Company Registration No. 12644243 (England and Wales)

HANWHA PHASOR LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

HANWHA PHASOR LTD.

COMPANY INFORMATION

Director	Mr H W Cho	(Appointed 7 February 2022)
Company number	12644243	
Registered office	27 Old Gloucester Street London WC1N 3AX	
Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ	

HANWHA PHASOR LTD.

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents the strategic report for the year ended 31 December 2021.

Fair review of the business

As anticipated by the director, the company reported a loss before taxation of c.£11.5m for the year ended 31 December 2021. During the year, the company invested significant time and cost in their research and development activities as evidenced by the tax credit included in the financial statements. The director expects trading activities and results to remain similar into 2022 as the company continues to develop innovative technologies.

The company's financial position at the year end reflects the continuing support of the Hanwha group which to date has invested over £25m in the company.

Principal risks and uncertainties

The company operates in a fast moving and innovative market which presents both risks and opportunities. In its first period of trading the company has invested heavily in experienced staff which together with its highly respected research and development capability, provides the company with great confidence to react positively and profitably to all market conditions.

Key performance indicators

Key performance indicators are used to measure and evaluate company performance against targets and monitor various activities throughout the company. The main key performance indicators employed by the company are:

- Research and development costs and effectiveness
- Profitability levels
- Staff costs and productivity
- Cash flows and liquidity

On behalf of the board

Mr H W Cho
Director

21 March 2022

HANWHA PHASOR LTD.

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents his annual report and financial statements for the year ended 31 December 2021.

Principal activities
The principal activity of the company is that of the design and development of Phased Array Antenna systems, which involves the development of a novel invention and the design of electronic hardware and software, including Application Specific Integrated Circuits "ASIC's," to implement and demonstrate, leading to the production of devices for sale.

Results and dividends
The results for the year are set out on page 8.

Director
The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr J Choi	(Resigned 7 February 2022)
Mr H W Cho	(Appointed 7 February 2022)

Financial instruments
The company finances its operations through capital investment via the Hanwha group and day-to-day through the use of operational bank accounts. The company makes use of financial instruments principally through its operational bank accounts. The director's objectives are to retain sufficient liquid funds to enable the company to meet its day to day requirements as they fall due and to maximise returns on surplus funds where possible. The company has limited exposure to foreign exchange risk at present and therefore does not operate any foreign currency bank accounts. The company's funds are held primarily in short term deposit accounts. The director believes that this gives the flexibility to release cash resources at short notice and allows the company to take advantage of changing economic conditions as they arise.

Research and development
The company continues to commit significant resource and time to the development of new and existing technologies and enhancements that reinforce the competitive edge of the company's range of products. In addition, the company holds certain patents over its products to protect its future business worldwide.

Auditor
The auditor, Edwards, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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.

Other matters
On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management continue to closely monitor the evolution of this pandemic, including how it may affect the company, the economy and the general population further into the future. The company currently has an appropriate response plan in place, and will continue to monitor and assess the ongoing development and respond accordingly.

Going concern
The director has at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

In addition, Hanwha Systems Co, Ltd., the company's immediate parent undertaking, have confirmed they will continue to provide such financial support as the company requires to enable it to meet its liabilities as they fall due, for a period of at least 12 months from the date that these financial statements are approved.

On behalf of the board

Mr H W Cho
Director

21 March 2022

HANWHA PHASOR LTD.

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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 HANWHA PHASOR LTD.

Opinion

We have audited the financial statements of Hanwha Phasor Ltd. (the 'company') for the year ended 31 December 2021 which comprise the income statement, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Pract ce).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 director 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 director is 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 strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

We have nothing to report in respect of the following matters where 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the industry, we identified limited risk of non-compliance with industry specific laws and regulations. In making this assessment, we considered the extent to which non-compliance might have a material affect on the financial statements.

We also considered those laws and regulations that have a direct impact on preparation of the financial statements, such as the Companies Act 2006. We examined management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of overriding of controls) and determined that the principal risks were relating to management judgements included in the financial statements, in particular those relating to the carrying value of intangible assets and accounting for leases under IFRS16.

We also discussed with management the possibility of non-compliance with laws and regulations and reviewed the management controls in place to detect such irregularities. Audit procedures included challenging assumptions made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions described in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one due to error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)
For and on behalf of Edwards 23 March 2022

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

HANWHA PHASOR LTD.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Administrative expenses		(11,473,363)	(4,102,185)
Interest payable and similar expenses	**6**	(42,335)	(17,463)
Loss before taxation		(11,515,698)	(4,119,648)
Tax on loss	**7**	590,086	210,000
Loss and total comprehensive income for the financial year		(10,925,612)	(3,909,648)

The income statement has been prepared on the basis that all operations are continuing operations.

HANWHA PHASOR LTD.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets - goodwill	**8**		39,886		39,886
Other intangible assets	**8**		4,480,936		4,956,511
Tangible fixed assets	**9**		4,216,471		3,190,766
			8,737,293		8,187,163
Current assets					
Debtors	**10**	2,569,975		955,365	
Cash at bank and in hand		3,054,576		3,236,299	
		5,624,551		4,191,664	
Creditors: amounts falling due within one year	**11**	(2,174,863)		(1,324,104)	
Net current assets			3,449,688		2,867,560
Total assets less current liabilities			12,186,981		11,054,723
Creditors: amounts falling due after more than one year	**11**		(1,774,004)		(1,716,149)
Net assets			10,412,977		9,338,574
Capital and reserves					
Called up share capital	**15**		25,248,237		13,248,222
Profit and loss reserves			(14,835,260)		(3,909,648)
Total equity			10,412,977		9,338,574

The financial statements were approved by the board of directors and authorised for issue on 21 March 2022 and are signed on its behalf by:

Mr H W Cho
Director

Company Registration No. 12644243

HANWHA PHASOR LTD.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 3 June 2020		-	-	-
Period ended 31 December 2020:				
Loss and total comprehensive income for the period		-	(3,909,648)	(3,909,648)
Issue of share capital	**15**	13,248,222	-	13,248,222
Balance at 31 December 2020		13,248,222	(3,909,648)	9,338,574
Year ended 31 December 2021:				
Loss and total comprehensive income for the year		-	(10,925,612)	(10,925,612)
Issue of share capital	**15**	12,000,015	-	12,000,015
Balance at 31 December 2021		25,248,237	(14,835,260)	10,412,977

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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1 Accounting policies

Company information

Hanwha Phasor Ltd. is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is 27 Old Gloucester Street, London, WC1N 3AX. The company's principal activities and nature of its operations are disclosed in the director's report.

1.1 Accounting convention

The company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 £.

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

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- comparative narrative information;
- related party disclosures for transactions with the parent or wholly owned members of the group.

The Company's ultimate parent undertaking as at 31 December 2021, Hanwha Corp., includes the Company in its consolidated financial statements. The consolidated financial statements of Hanwha Corp. are available to the public and may be obtained from Hanwha Building 24 Floor 86 Cheonggyecheon-ro, Jung-gu Seoul, 100-797 Korea, Republic of (South).

1.2 Going concern

The director has at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

In addition, Hanwha Systems Co, Ltd., the company's immediate parent undertaking, have confirmed they will continue to provide such financial support as the company requires to enable it to meet its liabilities as they fall due, for a period of at least 12 months from the date that these financial statements are approved.

1 Accounting policies **(Continued)**

1.3 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

1.4 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Patents	20% straight line
Intellectual property	10% straight line

Intellectual property purchased on acquisition does not include any patents.

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:

Right of use assets	Over the term of the lease
Leasehold improvements	Over the term of the lease
Fixtures and fittings	20% straight line
Plant and equipment	20% straight line
Computer 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 recognised in the profit and loss account.

1 Accounting policies **(Continued)**

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

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 Cash at bank and in hand

Cash and cash equivalents 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.

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

1.9 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Accounting policies **(Continued)**

1.10 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.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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.

1.12 Retirement benefits

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

1 Accounting policies **(Continued)**

1.13 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.15 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.

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.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the director is 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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Lease accounting

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

Intellectual property

The director considers the intellectual property acquired from the administration of Phasor Solutions Limited to be relevant to future revenues in respect of the company's product base. As such, and in line with accounting standards, the director has chosen to capitalise this expenditure. The expenditure is then amortised over a 10 year period, this being the director's expectation of the useful economic life.

3 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	768	(1)
Research and development costs	6,147,626	1,770,745
Fees payable to the company's auditor for the audit of the company's financial statements	17,500	21,000
Depreciation of property, plant and equipment	1,023,058	327,099
Amortisation of intangible assets (included within administrative expenses)	540,609	305,765

4 Employees

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

	2021	2020
	Number	Number
Research and development	43	21
Admin and management	13	3
Total	56	24

4 Employees **(Continued)**

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	4,804,054	1,591,440
Social security costs	405,550	197,846
Pension costs	184,682	16,804
	5,394,286	1,806,090

5 Director's remuneration

	2021	2020
	£	£
Remuneration for qualifying services	99,466	-

6 Interest payable and similar expenses

	2021	2020
	£	£
Interest on other financial liabilities:		
Interest on lease liabilities	42,335	17,463

HANWHA PHASOR LTD.

7 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits/(losses) for the current period	(600,000)	(210,000)
Adjustments in respect of prior periods	9,914	-
Total UK current tax	(590,086)	(210,000)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2021	2020
	£	£
Loss before taxation	(11,515,698)	(4,119,648)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(2,187,983)	(782,733)
Effect of expenses not deductible in determining taxable profit	2,030	41,450
Permanent capital allowances in excess of depreciation	(182,624)	(61,824)
Other permanent differences	-	2,619
Under/(over) provided in prior years	9,914	-
R&D expenditure credit taxable amount	151,838	49,873
R&D expenditure credit	(600,000)	(212,619)
Trading losses carried forward	2,216,739	753,234
Taxation credit for the year	(590,086)	(210,000)

The company has taxable trading losses of £15,656,466 to carry forward and utilise against taxable trading profits in future periods.

At 31 December 2021, a potential deferred tax asset was calculated in respect of deductible temporary differences and unused tax losses totalling £2,713,262. This deferred tax asset is not provided in the financial statements on the basis that, in the opinion of the director, it is not probable that taxable profits will be available against which temporary timing differences can be utilised in the foreseeable future.

8 Intangible fixed assets

	Goodwill	Patents	Intellectual property	Total
	£	£	£	£
Cost				
At 31 December 2020	39,886	54,276	5,208,000	5,302,162
Additions	-	65,034	-	65,034
At 31 December 2021	39,886	119,310	5,208,000	5,367,196
Amortisation and impairment				
At 31 December 2020	-	1,965	303,800	305,765
Charge for the period	-	18,417	522,192	540,609
At 31 December 2021	-	20,382	825,992	846,374
Carrying amount				
At 31 December 2021	39,886	98,928	4,382,008	4,520,822
At 31 December 2020	39,886	52,311	4,904,200	4,996,397

Goodwill of £39,886 has not been allocated to a cash generating unit. This is because the Company currently has no cash generating units, but is expected to have in the future.

9 Tangible fixed assets

	Right of use assets	Leasehold improvements	Fixtures and fittings	Plant and equipment	Computer equipment	Total
	£	£	£	£	£	£
Cost						
At 31 December 2020	2,231,274	154,333	44,665	995,438	92,155	3,517,865
Additions	937,293	12,389	141,253	751,049	206,779	2,048,763
At 31 December 2021	3,168,567	166,722	185,918	1,746,487	298,934	5,566,628
Accumulated depreciation and impairment						
At 31 December 2020	217,214	18,147	3,370	79,931	8,437	327,099
Charge for the year	618,621	33,504	17,659	312,832	40,442	1,023,058
At 31 December 2021	835,835	51,651	21,029	392,763	48,879	1,350,157
Carrying amount						
At 31 December 2021	2,332,732	115,071	164,889	1,353,724	250,055	4,216,471
At 31 December 2020	2,014,060	136,186	41,295	915,507	83,718	3,190,766

10 Debtors

	2021	2020
	£	£
Corporation tax recoverable	800,086	210,000
VAT recoverable	356,451	248,039
Other debtors	327,289	205,706
Prepayments and accrued income	1,086,149	291,620
	2,569,975	955,365

11 Creditors

		Due within one year		Due after one year	
		2021	2020	2021	2020
	Notes	£	£	£	£
Creditors	12	1,227,981	546,446	-	-
Taxation and social security		188,971	326,952	-	-
Lease liabilities	13	757,911	450,706	1,774,004	1,716,149
		2,174,863	1,324,104	1,774,004	1,716,149

12 Creditors

	2021	2020
	£	£
Trade creditors	532,715	-
Accruals and deferred income	640,656	494,244
Other creditors	54,610	52,202
	1,227,981	546,446

13 Lease liabilities

At 31 December 2021, under IFRS 16, right of use assets capitalised on the statement of financial position totalled £3,168,657 (2020 - £2,231,274) with lease liabilities of £2,531,915 (2020 - £2,166,855) included in creditors. During the year ended 31 December 2021, the depreciation charge of right of use assets is £618,621 (2020 - £217,214) and interest on lease liabilities is £42,335 (2020 - £17,463).

When measuring lease liabilities, the company discounted lease payments using notional borrowing rates. For the year ended 31 December 2021, the average notional borrowing rate was 1.62% (2020 - 1.54%).

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021	2020
	£	£
Current liabilities	757,911	450,706
Non-current liabilities	1,774,004	1,716,149
	2,531,915	2,166,855

14 Retirement benefit schemes

	2021	2020
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	184,682	16,804

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

15 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	£	£
Issued and fully paid				
Ordinary Shares of £1 each	25,248,237	13,248,222	25,248,237	13,248,222

During the year ended 31 December 2021, 12,000,015 ordinary shares of £1 each were issued at par.

16 Controlling party

The company is a subsidiary undertaking of Hanwha Corp. a company registered in South Korea, which is the ultimate parent undertaking and controlling party.

Hanwha Corp, is the largest and smallest group for which group financial statements are prepared. The financial statements of this group are publicly available from Hanwha Corp.'s registered office Hanwha Building 24 Floor 86 Cheonggyecheon-ro, Jung-gu Seoul, 100-797 Korea, Republic of (South).

The immediate parent undertaking is Hanwha Systems Co, Ltd.