		
Origination and reversal of timing differences	557,528	396,440
Changes to tax rates	328,656	41,135
Adjustment in respect of prior periods	-	(19,735)
Total deferred tax	<u>886,184</u>	<u>417,840</u>
Taxation on profit on ordinary activities	<u>991,270</u>	<u>582,518</u>

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	2,559,395	1,300,122
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	486,285	247,023
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	56,978	403,379
Overseas taxes suffered	20,175	-
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(174)	(122,316)
Research and development expenditure	(28,904)	-
Tax rate changes	328,656	41,135
Unrelieved tax losses carried forward	128,254	-
Current tax prior year adjustment	-	33,032
Deferred tax prior year adjustment	-	(19,735)
Total tax charge for the year	991,270	582,518

Factors that may affect future tax charges

The corporation and deferred tax balances have been calculated based on the expected future tax rate substantively enacted at the balance sheet date. On 3 March 2021 it was announced by the UK Government that the corporation tax rate in the UK will increase to 25% effective from 1 April 2023. Deferred tax has been provided for at 25% as this is the rate that was substantively enacted at the balance sheet date.

12. Dividends

	2022 £	2021 £
Dividends at £0.035 per ordinary share	-	99,849
	-	99,849

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

13. Intangible assets

Group

	Patents £	Development expenditure £	Trademarks £	Total £
Cost				
At 1 March 2021	3,594,733	13,611,507	154,501	17,360,741
Additions	713,497	1,746,843	-	2,460,340
At 28 February 2022	<u>4,308,230</u>	<u>15,358,350</u>	<u>154,501</u>	<u>19,821,081</u>
Amortisation				
At 1 March 2021	1,841,093	3,390,936	37,971	5,270,000
Charge for the year on owned assets	593,154	2,023,233	16,221	2,632,608
At 28 February 2022	<u>2,434,247</u>	<u>5,414,169</u>	<u>54,192</u>	<u>7,902,608</u>
Net book value				
At 28 February 2022	<u>1,873,983</u>	<u>9,944,181</u>	<u>100,309</u>	<u>11,918,473</u>
At 28 February 2021	<u>1,753,640</u>	<u>10,220,571</u>	<u>116,530</u>	<u>12,090,741</u>

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

13. Intangible assets (continued)

Company

	Patents £	Development expenditure £	Trademarks £	Total £
Cost				
At 1 March 2021	1,962,724	13,611,507	154,501	15,728,732
Additions	513,497	1,746,843	-	2,260,340
At 28 February 2022	<u>2,476,221</u>	<u>15,358,350</u>	<u>154,501</u>	<u>17,989,072</u>
Amortisation				
At 1 March 2021	1,392,577	3,390,936	37,971	4,821,484
Charge for the year	282,240	2,023,233	16,221	2,321,694
At 28 February 2022	<u>1,674,817</u>	<u>5,414,169</u>	<u>54,192</u>	<u>7,143,178</u>
Net book value				
At 28 February 2022	<u>801,404</u>	<u>9,944,181</u>	<u>100,309</u>	<u>10,845,894</u>
At 28 February 2021	<u>570,147</u>	<u>10,220,571</u>	<u>116,530</u>	<u>10,907,248</u>

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

14. Tangible fixed assets

Group

	Leasehold improve- ments £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 March 2021	171,912	1,049,779	368,871	1,590,562
Additions	150,239	52,702	-	202,941
Exchange adjustments	-	(306)	(288)	(594)
At 28 February 2022	322,151	1,102,175	368,583	1,792,909
Depreciation				
At 1 March 2021	82,663	935,482	252,961	1,271,106
Charge for the year on owned assets	47,277	77,101	39,714	164,092
Exchange adjustments	-	(106)	(152)	(258)
At 28 February 2022	129,940	1,012,477	292,523	1,434,940
Net book value				
At 28 February 2022	192,211	89,698	76,060	357,969
At 28 February 2021	89,249	114,297	115,910	319,456

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

14. Tangible fixed assets (continued)

Company

	Leasehold improve- ments £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 March 2021	171,912	1,039,452	360,302	1,571,666
Additions	150,239	32,075	-	182,314
At 28 February 2022	<u>322,151</u>	<u>1,071,527</u>	<u>360,302</u>	<u>1,753,980</u>
Depreciation				
At 1 March 2021	82,663	932,150	247,236	1,262,049
Charge for the year on owned assets	47,277	71,734	38,631	157,642
At 28 February 2022	<u>129,940</u>	<u>1,003,884</u>	<u>285,867</u>	<u>1,419,691</u>
Net book value				
At 28 February 2022	<u>192,211</u>	<u>67,643</u>	<u>74,435</u>	<u>334,289</u>
At 28 February 2021	<u>89,249</u>	<u>107,302</u>	<u>113,066</u>	<u>309,617</u>

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 March 2021	30,407
Disposals	(2)
At 28 February 2022	<u>30,405</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Holding
M Squared Lasers, Inc	160 Greentree Drive, Suite 1919 Dover	100%
Solus Technologies Limited	Venture Building, 1 Kelvin Campus, Maryhill Road, Glasgow, United Kingdom	100%
M Squared Lasers GmbH	Rudower Chaussee 29 (IGZ), 12489 Berlin, Germany	100%
M Squared Life Limited	Venture Building, 1 Kelvin Campus, Maryhill Road, Glasgow, United Kingdom	100%

The aggregate of the share capital and reserves as at 28 February 2022 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
M Squared Lasers, Inc	37,881	(234,548)
Solus Technologies Limited	(157,500)	-
M Squared Lasers GmbH	9,049	147,301
M Squared Life Limited	(742,464)	(746,750)

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

16. Stocks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Raw materials and consumables	1,739,080	2,212,377	1,542,075	2,212,377
Finished goods and goods for resale	3,192,412	2,302,678	3,096,211	2,302,678
	<u>4,931,492</u>	<u>4,515,055</u>	<u>4,638,286</u>	<u>4,515,055</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

17. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	3,243,807	2,030,754	1,093,675	1,348,810
Amounts owed by group undertakings	-	-	-	1,217,622
Other debtors	245,150	1,106,201	139,940	1,014,252
Prepayments and accrued income	5,398,660	3,761,058	2,229,744	2,790,495
Tax recoverable	359,096	297,107	359,096	297,107
	<u>9,246,713</u>	<u>7,195,120</u>	<u>3,822,455</u>	<u>6,668,286</u>

18. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	<u>124,533</u>	<u>878,303</u>	<u>17,509</u>	<u>807,099</u>

19. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	3,071,299	3,134,358	2,911,150	3,045,664
Amounts owed to group undertakings	9,532,008	10,509,098	4,885,458	10,509,098
Other taxation and social security	1,066,857	1,358,109	823,557	1,267,130
Other creditors	2,510,531	620,893	979,594	223,322
Accruals and deferred income	2,954,209	3,864,029	2,367,299	3,381,350
	<u>19,134,904</u>	<u>19,486,487</u>	<u>11,967,058</u>	<u>18,426,564</u>

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

20. Creditors: Amounts falling due after more than one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Loan notes	1,272,000	1,394,445	-	-
Accruals and deferred income	1,123,548	1,501,520	1,123,548	1,501,520
	<u>2,395,548</u>	<u>2,895,965</u>	<u>1,123,548</u>	<u>1,501,520</u>

21. Loans

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due 1-2 years				
Other loans	672,000	794,445	-	-
Amounts falling due 2-5 years				
Other loans	600,000	600,000	-	-
	<u>1,272,000</u>	<u>1,394,445</u>	<u>-</u>	<u>-</u>

The Company has entered into cross-corporate guarantees with its immediate parent company as part of security arrangements with the Group's bankers.

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

22. Deferred taxation

Group

	2022 £
At beginning of year	483,214
Charged to profit or loss	(886,184)
At end of year	<u>1,369,398</u>

Company

	2022 £
At beginning of year	483,214
Charged to profit or loss	(886,184)
At end of year	<u>1,369,398</u>

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Accelerated capital allowances	(2,364,589)	(1,838,697)	(2,364,589)	(1,838,697)
Tax losses carried forward	890,383	1,328,408	890,383	1,328,408
Short term timing differences - trading	104,808	27,075	104,808	27,075
	<u>(1,369,398)</u>	<u>(483,214)</u>	<u>(1,369,398)</u>	<u>(483,214)</u>

23. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
4,710,485 (2021 - 4,710,485) Ordinary shares of £0.01 each	<u>47,105</u>	<u>47,105</u>

M SQUARED LASERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

24. Share based payments

Equity-settled share option schemes

The Company had a share option scheme for some of its employees which was closed down in 2021-2022 with its final event on 3 March 2021.

Non-lapsed options at the time of closedown were rolled into the share option scheme of the Company's parent, M Squared Technologies Group Limited.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	2	99,500	1	149,500
Forfeited during the year	0	-	1	(50,000)
Rolled into M Squared Technologies Group Limited Scheme	2	(99,500)		-
Outstanding at the end of the year		-		99,500

25. Pension commitments

The Group contributes to a defined contribution pension scheme for its employees. At the balance sheet date the Group had outstanding pension contributions of £70,669 (2021 - £108,234).

26. Commitments under operating leases

At 28 February 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Not later than 1 year	789,570	291,450	789,570	291,450
Later than 1 year and not later than 5 years	321,900	4,267	321,900	4,267
	1,111,470	295,717	1,111,470	295,717

M SQUARED LASERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2022**

27. Related party transactions

During the year the Group made a loan to a company with common directors and shareholders, totalling £9,500 (2021 - nil), of which £9,500 was due at the year end (2021 - nil).

No sales were made to related parties during the year (2021 - £21,000).

28. Post balance sheet events

No post balance sheet events occurred

29. Controlling party

The immediate and ultimate parent company is M Squared Technologies Group Limited, a company incorporated in Scotland and having its registered office at Venture Building, 1 Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP, United Kingdom.