

Company registration number 12644243 (England and Wales)

HANWHA PHASOR LTD.
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

HANWHA PHASOR LTD.

COMPANY INFORMATION

Directors	Mr D W Yoo	
	Mr J Ka	(Appointed 22 February 2023)
Secretary	Mr J Park	
Company number	12644243	
Registered office	27 Old Gloucester Street London United Kingdom WC1N 3AX	
Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ	

HANWHA PHASOR LTD.

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HANWHA PHASOR LTD.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report for the year ended 31 December 2023.

Fair review of the business

As anticipated by the directors, the company reported a loss before taxation of c.£20.8m for the year ended 31 December 2023. 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 directors expect trading activities and results to remain similar into 2024 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 £80m in the company.

Principal risks and uncertainties

The company operates in a fast moving and innovative market which presents both risks and opportunities. The company continues to invest 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 D W Yoo

Director

1 March 2024

HANWHA PHASOR LTD.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Principal activities

The principal activity of the company is the design and development of Electronically-Steered Antenna for satellite communications. Patented technologies and novel inventions are used in the design of electronic hardware and software elements of the antenna. These activities is expected to lead to the production of devices for sale into the commercial aerospace and government industries.

Results and dividends

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

Directors

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

Mr D W Yoo

Mr J Ka

(Appointed 22 February 2023)

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 directors' 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 with minor utilisation of foreign currency bank accounts. The company's funds are held primarily in short term deposit accounts. The directors believe 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.

Going concern

The directors have 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 directors continue to adopt the going concern basis of accounting in preparing the financial statements.

In addition, Hanwha Aerospace Co, Ltd, who hold a 50% interest in the company, have confirmed it 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.

HANWHA PHASOR LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

On behalf of the board

Mr D W Yoo
Director

1 March 2024

HANWHA PHASOR LTD.

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HANWHA PHASOR LTD.

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 2023 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

HANWHA PHASOR LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HANWHA PHASOR LTD.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The 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, taxation legislation and health & safety regulations compliance.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be in the following areas: the override of controls by management, revenue journals, inappropriate treatment of non-routine transactions and areas of estimation uncertainty specifically relating to the carrying value of intangible assets and accounting for leases under IFRS 16. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, review and discussion of non-routine transactions, sample testing on the posting of journals and review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

HANWHA PHASOR LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HANWHA PHASOR LTD.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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

8 March 2024

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

HANWHA PHASOR LTD.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	2022 £
Turnover		-	-
Administrative expenses		(22,185,939)	(17,198,218)
Other operating income		49,615	5,400
Operating loss	3	(22,136,324)	(17,192,818)
Interest receivable and similar income	5	1,361,361	30,426
Interest payable and similar expenses	6	(36,513)	(38,674)
Loss before taxation		(20,811,476)	(17,201,066)
Tax on loss	7	2,217,822	1,040,636
Loss and total comprehensive income for the financial year		(18,593,654)	(16,160,430)

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 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Intangible assets - goodwill	8		39,886		39,886
Other intangible assets	8		3,590,510		4,021,821
Tangible fixed assets	9		3,936,564		3,751,856
			<u>7,566,960</u>		<u>7,813,563</u>
Current assets					
Stocks	10	1,162,900		-	
Debtors	11	4,549,947		2,659,729	
Cash at bank and in hand		25,162,202		3,327,331	
		<u>30,875,049</u>		<u>5,987,060</u>	
Creditors: amounts falling due within one year	12	<u>(3,792,636)</u>		<u>(3,501,841)</u>	
Net current assets			<u>27,082,413</u>		<u>2,485,219</u>
Total assets less current liabilities			<u>34,649,373</u>		<u>10,298,782</u>
Creditors: amounts falling due after more than one year	12		(397,384)		(1,046,235)
Provisions for liabilities					
Other provisions	15		(125,000)		-
Net assets			<u>34,126,989</u>		<u>9,252,547</u>
Capital and reserves					
Called up share capital	17		80,496,474		40,248,237
Share premium account			3,219,859		-
Profit and loss reserves			(49,589,344)		(30,995,690)
Total equity			<u>34,126,989</u>		<u>9,252,547</u>

The financial statements were approved by the board of directors and authorised for issue on 1 March 2024 and are signed on its behalf by:

Mr D W Yoo
Director

Company registration number 12644243 (England and Wales)

HANWHA PHASOR LTD.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 January 2022		25,248,237	-	(14,835,260)	10,412,977
Year ended 31 December 2022:					
Loss and total comprehensive income		-	-	(16,160,430)	(16,160,430)
Transactions with owners:					
Issue of share capital	17	15,000,000	-	-	15,000,000
Balance at 31 December 2022		40,248,237	-	(30,995,690)	9,252,547
Year ended 31 December 2023:					
Loss and total comprehensive income		-	-	(18,593,654)	(18,593,654)
Transactions with owners:					
Issue of share capital	17	40,248,237	3,219,859	-	43,468,096
Balance at 31 December 2023		80,496,474	3,219,859	(49,589,344)	34,126,989

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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, United Kingdom, WC1N 3AX. The company's principal activities and nature of its operations are disclosed in the directors' 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 2023, 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 directors have 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 directors continue to adopt the going concern basis of accounting in preparing the financial statements.

In addition, Hanwha Aerospace Co, Ltd, who hold a 50% interest in the company, have confirmed it 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.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.8 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.

1.9 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.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.10 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.

1.11 Taxation

The tax expense represents the sum of the tax currently payable/(recoverable) and deferred tax.

Current tax

The tax currently payable or recoverable is based on taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss 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 asset or 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.

1.12 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Obligations under an operating lease arise from the date the lease is signed so provision for dilapidations may be made in anticipation of the estimated cost of future repairs and renovations that will need to be met in line with the lease obligations.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.13 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.

1.14 Retirement benefits

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

1.15 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.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.16 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.

1.17 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 directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, 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 directors consider 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 directors have chosen to capitalise this expenditure. The expenditure is then amortised over a 10 year period, this being the directors' expectation of the useful economic life.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

3 Operating loss

	2023	2022
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	26,624	49,856
Research and development costs	15,535,116	11,104,439
Fees payable to the company's auditor for the audit of the company's financial statements	21,200	19,500
Depreciation of property, plant and equipment	1,571,727	1,316,870
Loss on disposal of tangible fixed assets	16,533	3,074
Amortisation of intangible assets (included within administrative expenses)	574,546	552,359
	<u> </u>	<u> </u>

4 Employees

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

	2023	2022
	Number	Number
Research and development	77	61
Admin and management	18	17
Total	<u>95</u>	<u>78</u>

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	7,843,932	6,256,861
Social security costs	801,559	652,210
Pension costs	389,995	274,499
	<u>9,035,486</u>	<u>7,183,570</u>

5 Interest receivable and similar income

	2023	2022
	£	£
Interest income		
Interest on bank deposits	<u>1,361,361</u>	<u>30,426</u>

6 Interest payable and similar expenses

	2023	2022
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities	<u>36,513</u>	<u>38,674</u>

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits/(losses) for the current period	(2,119,000)	(994,502)
Adjustments in respect of prior periods	(98,822)	(46,134)
Total UK current tax	(2,217,822)	(1,040,636)

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

	2023 £	2022 £
Loss before taxation	(20,811,476)	(17,201,066)
Expected tax credit based on a corporation tax rate of 23.50% (2022: 19.00%)	(4,890,697)	(3,268,203)
Effect of expenses not deductible in determining taxable profit	8,053	1,967
Permanent capital allowances in excess of depreciation	(151,300)	(97,420)
Under/(over) provided in prior years	(98,822)	(46,134)
R&D expenditure credit taxable amount	608,090	255,268
R&D expenditure credit	(2,119,000)	(994,502)
Trading losses carried forward	4,425,854	3,108,388
Taxation credit for the year	(2,217,822)	(1,040,636)

Factors that may affect future tax charges

The company has taxable trading losses of £50,843,560 (2022: £32,016,405) to carry forward and utilise against taxable trading profits in future periods.

At 31 December 2023, a potential deferred tax asset was calculated at 25% (2022: 25%) in respect of deductible temporary differences and unused tax losses totalling £12,140,019 (2022: £7,600,490). This deferred tax asset is not provided in the financial statements on the basis that, in the opinion of the directors, it is not probable that taxable profits will be available against which temporary timing differences can be utilised in the foreseeable future.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

8 Intangible fixed assets

	Goodwill	Patents	Intellectual property	Total
	£	£	£	£
Cost				
At 31 December 2022	39,886	212,554	5,208,000	5,460,440
Additions	-	143,234	-	143,234
At 31 December 2023	39,886	355,789	5,208,000	5,603,675
Amortisation and impairment				
At 31 December 2022	-	52,106	1,346,627	1,398,733
Charge for the period	-	53,914	520,632	574,546
At 31 December 2023	-	106,020	1,867,259	1,973,279
Carrying amount				
At 31 December 2023	39,886	249,769	3,340,741	3,630,396
At 31 December 2022	39,886	160,448	3,861,373	4,061,707

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	Plant and equipment	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£	£
Cost						
At 1 January 2023	3,206,804	166,722	2,352,048	262,764	428,696	6,417,034
Additions	435,062	-	1,052,520	101,688	183,698	1,772,968
Disposals	(161,149)	(10,507)	(6,286)	-	(1,109)	(179,051)
At 31 December 2023	3,480,717	156,215	3,398,282	364,452	611,285	8,010,951
Accumulated depreciation and impairment						
At 1 January 2023	1,556,471	87,871	818,964	69,886	131,986	2,665,178
Charge for the year	797,038	34,171	572,484	66,895	101,139	1,571,727
Eliminated on disposal	(145,725)	(10,507)	(6,286)	-	-	(162,518)
At 31 December 2023	2,207,784	111,535	1,385,162	136,781	233,125	4,074,387
Carrying amount						
At 31 December 2023	1,272,933	44,680	2,013,120	227,671	378,160	3,936,564
At 31 December 2022	1,650,333	78,851	1,533,084	192,878	296,710	3,751,856

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

10 Stocks

	2023 £	2022 £
Raw materials and consumables	1,162,900	-

11 Debtors

	2023 £	2022 £
Corporation tax recoverable	2,119,000	994,502
VAT recoverable	346,497	565,538
Amounts owed by fellow group undertakings	187,051	-
Other debtors	267,785	323,967
Prepayments and accrued income	1,629,614	775,722
	<u>4,549,947</u>	<u>2,659,729</u>

12 Creditors

		Due within one year		Due after one year	
	Notes	2023 £	2022 £	2023 £	2022 £
Creditors	13	2,731,989	2,567,867	-	-
Taxation and social security		284,843	175,389	-	-
Lease liabilities	14	775,804	758,585	397,384	1,046,235
		<u>3,792,636</u>	<u>3,501,841</u>	<u>397,384</u>	<u>1,046,235</u>

13 Creditors

	2023 £	2022 £
Trade creditors	611,904	1,240,884
Amounts owed to fellow group undertakings	28,796	-
Accruals and deferred income	1,972,579	1,273,110
Other creditors	118,710	53,873
	<u>2,731,989</u>	<u>2,567,867</u>

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14 Lease liabilities

At 31 December 2023, under IFRS 16, right of use assets capitalised on the statement of financial position totalled £3,480,717 (2022 - £3,206,804) with lease liabilities of £1,173,188 (2022 - £1,804,820) included in creditors. During the year ended 31 December 2023, the depreciation charge of right of use assets is £797,038 (2022 - £720,636) and interest on lease liabilities is £36,513 (2022 - £38,674).

When measuring lease liabilities, the company discounted lease payments using notional borrowing rates. For the year ended 31 December 2023, the weighted average notional borrowing rate was 2.47% (2022 - 1.84%).

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:

	2023 £	2022 £
Current liabilities	775,804	758,585
Non-current liabilities	397,384	1,046,235
	<u>1,173,188</u>	<u>1,804,820</u>

15 Provisions for liabilities

	2023 £	2022 £
Dilapidations	<u>125,000</u>	<u>-</u>
Movements on provisions:		Dilapidations £
Additional provisions in the year		<u>125,000</u>

16 Retirement benefit schemes

Defined contribution schemes	2023 £	2022 £
Charge to profit or loss in respect of defined contribution schemes	<u>389,995</u>	<u>274,499</u>

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.

HANWHA PHASOR LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

17 Share capital

	2023	2022	2023	2022
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	80,496,474	40,248,237	80,496,474	40,248,237

On 28 February 2023, 40,248,237 ordinary shares of £1 each were issued for a total consideration of £43,468,096.

18 Controlling party

At the balance sheet date, the company is jointly owned by Hanwha Systems Co, Ltd (50%) and Hanwha Aerospace Co, Ltd (50%), both entities are registered in South Korea. As neither of the shareholders have a controlling interest in the company, neither are deemed to be a controlling party.

The ultimate parent of the above entities is Hanwha Corp. a company registered in South Korea, which remains the company's 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).

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