

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2021**

**L3 HARRIS AUTONOMOUS SURFACE  
VEHICLES LIMITED**

**MENZIES**

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**L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	S J Evans M R Exeter
<b>Company secretary</b>	D M W Bate
<b>Registered number</b>	03689515
<b>Registered office</b>	Unit 12 Murrils Estate Fareham Hampshire PO16 9RD
<b>Independent auditors</b>	Menzies LLP Chartered Accountants & Statutory Auditor 3000a Parkway Whiteley Hampshire PO15 7FX

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**L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED**

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**CONTENTS**

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	Page
<b>Strategic Report</b>	1 - 3
<b>Directors' Report</b>	4 - 5
<b>Independent Auditors' Report</b>	6 - 9
<b>Statement of Income and Retained Earnings</b>	10
<b>Statement of Financial Position</b>	11
<b>Notes to the Financial Statements</b>	12 - 22

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Business review**

In spite of the headwinds caused by the global pandemic and the impacts of the global supply shortage during much of 2021 ASV managed to achieve revenue growth of 33.5%.

This year on year revenue growth was the result of winning several large programs which commenced in the previous year ensuring a full year of production during 2021.

As with prior years, the push has been to provide customers with new platforms to enable them to utilise ASV's technology for their specific use cases. This continuous development cycle has led to low margins and will continue to do so until ASV's range of core platforms hit's a level that the repeat product sales are significantly higher than the first in class productions. During 2021 we started to see this trend slow down.

**Business strategy**

Our Vision: "Redefining the way the world works at sea"

Our Mission: "Delivering unrivalled autonomous vessel technology to the global community for safer, more efficient operations at sea."

Objectives

1. Deliver financial objectives of year on year double digit growth with positive EBITDA.
2. Grow our teams' capabilities through development of existing members and recruitment.
3. Reward teams with recognition, improved benefits and training and development.
4. Keeping our teams safe by making health and safety part of everything we do.
5. Deliver true innovation.
6. Increase our customer focus by improving deliveries, reliability and support.
7. Increase effectiveness of our organisation by implementing meaningful systems and processes.
8. Support customers to adopt new technologies by shaping industry regulations for the safe use of unmanned technology.

Values

Passion, Honesty, Inquisitiveness, Ownership, Talent, Team Ethos.

Strategy

ASV's strategy has been developed to maintain and build on our position of a global market leader in the USV market. Our strategy is twofold; 1. To help customers to adopt this nascent technology and 2. To be at the forefront of the development of autonomous USV technology.

*Market Development*

Our strategy is to work with users and potential users to understand use cases and potential use cases to help shape future procurement strategies and legislation to facilitate these future opportunities. These activities are significant as the global USV market is estimated to be worth over \$1.5bn, over the next 20 years it is expected that this market will grow to \$10bn. This significant growth and potential upside is dependent on the adoption of this new technology by more users for existing applications such as target drones, MCM, survey, ISR, ASW and more importantly, the adoption of existing and new users for new and emerging applications such as transport.

*Technology Innovation*

We must continue to develop meaningful autonomous technology to allow users and potential users to adopt.

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**Principal risks and uncertainties**

*Technology Innovations*

A failure to continue to develop capabilities ahead of market competition.

This would diminish ASV's position in the market as a market leader, as well as potentially significantly slowing potential technology adoption from new and existing users.

As this affects ASV and the wider USV market, innovation has been highlighted as one of ASV's two core focus areas.

*Customer Adoption*

The risk that customers do not adopt the technology as fast as predicted for existing and potential use cases.

This delay in adoption could significantly impact financials results over the near-term period.

During the year ASV have helped develop MAS regulations through working on steering committees both domestically and internationally as well as working with existing and potential customers to develop use cases for USV's in their existing business models.

*Operations Security and IT Systems*

A compromise of the physical or data security, cyber-attacks or IT systems of the organisation.

Significant reputational risk around compromising security information as well as potential down time because of cyberattacks such as crypto viruses.

ASV has taken a smart approach, both preventative through data security with physical and soft controls as well as corrective approach for cyber security to mitigate any potential downtime because of a compromise.

*Supply Chain*

As a result of Brexit and the pandemic, as with other technology industries, the pressures of supply of certain raw materials and electronic components have increased both lead times and cost increases.

Over the last 12 months ASV has worked with the suppliers downstream to better plan material requirements for next 12 months period.

*Recruitment and Retention*

ASV's competitive advantage comes from the IP generation as a result of its people. The loss of these skills could delay future IP generation resulting in competitive advantage being surrendered to competitors. ASV regularly checks in with its people to ensure that they are fully engaged with their role and responsibilities at ASV.

Management is also in regular communication with staff around the company's Vision and Mission to ensure that its people are aligned with the company's journey.

*Covid-19*

Due to the type of contracts held by the Company and the ability to continue work, the business has been largely unaffected by the global pandemic and it is not expected that this will change. As the revenue growth suggests, the business adapted well in the year to WFH or hybrid workings where jobs allowed and in onsite only jobs, staff adapted well to new safe working practices to ensure that production output was not materially impacted.

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021

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**Financial key performance indicators**

Revenue

2020: £11,875,279

2021: £15,858,335

Growth: 33.5%

As forecasted ASV saw an increase in revenues during the year. This was the result of the commencement of several larger programs including MMCM phase ii and working with Ocean Infinity on their Armada program. This growth rate is forecasted to continue out through 2021.

Order backlog

2020: £37,302,163

2021: £31,326,614

Growth: -16%

As forecasted ASV saw an increase in revenues during the year. This was the result of the commencement of several larger programs including MMCM phase ii and working with Ocean Infinity on their Armada program. This growth rate is forecasted to continue out through 2021.

Staff (at year end)

2020: 98

2021: 110

Growth: 12.2%

This was the third year with new ownership in the form of L3Harris Technologies Inc. and as such was one of consolidation where staff numbers stayed constant despite increasing revenues. This was made possible by drawing down on resources from other group companies and finding other efficiencies of being in a larger group were realised.

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

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**M R Exeter**

Director

Date: 6 April 2023

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## L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their report and the financial statements for the year ended 31 December 2021.

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Results and dividends

The loss for the year, after taxation, amounted to £1,955,746 (2020 - loss £1,378,011).

#### Directors

The directors who served during the year were:

S J Evans  
M R Exeter

#### Future developments

ASV's strategy has been developed to maintain and build on our position of a global market leader in the USV market. Our strategy is twofold;

- To help customers to adopt this nascent technology and
- To be at the forefront of the development of autonomous USV technology.

#### Matters covered in the Strategic Report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report the Company's Strategic Report Information Required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties.

The directors are aware of the matters set out in section 172(1)(a) to (f) (duty to promote the success of the company) when performing their duties and do so appropriately.

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Disclosure of information to auditors**

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

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

**Auditors**

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

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

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**M R Exeter**

Director

Date: 6 April 2023

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED**

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**Opinion**

We have audited the financial statements of L3 Harris Autonomous Surface Vehicles Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 Auditors' 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED  
(CONTINUED)

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**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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.

**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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED  
(CONTINUED)**

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**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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:

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, and general regulations such as health and safety. There are no industry specific laws and regulations which would be deemed to have a significant impact on the financial statements. We assessed the extent of compliance with the appropriate laws and regulations as part of our procedures on the related financial statement items.

We understood how the Company is complying with the legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes.

The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations. The assessment did not identify any issues in this area.

We assessed the susceptibility of the Company financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgments made by management in its significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

As a result of the above procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Posting of unusual journals and complex transactions.
- Misappropriation of funds through fraudulent purchase ledger and payroll activity.
- Manipulation of amounts subject to significant judgment or estimate.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED  
(CONTINUED)

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**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 Auditors' 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.

Andrew Galliers FCA (Senior Statutory Auditor)

for and on behalf of

**Menzies LLP**

Chartered Accountants  
Statutory Auditor

3000a Parkway  
Whiteley  
Hampshire  
PO15 7FX

6 April 2023

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	15,858,335	11,875,279
Cost of sales		(8,938,093)	(5,671,248)
<b>Gross profit</b>		<b>6,920,242</b>	<b>6,204,031</b>
Administrative expenses		(9,091,865)	(7,490,632)
<b>Operating loss</b>	5	<b>(2,171,623)</b>	<b>(1,286,601)</b>
Interest payable and similar expenses	9	(71,333)	(91,410)
<b>Loss before tax</b>		<b>(2,242,956)</b>	<b>(1,378,011)</b>
Tax on loss	10	287,210	-
<b>Loss after tax</b>		<b>(1,955,746)</b>	<b>(1,378,011)</b>
Retained earnings at the beginning of the year		(10,466,224)	(9,088,213)
		(10,466,224)	(9,088,213)
Loss for the year		(1,955,746)	(1,378,011)
<b>Retained earnings at the end of the year</b>		<b>(12,421,970)</b>	<b>(10,466,224)</b>

The notes on pages 12 to 22 form part of these financial statements.

**L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED**  
**REGISTERED NUMBER:03689515**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	11	750	16,750
Tangible assets	12	<b>869,132</b>	<b>864,198</b>
		<u>869,882</u>	<u>880,948</u>
<b>Current assets</b>			
Stocks	13	<b>763,751</b>	536,681
Debtors: amounts falling due within one year	14	<b>6,628,603</b>	7,614,820
Cash at bank and in hand		<b>3,247,582</b>	690,379
		<u>10,639,936</u>	<u>8,841,880</u>
Creditors: amounts falling due within one year	15	<b>(10,020,684)</b>	(9,533,098)
<b>Net current assets/(liabilities)</b>		<u><b>619,252</b></u>	<u>(691,218)</u>
<b>Total assets less current liabilities</b>		<u><b>1,489,134</b></u>	<u>189,730</u>
<b>Net assets</b>		<u><u><b>1,489,134</b></u></u>	<u><u>189,730</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	<b>5,561,665</b>	5,561,661
Share premium account	17	<b>8,349,439</b>	5,094,293
Profit and loss account	17	<b>(12,421,970)</b>	(10,466,224)
		<u><u><b>1,489,134</b></u></u>	<u><u>189,730</u></u>

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

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**M R Exeter**  
 Director

Date: 6 April 2023

The notes on pages 12 to 22 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. General information**

Autonomous Surface Vehicles Limited is a private company limited by shares incorporated in England and Wales. The address of the registered office is disclosed on the company information page. The registered office is also the principal place of business.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

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

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

The following principal accounting policies have been applied:

**2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of L3Harris Technologies Inc. as at 31 December 2021 and these financial statements may be obtained from L3Harris Technologies Inc. 600 Third Avenue, New York, 10016 USA.

**2.3 Going concern**

The Company has net current liabilities as they continue to invest in research and development. The Company is therefore supported by the L3Harris Technologies Inc. group.

For this reason, the Directors continue to adopt the going concern basis of accounting in preparing these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.4 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

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

2.5 Revenue

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

**Sale of goods**

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

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

2.6 Operating leases: the Company as lessee

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.7 Pensions

**Defined contribution pension plan**

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.9 Intangible assets

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

- Development expenditure - 20% straight line

2.10 Research and Development costs

All company-sponsored research and development costs are expensed to the income statement as incurred, and are included within administrative expenses.

2.11 Tangible fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Long-term leasehold property	-	Over the remaining term of the lease
Plant and machinery	-	25% reducing balance, over 2 years for small tools and equipment
Motor vehicles	-	20% reducing balance
Fixtures and fittings	-	25% / 33% reducing balance
Equipment	-	20% reducing balance

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

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

2.12 Stocks

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

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

2.13 Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The main area of accounting estimates are:

**Accrued/deferred income**

There are contracts held which span the period end. At the balance sheet date the project managers review the stage of completion and appropriate levels of revenue are recorded according to the stage of completion.

**Stock provision**

A provision of 67% has been made against all items of stock that have not moved in the past 12 months to allow for the cost of stock obsolescence.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Sale of goods	15,858,335	11,875,279
	<u>15,858,335</u>	<u>11,875,279</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	13,597,354	8,821,755
Rest of Europe	-	450,458
Rest of the world	2,260,981	2,603,066
	<u>15,858,335</u>	<u>11,875,279</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

5. Operating loss

The operating loss is stated after charging:

	2021	2020
	£	£
Research & development charged as an expense	358,031	113,475
Exchange differences	12,271	(429,737)
Other operating lease rentals	399,287	229,038
Profit/loss on sale of tangible assets	<u>-</u>	<u>(37,335)</u>

6. Auditors' remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>18,000</u>	<u>14,150</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

7. Employees

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

	2021	2020
	£	£
Wages and salaries	4,653,340	3,912,510
Social security costs	549,496	505,248
Cost of defined contribution scheme	139,014	127,880
	<u>5,341,850</u>	<u>4,545,638</u>

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

	2021	2020
	No.	No.
Total	<u>110</u>	<u>99</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	163,868	193,026
Company contributions to defined contribution pension schemes	1,758	1,752
	<u>165,626</u>	<u>194,778</u>

9. Interest payable and similar expenses

	2021 £	2020 £
Other loan interest payable	71,333	91,410
	<u>71,333</u>	<u>91,410</u>

10. Taxation

	2021 £	2020 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	(287,210)	-
	<u>(287,210)</u>	<u>-</u>
<b>Total current tax</b>	<u>(287,210)</u>	<u>-</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(287,210)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(2,242,956)</u>	<u>(1,378,011)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(426,162)	(261,822)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,718	142
Adjustments to tax charge in respect of prior periods	(287,210)	-
Other timing differences leading to an increase (decrease) in taxation	52,994	188,945
Deferred tax asset not recognised	881,603	212,094
Changes in tax rates	(513,153)	(139,359)
<b>Total tax charge for the year</b>	<u>(287,210)</u>	<u>-</u>

11. Intangible assets

	Development £
<b>Cost</b>	
At 1 January 2021	16,750
At 31 December 2021	<u>16,750</u>
<b>Amortisation</b>	
Charge for the year on owned assets	16,000
At 31 December 2021	<u>16,000</u>
<b>Net book value</b>	
At 31 December 2021	<u>750</u>
<b>At 31 December 2020</b>	<u>16,750</u>

STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Tangible fixed assets

	Long-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Equipment	Total
	£	£	£	£	£	£
<b>Cost or valuation</b>						
At 1 January 2021	268,243	601,352	41,370	868,436	1,265,100	3,044,501
Additions	-	308,906	-	-	-	308,906
At 31 December 2021	268,243	910,258	41,370	868,436	1,265,100	3,353,407
<b>Depreciation</b>						
At 1 January 2021	228,976	448,097	28,727	567,323	907,180	2,180,303
Charge for the year on owned assets	29,181	46,046	2,529	74,894	151,322	303,972
At 31 December 2021	258,157	494,143	31,256	642,217	1,058,502	2,484,275
<b>Net book value</b>						
At 31 December 2021	10,086	416,115	10,114	226,219	206,598	869,132
At 31 December 2020	39,267	153,255	12,643	301,113	357,920	864,198

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Stocks

	2021 £	2020 £
Finished goods and goods for resale	763,751	536,681
	<u>763,751</u>	<u>536,681</u>

14. Debtors

	2021 £	2020 £
Trade debtors	2,290,935	3,092,648
Other debtors	521,572	300,276
Prepayments and accrued income	582,204	425,393
Amounts recoverable on long term contracts	3,233,892	3,796,503
	<u>6,628,603</u>	<u>7,614,820</u>

15. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	468,267	681,030
Amounts owed to group undertakings	7,207,128	7,106,884
Other taxation and social security	624,539	133,599
Other creditors	92,011	278,730
Accruals and deferred income	1,628,739	1,332,855
	<u>10,020,684</u>	<u>9,533,098</u>

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L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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16. Share capital

	2021	2020
	£	£
<b>Allotted, called up and fully paid</b>		
5,561,665 (2020 - 5,561,661) Ordinary shares of £1.00 each	<u>5,561,665</u>	<u>5,561,661</u>

Each ordinary share has equal voting and dividend rights.

There was an issue of 4 ordinary shares in the period.

17. Reserves

**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

**Profit and loss account**

This reserve records retained earnings and accumulated losses.

18. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately

from those of the Company in an independently administered fund. The pension cost charge represents

contributions payable by the Company to the fund and amounted to £139,014 (2020 - £127,880). Contributions totalling £24,703 (2020 - £21,854) were payable to the fund at the balance sheet date.

19. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£	£
Not later than 1 year	304,105	246,058
Later than 1 year and not later than 5 years	729,400	606,532
	<u>1,033,505</u>	<u>852,590</u>

20. Parent company

L3Harris Technologies Inc. a company listed on the NYSE owns 100% of the capital of ASV Global LLC, the Parent company of Autonomous Surface Vehicles Limited. The registered office of L3Harris Technologies Inc. is 600 Third Avenue, New York, 10016 USA.



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