

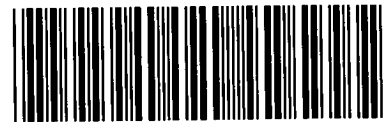
Company Registration No. 00173103 (England and Wales)

**L3HARRIS COMMUNICATIONS SYSTEMS UK  
LIMITED**

**(FORMERLY HARRIS SYSTEMS LIMITED)**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED  
31 DECEMBER 2021**

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**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
COMPANY INFORMATION**

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<b>Director</b>	Mr K N Norton
<b>Company number</b>	00173103
<b>Registered office</b>	Unit 1 Dingley Way Farnborough Hampshire GU14 6FF United Kingdom
<b>Auditor</b>	Ernst & Young LLP R+ Building 2 Blagrove Street Reading RG1 1AZ

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**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
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**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
STRATEGIC REPORT  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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The director presents the strategic report for the 52 weeks ended 31 December 2021.

**Fair review of the business**

The principal activity of the company is providing solutions for military and government organisations in the field of encrypted tactical radio communications (CS) and precision approach radar (SAS), through the development, manufacture, supply and field service support of a range of products.

**Key performance indicators**

As part of the budgetary process, key performance indicators around areas such as debtors and creditors are set, in order to effectively manage the working capital of the company. These are reviewed on a monthly basis and appropriate actions taken as required. Rigorous attention is always paid to cash collections. The company has a strict policy to treat its suppliers respectfully, and not to take advantage by delaying payment. As a result, working capital targets set in the company's Annual Operating Plan have been achieved.

The key financial and other indicators during the year were as follows:

	<b>52 weeks ended</b>	<b>52 weeks ended</b>
	<b>31 December 2021</b>	<b>1 January 2021</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	35,232	41,525
Operating profit	5,075	4,025
Profit after tax	7,033	16,861
Shareholders funds	42,612	70,739
Current assets as a % of current liabilities	(120%)	(116%)
Average number of employees	157	157
Net trade receivable days	46 days	37 days
Net trade payables days	6 days	11 days

# L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED (FORMERLY HARRIS SYSTEMS LIMITED) STRATEGIC REPORT (CONTINUED)

FOR THE 52 WEEKS ENDED 31 DECEMBER 2021

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Turnover decreased significantly mainly due to CY20 enhanced HCDR radios ordered by the Danish MOD for £6M. The termination of the LSSP (Logistic support) contract with MoD in March 2021 and the delay in awarding the new LSC (Logistic Support contract) Contract in June 2021 also contributed to the decrease in CY21.

Operating profit increased by £1.0m due to the higher margin from the new LSC contract. Profit after tax decreased by £9.8m from FY20 due to a gain on sale of business in FY20.

Non-UK subsidiaries held as investments of £38.0m were disposed of through Project Calibrate restructuring via a dividend in specie to the parent company. These subsidiaries within the distribution were Harris Communications GmbH, a company incorporated under the laws of Germany, Harris Communications S L, a company incorporated under the laws of Spain and Harris Communications Limited incorporated under the laws of Hong Kong.

A further dividend of £2.2m was paid to the parent company.

Current assets consist of amounts owed by group undertakings recallable on demand, debtors, cash equivalents and stocks. Current liabilities consist of amounts owed to group undertakings recallable on demand, trade creditors and other accruals and deferred income. Change in % is mainly driven by decrease in amounts owed to group undertaking during the year as well as an improved process for paying creditors thus driving down current liabilities.

## Research and development

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

## Future developments

The future developments of the company have been set out in the Strategic report.

## Principal risks and uncertainties

The company continued to experience challenging market conditions in Europe during the year whilst maintaining high quality products and services to existing customers. These are not new risks but are managed via excellent relationships between the company and its customer base which has evolved through high levels of customer care and a comprehensive after sales support service. The participation in such markets is often subject to uncertain economic conditions, which makes it difficult to estimate growth and as a result, future income and expenditures. Our future success depends upon our ability to develop new products that achieve market acceptance. Third parties have claimed in the past and may claim in the future that we are infringing directly or indirectly upon their intellectual property rights, and third parties may infringe upon our intellectual property rights.

The defence industry is highly regulated, and the company has demonstrated compliance with UK and US legislation in this area. Of note is the ongoing extensive training programme on the US ITAR and FCPA legislative requirements. Increased pressure in terms of compliance with ever increasing environmental and health and safety regulations is a risk managed principally by the presence of specialized in-house advisers who work to ensure best practice. We have also noted that the UK government's budget for defense has minimal impact on the company.

In order to be successful, we must attract and retain key employees, and failure to do so could seriously harm the brand.

The company could be negatively impacted by a security breach, through cyberattack, cyber intrusion or otherwise, or other significant disruption of our IT network and related systems. As a communications provider, and particularly as a government contractor, we face heightened risk of security breaches or disruption from threats to gain unauthorised access. Although significant effort is made to maintain the security and integrity of our IT systems, it is virtually impossible to entirely mitigate this risk.

In the period to 31 December 2021 the impact of Brexit to business operations was relatively low since our commercial arrangements are predominantly with other UK companies. As we move into 2022 we will actively monitor developments regarding Brexit with additional focus towards managing supply chain risk. Given the size of the company, the director has not delegated the responsibility of monitoring financial risk management to a subcommittee of the board. The policies set by the director in conjunction with the corporate management team of the parent company are implemented by the company's finance department's stringent internal reporting that ensures that finance managers can maintain a vigilant review over such financial risks.

The current geopolitical events relating to the Ukrainian war do not present a risk to L3Harris UK.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
STRATEGIC REPORT (CONTINUED)**

**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**Cash flow and liquidity risks**

The generation of cash is one of the company's key measurements and is closely monitored both locally, and by our US parent company. The cash flow income from our commercial activities is sufficient to meet the going concern of the company, and excess cash balances are routinely repatriated to our US parent in order to meet corporate objectives.

**Credit risk**

While the company has an intercompany loan that is payable it also has loans that are receivable, both of which are managed by the treasury team at parent company level. The company does not have a requirement for further loans or overdraft facilities to support the business. The company monitors its external debtors closely, and each new customer is analysed individually for creditworthiness.

**Price and foreign exchange risk**

The company does experience exposure to price risk including inflation and the impact of foreign exchange which can impact the cost of performing fixed price contracts. The company manages this on a case by case basis.

**Interest rate risk**

The company has intercompany loans both receivable and payable, with interest rates applied at arms length, and these are managed by the treasury team at parent company level. Therefore, the risk to the company is considered to be low.

# L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED (FORMERLY HARRIS SYSTEMS LIMITED) STRATEGIC REPORT (CONTINUED)

FOR THE 52 WEEKS ENDED 31 DECEMBER 2021

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## **Section 172 statement**

This statement contains an overview of how the directors have performed their duty to promote the success of the company as set out in section 172 (1) of the UK's Companies Act 2006. That section requires a director of a company to act in a way he/she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the directors must have regard, amongst other matters, to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly

## *Decision making*

L3Harris Communications Systems UK Limited (CSUK) comprises of two distinct business units which report into different segments within L3Harris Technologies, Inc. the ultimate parent company; Tactical Communications into the Communication Systems segment and Radar support into the Space and Intelligence segment. Each segment is responsible for developing their own strategy, which is communicated to employees via a strategic roadmap which outlines the current year priorities.

On an annual basis, CSUK produces a strategic growth plan (SGP) which identifies key growth pursuits across all segments and assesses the resourcing required to execute. The SGP determines a series of annual financial targets which are measured and reviewed on a quarterly basis by the director and senior leadership team. A full assessment of all business risks and opportunities is undertaken as part of this review which considers the business, our employees, stakeholders and the environment in order to focus on the impact of the decision making.

All decision making is made in adherence to L3Harris Technologies corporate policy, and the procedures detailed in CSUK's Quality Management System (QMS).

## *Employees*

During 2021 and the continuation of the Covid-19 pandemic, the primary focus of the director and senior leadership team was the health and wellbeing of its employees. The company continued to investment in risk assessment and health and safety measures so that staff required to work on site could do so safely. A large proportion of the staff population held roles suitable for remote working with productivity remaining high. Regular updates were communicated from the director to keep them informed of any developments.

Employee engagement remains a priority for the company, and all managers have been tasked with developing action plans which address any areas for improvement identified by their respective teams during the previous employee engagement survey. The director and senior leadership team regularly host employee all hands meetings to communicate company performance, raise awareness and understanding of strategic direction and provide any other relevant updates. In addition, a monthly operations newsletter is distributed to all staff electronically.

The company gave particular consideration to the mental health of its workforce by hosting a Mental Health Wellness Week, which promoted positive messages about mental health and made a wide range of resources and activities available to employees.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
STRATEGIC REPORT (CONTINUED)**

**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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*Fostering business relationships with suppliers, customers and other*

The director and senior leadership team recognises that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the company's success. The company strives to maintain close relationships with its customers, suppliers and industry partners in order to stay agile in a fast-paced market.

The company considers themselves a collaborative organisation and have documented our approach with a view to achieving formal certification to ISO 44001, Collaborative business relationship management systems. This will enable us to leverage existing relationships with our customers who are already certified to ISO 44001.

The company's procurement and supply chain function works with its approved suppliers and their supply chains to provide goods and services that meet its customers' requirements. The company's supplier relationships are often long-term due to the length of the product life cycles and our senior leaders, including Quality Management, actively engage with key suppliers in order to develop and maintain deeper relationships with their counterparts. This is a key activity which helps us to proactively identify long lead time issues and supplies at risk of obsolescence.

*The community and the environment*

The company regards its responsibility towards corporate sustainability as a growing priority, and commits to contributing to L3Harris Technologies corporate 2026 targets of:

- 30% reduction to greenhouse gasses
- 20% water use reduction
- 75% solid waste diversion

The director and senior leadership team recognise that the company has an impact on the environment through its energy and resource consumption, and generation of waste. As a result, the L3Harris e3 business operating system is one of our strategic priorities and provides a framework for continuous improvement. Results of improvements are tracked and reported on. The company has also prepared and fulfilled obligations for Streamlined Energy and Carbon Reporting (SECR).

Charitable initiatives are encouraged and organised through our Sports & Social committee. During the year the company hosted various events which raised funds for several charitable organisations.

*Maintaining a reputation for high standards of business conduct*

Reinforcing the company's strong commitment to living our values of integrity, excellence and respect at all times is formally communicated via our Code of Conduct. The Code of Conduct summarises our essential policies, laws and regulations that all employees need to know, and is a guide to ethical decision making. Following the Code of Conduct is mandatory to all employees, contractors and vendors with all violations taken seriously and disciplinary action considered if appropriate. The Code of Conduct is supported by an L3Harris helpline which provides an anonymous mechanism for seeking guidance and raising concerns.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
STRATEGIC REPORT (CONTINUED)**

**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**COVID-19**


The company's leadership team has continued to assess the impact of the COVID-19 viral pandemic on the Business, its employees, its customers, the supply chain and the cashflow. "What if" scenario modelling such as considering the effects of possible delayed projects and required shut down for a period of time as a result of the pandemic were undertaken. With the information available at the time of review has confirmed the company has significant financial resources and is in a strong position to deal with the economic impact. The possible effects of management scenario modelling have been reviewed and aside from an immaterial movement in revenue and profit to subsequent periods, management do not see any sustained material impact.

Our UK major customers remained open and the UK Ministry of Defence requested a continuity in tactical radio support services making the company a key supplier in public safety and national security. Factory volumes remained strong throughout calendar year 2022 and the company has not experienced significant adverse communications or issues with current supply of products. The procurement team are routinely checking the supply chain for adversities and are taking the necessary mitigating action to de-risk product sourcing.

**Post balance sheet events**

For further information regarding post balance sheet events, see Note 25:

On behalf of the board



Mr K N Norton  
Director

Date: 21st December 2022

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
DIRECTOR'S REPORT**

**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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The director presents his annual report and financial statements for the 52 weeks ended 31 December 2021.

**Principal activities**

The principal activity of the company continued to be that of providing solutions for military and government organisations in the field of encrypted tactical radio communications (CS) and precision approach radar (SAS), through the development, manufacture, supply and field service support of a range of products.

During the reporting period, the company was registered as Harris Systems Limited. After the reporting date, the company name was changed to L3Harris Systems UK Limited on 7 January 2022, and then subsequently changed to L3Harris Communications Systems UK Limited on 12 January 2022.

**Results and dividends**

The results for the 52 weeks are set out on page 14.

Dividends were declared in the period amounting to £40,171,109 (2020: £nil). The director does not recommend payment of a further dividend.

**Director**

The director who held office during the 52 weeks and up to the date of signature of the financial statements was as follows:

Mr K N Norton

**Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its director during the 52 weeks. These provisions remain in force at the reporting date.

**Auditor**

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
DIRECTOR'S REPORT (CONTINUED)**

**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

**Energy and carbon reporting**

Information has been presented for L3Harris Communications Systems UK Limited in accordance with the government legislation implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019 on Streamlined Energy and Carbon Reporting (SECR).

L3Harris Communications Systems UK Limited 2021 reporting	Unit of Measurement	Emission Scope	Current Reporting Period 2nd Jan 2021 to 31st Dec 2021	Comparative Reporting Period 4th Jan 2020 to 1st Jan 2021
Emission from gas / Consumption of Gas	(tCO2e)	1	16.20	21.41
Emission from Consumption of Fuel for Transport Purposes	(tCO2e)	1	31.66	18.25
Emissions from purchased electricity, location-based	(tCO2e)	2	329.44	403.21
Emission from business travel in rental cars or employee owned vehicles where the company is responsible for purchasing the fuel	(tCO2e)	3	52.89	27.20
Energy consumption used to calculate Emissions / kWh			87,846.00	116,444.44
<b>TOTAL Gross emissions in metric tonnes Co2 based on above</b>	<b>(tCO2e)</b>		<b>345.85</b>	<b>470.06</b>
Intensity ratio: tCO2e Gross figure / Square Footage (72,200)			0.0055	0.0065
Intensity ratio: tCO2e Gross figure per Employee (157)			2.639	2.9940
<b>Methodology:</b> This report follows HMG environmental reporting Guidelines and have used the GHG reporting protocol and UK Government's Conversion factors for company reporting.				
<b>Energy Efficiency Actions:</b> The amount of reduced repair work during 2021 was affected by contractual complications between L3Harris Communications Systems UK Limited and Babcock delaying the ability to turn work around at expected/contractual levels. This may have an impact on the 2022 data analysis in a consumption upwards trend.  Measures taken and to be taken to improve efficiency are: 1. Identify the energy saving opportunities (Electricity) from the data collected by the Green Belt project 2021/22. 2. Managers & supervisors to review unscheduled walkarounds ensuring that non essential electrical items are switched off. 3. Establish a Sustainability Group to look for energy saving opportunities.				

**Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and principal risks and uncertainties.

**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, each director has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
DIRECTOR'S REPORT (CONTINUED)**

**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**Business relationships**

The director has had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Further detail is outlined in the Section 172 statement in the Strategic Report.

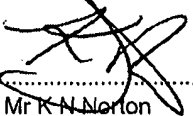
**Going concern**

The director has undertaken an assessment of the company's ability to continue as a going concern including a review of detailed cash flow models and forward-looking projections. The company is considered to provide an essential service and has significant cash balances and no external debt. The company's major customers remain open at present and have requested a continuity in services making the company a key supplier in public safety and national security. Factory volumes in the first three quarters of calendar year 2022 have been strong and the company has not experienced significant adverse communications or issues with current supply of products. The procurement team are routinely checking the supply chain for adversities and are taking the necessary mitigating action to de-risk product sourcing, which is a global supply chain issue due to the COVID-19 aftermath.

The company is dependent upon the continued support from L3Harris Technologies, Inc., who have provided a written confirmation of their willingness to provide financial support to the company for the foreseeable future, defined as until 31 December 2023.

Although it is difficult to determine the full impacts on the company's trading environment, the director has considered forecast information and believes that it remains appropriate to prepare the financial statements on a going concern basis until 31 December 2023. As such, the director continues to adopt the going concern basis of accounting.

On behalf of the board



Mr K N Norton  
Director

Date: 21<sup>st</sup> December 2022

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
DIRECTOR'S RESPONSIBILITIES STATEMENT  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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The director is responsible for preparing the Strategic Report and the Director's Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance
- In respect of the company financial statements, state whether FRS 102 has 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 group and company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED

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## Opinion

We have audited the financial statements of L3Harris Communications Systems UK Limited for the period 2 January 2021 to 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes In Equity and the related notes 1 to 26, 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 FRS 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 profit for the period 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included evaluating forecasts for a period of twelve months from when the financial statements are authorised for issue.

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 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED (CONTINUED)**

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### **Opinions 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 director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED (CONTINUED)

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- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Companies Act 2006, Bribery Act 2010, Money Laundering regulations and relevant tax compliance regulations in the United Kingdom.
- We understood how L3Harris Communications Systems UK Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through the review of the following documentation or completion of the following procedures:
  - Review of all minutes of board meetings held during the period and through to the most recent meeting held prior to the approval of these financial statements;
  - Review of accounting policies and completion of a disclosure checklist to assess compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Company law requirements;
  - Review of any relevant correspondence with local tax authorities; and
  - Review of any relevant correspondence received from regulatory bodies
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by holding a discussion within the audit team which included identification of related parties, understanding the company's business, the control environment and assessing the inherent risk for relevant assertions at the significant account level. We also held discussions with management and those charged with governance to gain an understanding of those areas of the financial statements which are susceptible to fraud, as identified by management. Following these procedures, we identified a risk of management override of control and risk of inappropriate revenue recognition. We then considered the controls that the company established to address the risks identified or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level of controls and policies that the company applies.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing of journal entries, with focus on journals indicating large or unusual transactions, significant post period-end adjustments or meeting our defined risk criteria based on our understanding of the business, reviewing accounting estimates for evidence of management bias and enquiries of senior members of the management team regarding their knowledge of any instances of non-compliance with laws and regulations that could impact the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

### Use of our report

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

Kate Allen (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Chartered Accountants  
R+ Building  
2 Blagrove Street  
Reading  
RG1 1AZ  
21st December 2022

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED**  
**(FORMERLY HARRIS SYSTEMS LIMITED)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

	Notes	52 weeks ended 31 December 2021 £'000	52 weeks ended 1 January 2021 £'000
Turnover	3	35,232	41,525
Cost of sales		(18,136)	(23,551)
<b>Gross profit</b>		<b>17,096</b>	<b>17,974</b>
Administrative expenses		(12,021)	(13,949)
<b>Operating profit</b>	<b>6</b>	<b>5,075</b>	<b>4,025</b>
Loss on disposal of subsidiaries	6	-	(16,100)
Income from fixed asset investments	8	-	28,616
Interest receivable and similar income	8	2,068	3,143
Interest payable and similar expenses	9	(1,735)	(2,959)
Other finance income	10	1,747	132
<b>Profit before taxation</b>		<b>7,155</b>	<b>16,857</b>
Tax on profit	11	(122)	4
<b>Profit for the financial 52 weeks</b>		<b>7,033</b>	<b>16,861</b>
<b>Other comprehensive income net of taxation</b>			
Remeasurement gain on defined benefit pension schemes		6,682	1,795
Tax relating to other comprehensive income		(1,671)	(341)
<b>Total comprehensive income for the 52 weeks</b>		<b>12,044</b>	<b>18,315</b>

All amounts are derived from continuing operations.

Total comprehensive income for the year is all attributable to the owners of the parent company.

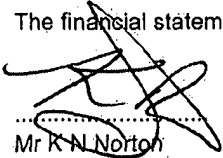
The notes on pages 17 - 36 form part of these financial statements.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED**  
**(FORMERLY HARRIS SYSTEMS LIMITED)**  
**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2021

	Notes	31 December 2021		1 January 2021	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	13		7,242		7,484
Investments	14		-		38,002
			<u>7,242</u>		<u>45,486</u>
<b>Current assets</b>					
Stocks	16	2,108		940	
Debtors	17	143,096		141,209	
Cash at bank and in hand		7,941		4,383	
		<u>153,145</u>		<u>146,532</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(127,735)</u>		<u>(126,704)</u>	
<b>Net current assets</b>			<u>25,410</u>		<u>19,828</u>
<b>Total assets less current liabilities</b>			<u>32,652</u>		<u>65,314</u>
<b>Provisions for liabilities</b>					
Provisions	19	(1,369)		(1,662)	
Deferred tax liability	20	(3,209)		(1,175)	
		<u>(4,578)</u>		<u>(2,837)</u>	
<b>Net assets excluding pension surplus</b>			<u>28,074</u>		<u>62,477</u>
<b>Defined benefit pension surplus</b>	21		<u>14,538</u>		<u>8,262</u>
<b>Net assets</b>			<u><u>42,612</u></u>		<u><u>70,739</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		9,680		9,680
Profit and loss reserves	23		32,932		61,059
<b>Total equity</b>			<u><u>42,612</u></u>		<u><u>70,739</u></u>

The financial statements were approved and signed by the director and authorised for issue on .....



Mr K N Norton

Director

21st DECEMBER 2022

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED**  
**(FORMERLY HARRIS SYSTEMS LIMITED)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 4 January 2020</b>		9,680	224,544	(181,800)	52,424
<b>Period ended 1 January 2021:</b>					
Profit for the period		-	-	16,861	16,861
Other comprehensive income net of taxation:					
Actuarial gains on defined benefit plans		-	-	1,795	1,795
Tax relating to other comprehensive income		-	-	(341)	(341)
Total comprehensive income for the period		-	-	18,315	18,315
Capital reductions		-	(224,544)	224,544	-
<b>Balance at 1 January 2021</b>		9,680	-	61,059	70,739
<b>Period ended 31 December 2021:</b>					
Profit for the period		-	-	7,033	7,033
Other comprehensive income net of taxation:					
Remeasurement gains on defined benefit plans		-	-	6,682	6,682
Tax relating to other comprehensive income		-	-	(1,671)	(1,671)
Total comprehensive income for the period		-	-	12,044	12,044
Dividends	12	-	-	(40,171)	(40,171)
<b>Balance at 31 December 2021</b>		9,680	-	32,932	42,612

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**1 Accounting policies**

**Company information**

L3Harris Communications Systems UK Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Unit 1 Dingley Way, Farnborough, Hampshire, United Kingdom, GU14 6FF.

The company's principal activities and nature of its operations are disclosed in the Director's Report.

During the reporting period, the company was registered as Harris Systems Limited. After the reporting date, the company name was changed to L3Harris Systems UK Limited on 7 January 2022, and then subsequently changed to L3Harris Communications Systems UK Limited on 12 January 2022.

**Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

L3Harris Communications Systems UK Limited is a wholly owned subsidiary of L3Harris Technologies, Inc. The results of L3Harris Communications Systems UK Limited are included in the consolidated financial statements of L3Harris Technologies, Inc. which are available from 1025 West NASA Blvd, Melbourne, FL 32919, USA and also via the company website.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**1 Accounting policies (Continued)**

**Going concern**

The director has undertaken an assessment of the company's ability to continue as a going concern including a review of detailed cash flow models and forward-looking projections. The company is considered to provide an essential service and has significant cash balances and no external debt. The company's major customers remain open at present and have requested a continuity in services making the company a key supplier in public safety and national security. Factory volumes in the first three quarters of calendar year 2022 have been strong and the company has not experienced significant adverse communications or issues with current supply of products. The procurement team are routinely checking the supply chain for adversities and are taking the necessary mitigating action to de-risk product sourcing, which is a global supply chain issue due to the COVID-19 aftermath.

The company is dependent upon the continued support from L3Harris Technologies, Inc., who have provided a written confirmation of their willingness to provide financial support to the company for the foreseeable future, defined as until 31 December 2023.

Although it is difficult to determine the full impacts on the company's trading environment, the director has considered forecast information and believes that it remains appropriate to prepare the financial statements on a going concern basis until 31 December 2023. As such, the director continues to adopt the going concern basis of accounting.

**Reporting period**

The current information represents the period from 2 January 2021 to 31 December 2021. The comparative information represents the period 4 January 2020 to 1 January 2021.

**Turnover**

Turnover 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. Turnover 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 turnover is recognised:

**Sale of goods**

Turnover 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.

**Rendering of services**

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

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

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**1 Accounting policies (Continued)**

**Long term contracts**

In respect of long-term contracts, turnover is recognised using the percentage-of-completion method when reliable estimates are available. The company measures the value of the effort to satisfy performance obligations in accordance with the cost to cost input method calculation. Estimated costs to complete are evaluated at regular intervals and any adjustments calculated using the cumulative catch-up method.

Where the outcome of the long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the statement of comprehensive income as the difference between the reported turnover and related costs for that contract, less provision for any known or anticipated losses.

**Research and development expenditure**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

**Tangible fixed assets**

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

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

Short-term leasehold property	Over the remaining useful life of the lease
Assets under construction - Leasehold improvements	Not depreciated
Plant and machinery	3-7 years straight line

Assets under construction are stated at cost and are not depreciated.

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

**Fixed asset investments**

Interests in subsidiaries and associates are measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

**Impairment of fixed assets**

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

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**1 Accounting policies (Continued)**

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.

**Stocks**

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

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

**Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand.

**Financial Instruments**

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

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

**Basic financial assets**

Basic financial assets, which include trade and other debtors, cash and bank balances and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

**Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, and amounts owed to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**1 Accounting policies (Continued)**

**Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company. Dividends in specie are accounted for in line with dividends, but are non-cash dividends.

**Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries and associates, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

**Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**Employee benefits**

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

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.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**1 Accounting policies (Continued)**

**Retirement benefits**

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to profit or loss in the year they are payable.

The company also operates a defined benefit pension scheme. The amount charged to profit or loss in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from the cost. The interest cost and expected returns on assets are included with other finance costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the statement of financial position are recognised in the statement of comprehensive income.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bond of equivalent term and currency. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

**Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

**Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

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**2 Judgements and key sources of estimation uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

In preparing these financial statements, the director has made the following judgements:

***Impairment***

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

***Risk***

Accounting for contracts requires judgement relative to assessing risks, including unfavourable resolutions of claims and contractual matters, judgements associated with estimating contract revenue and costs, and assumptions for schedule and technical issues due to the size and nature of many of the contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. For example, we must make assumptions regarding: (i) the length of time to complete the contract because costs also include expected increases in wages and prices for materials; (ii) incentives or penalties related to performance on contracts in estimating revenue and profit rates and record them when there is sufficient information for us to assess anticipated performance; and (iii) estimates of award fees in estimating revenue and profit rates based on actual anticipated awards.

**Key sources of estimation uncertainty**

Other key sources of estimation uncertainty:

***Tangible fixed assets***

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

***Investments***

The most critical estimates, assumptions and judgements relate to the determination of carrying value of unlisted investments at fair value through profit and loss. In determining this amount, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

***Operating lease commitments***

The company has entered into commercial property leases as lessee and also to obtain use of office equipment. The classification of such leases as operating or financial lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED**  
**(FORMERLY HARRIS SYSTEMS LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

<b>3</b>	<b>Turnover</b>	<b>31 December</b> <b>2021</b> <b>£'000</b>	<b>1 January</b> <b>2021</b> <b>£'000</b>
	<b>Turnover analysed by revenue type</b>		
	Tactical radio communications (product sales)	15,794	24,108
	Precision approach radar (services)	7,528	4,215
	Intercompany	11,910	13,202
		<u>35,232</u>	<u>41,525</u>
		<u><u>35,232</u></u>	<u><u>41,525</u></u>
		<b>31 December</b> <b>2021</b> <b>£'000</b>	<b>1 January</b> <b>2021</b> <b>£'000</b>
	<b>Turnover analysed by geographical market</b>		
	United Kingdom	20,951	19,894
	Rest of Europe	2,498	8,465
	Rest of the world	11,783	13,166
		<u>35,232</u>	<u>41,525</u>
		<u><u>35,232</u></u>	<u><u>41,525</u></u>

**4** **Employees**

The average monthly number of persons (including the director) employed by the company during the 52 weeks was:

	<b>31 December</b> <b>2021</b> <b>Number</b>	<b>1 January</b> <b>2021</b> <b>Number</b>
Administration	30	33
Selling and distribution	33	31
Manufacturing and support	94	93
	<u>157</u>	<u>157</u>
	<u><u>157</u></u>	<u><u>157</u></u>

Their aggregate remuneration comprised:

	<b>31 December</b> <b>2021</b> <b>£'000</b>	<b>1 January</b> <b>2021</b> <b>£'000</b>
Wages and salaries	10,223	9,654
Social security costs	1,706	1,518
Pension costs	1,610	2,049
	<u>13,539</u>	<u>13,221</u>
	<u><u>13,539</u></u>	<u><u>13,221</u></u>

**L3HARRIS COMMUNICATIONS SYSTEMS UK LIMITED  
(FORMERLY HARRIS SYSTEMS LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE 52 WEEKS ENDED 31 DECEMBER 2021**

**4 Employees (Continued)**

Included in the pension cost of £1,610,000 (1 January 2021: £2,049,000) is £870,000 (1 January 2021: £1,383,000) in relation to the defined benefit pension scheme and £740,000 (1 January 2021: £666,000) relating to the defined contribution scheme.

At the period end, the company had an no outstanding balance in relation to the defined contribution pension scheme (1 January 2021: £nil).

**5 Director's remuneration**

	31 December 2021 £'000	1 January 2021 £'000
Remuneration for qualifying services	309	269

Remuneration disclosed above include the following amounts paid to the highest paid director:

	31 December 2021 £'000	1 January 2021 £'000
Remuneration for qualifying services	309	269

The director of the company is also a director or officer of other companies within the L3Harris Technologies, Inc group. These director's services to the company do not occupy a significant amount of his time.

**6 Operating profit**

	31 December 2021 £'000	1 January 2021 £'000
Operating profit for the period is stated after charging/(crediting):	£'000	£'000
Exchange differences	(908)	857
Research and development costs	51	-
Depreciation of owned tangible fixed assets	623	759
Other operating lease rentals (property)	1,018	1,242
Other operating lease rentals (other)	64	60
Loss on disposal of subsidiaries	-	16,100

**7 Auditor's remuneration**

	31 December 2021 £'000	1 January 2021 £'000
Fees payable to the company's auditor and its associates:	£'000	£'000
<b>For audit services</b>		
Audit of the financial statements of the company	36	36
<b>For other services</b>		
Taxation compliance services	11	-

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8	Interest receivable and income from fixed asset investments	31 December 2021 £'000	1 January 2021 £'000
	Interest income		
	Loans to group undertakings	2,068	3,143
		<u>          </u>	<u>          </u>
	<b>Income from fixed asset investments</b>		
	Dividends received	-	28,616
		<u>          </u>	<u>          </u>
9	Interest payable and similar expenses	31 December 2021 £'000	1 January 2021 £'000
	<b>Interest on financial liabilities measured at amortised cost:</b>		
	Loans from group undertakings	1,735	2,959
		<u>          </u>	<u>          </u>
10	Other finance income	31 December 2021 £'000	1 January 2021 £'000
	Interest income on pension assets	1,039	1,325
	Interest costs on pension obligations	(932)	(1,193)
	Sundry income	1,640	-
		<u>          </u>	<u>          </u>
		1,747	132
		<u>          </u>	<u>          </u>
11	Taxation	31 December 2021 £'000	1 January 2021 £'000
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	1	3
	Adjustments in respect of prior periods	(242)	(99)
	Total current tax	(241)	(96)
		<u>          </u>	<u>          </u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	363	92
		<u>          </u>	<u>          </u>
	Total tax charge/(credit)	122	(4)
		<u>          </u>	<u>          </u>

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**11 Taxation (Continued)**

The total tax charge/(credit) for the 52 weeks included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	31 December 2021 £'000	1 January 2021 £'000
Profit before taxation	7,155	16,857
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (1 January 2021: 19.00%)	1,359	3,203
Tax effect of expenses that are not deductible in determining taxable profit	66	21,950
Tax effect of income not taxable in determining taxable profit	-	(24,293)
Effect of change in corporation tax rate	368	-
Group relief	(1,420)	-
Other permanent differences	-	(911)
Under/(over) provided in prior years	(251)	47
Taxation charge/(credit) for the period	122	(4)

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 21.

In addition to the amount charged/(credited) to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	31 December 2021 £'000	1 January 2021 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	1,671	341

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**12 Dividends**

	31 December 2021 £'000	1 January 2021 £'000
Dividend in specie	38,002	-
Dividends paid	2,169	-
	<u>40,171</u>	<u>-</u>

The dividend in specie above was declared to the parent company and was satisfied by the distribution of the company's investments in subsidiaries.

**13 Tangible fixed assets**

	Short-term leasehold property £'000	Assets under construction - Leasehold improvements £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
At 2 January 2021	14,527	132	4,363	19,022
Additions	-	108	273	381
Transfers	132	(132)	-	-
At 31 December 2021	<u>14,659</u>	<u>108</u>	<u>4,636</u>	<u>19,403</u>
<b>Depreciation and impairment</b>				
At 2 January 2021	7,666	-	3,872	11,538
Depreciation charged in the 52 weeks	448	-	175	623
At 31 December 2021	<u>8,114</u>	<u>-</u>	<u>4,047</u>	<u>12,161</u>
<b>Carrying amount</b>				
At 31 December 2021	<u>6,545</u>	<u>108</u>	<u>589</u>	<u>7,242</u>
At 1 January 2021	<u>6,861</u>	<u>132</u>	<u>491</u>	<u>7,484</u>

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**14 Fixed asset investments**

	Notes	31 December 2021 £'000	1 January 2021 £'000
Investments in subsidiaries and associates	15	-	38,002

On 1 June 2021, Harris Defence Limited, a subsidiary of the company, was dissolved.

On 29 October 2021, the company disposed of its investments in subsidiaries only retaining their associate, Harris Pension Management Limited.

**Movements in fixed asset investments**

	Shares in group undertakings £'000
<b>Cost or valuation</b>	
At 2 January 2021	104,025
Disposals	(104,025)
At 31 December 2021	-
<b>Impairment</b>	
At 2 January 2021	66,023
Disposals	(66,023)
At 31 December 2021	-
<b>Carrying amount</b>	
At 31 December 2021	-
At 1 January 2021	38,002

**15 Associates**

Details of the company's associates at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Harris Pension Management Limited	Unit 1, Dingley Way, Farnborough, Hampshire, GU14 6FF	Dormant pension fund management	Ordinary	33.30

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16 Stocks	31 December 2021 £'000	1 January 2021 £'000
Raw materials and consumables	1,625	940
Work in progress	483	-
	<u>2,108</u>	<u>940</u>

The reversal of impairment loss recognised within cost of sales in the statement of comprehensive income for the period in respect of stock obsolescence was £116,177 (1 January 2021: £177,229).

17 Debtors	31 December 2021 £'000	1 January 2021 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	4,457	4,266
Corporation tax recoverable	2,147	1,299
Amounts owed by group undertakings	136,132	133,695
Other debtors	193	1,949
Prepayments and accrued income	167	-
	<u>143,096</u>	<u>141,209</u>

Included in trade debtors is a provision of £137,982 (1 January 2021: £166,819) in respect of bad and doubtful debt.

Included in amounts owed by group undertakings is £133,148,506 (1 January 2021: £127,938,473) which is callable on demand and interest bearing. The interest rate at the year end was 1.582% (1 January 2021: 2.463%).

The remaining balance included in amounts owed by group undertakings is not interest bearing and is repayable within 30 days.

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**18 Creditors: amounts falling due within one year**

	31 December 2021 £'000	1 January 2021 £'000
Trade creditors	596	730
Amounts owed to group undertakings	117,313	115,827
Taxation and social security	285	81
Accruals and deferred income	9,541	10,066
	<u>127,735</u>	<u>126,704</u>

Included in amounts owed to group undertakings is £115,489,128 (1 January 2021: £114,048,411) which is repayable on demand and interest bearing. The interest rate at the year end was 1.582% and 1.006% (1 January 2021: 2.463% and 1.229%).

The remaining balance included in amounts owed to group undertakings is not interest bearing and is repayable within 30 days.

**19 Provisions for liabilities**

Movements on provisions:

	Warranty provision £'000	Dilapidations provision £'000	Total £'000
At 2 January 2021	61	1,601	1,662
Additional provisions in the year	71	-	71
Reversal of provision	-	(364)	(364)
	<u>132</u>	<u>1,237</u>	<u>1,369</u>
At 31 December 2021	<u>132</u>	<u>1,237</u>	<u>1,369</u>

**Dilapidations**

A provision is recognised for the expected future cost of repairing dilapidations on properties leased by the company. The provision is the director's best estimate of the future costs likely to be incurred on the expiry of the property leases held.

**Warranty**

The warranty provision represents the company's liability in respect of 12 month warranties granted on goods sold. The amount provided represents management's best estimate of the future cash outflows in respect of those products still within the warranty period at the year end. It is based on past experience and costs incurred which are monitored on a regular basis.

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**20 Deferred taxation**

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 31 December 2021 £'000	Liabilities 1 January 2021 £'000
<b>Balances:</b>		
Accelerated capital allowances	(392)	(363)
General bad debts	(35)	(32)
Defined benefit pension schemes	3,636	1,570
	<u>3,209</u>	<u>1,175</u>
		<b>31 December 2021 £'000</b>
<b>Movements in the 52 weeks:</b>		
Liability at 2 January 2021		1,175
Charge to profit or loss		363
Charge to other comprehensive income		1,671
		<u>3,209</u>
Liability at 31 December 2021		<u>3,209</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances, general bad debts and defined benefit pension schemes.

**21 Retirement benefit schemes**

**Defined benefit schemes**

The company operates a defined benefit pension scheme.

*Harris Systems Limited Pension Fund*

The plan is a final salary defined benefit scheme set up to provide defined benefits for eligible UK employees. The plan closed to new members from 1 July 2008, but is open to future accrual. For each year of service the plan grants 1/60th of pensionable salary.

The valuation used has been based on the most recent actuarial valuation at 30 April 2019 and was updated by Willis Towers Watson to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2021 and 1 January 2021. Scheme assets are stated at their market values at the respective statement of financial position dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The pension plans have not invested in any of the group's own financial instruments nor in properties or other assets used by the group.

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**21 Retirement benefit schemes (Continued)**

	<b>31 December 2021</b>	<b>1 January 2021</b>
<i>Key assumptions</i>	<b>%</b>	<b>%</b>
Discount rate	1.85	1.30
Expected rate of increase of pensions in payment	3.16	2.63
Expected rate of salary increases	3.15	3.15
Inflation assumption	3.70	3.15
	<u>          </u>	<u>          </u>
<i>Mortality assumptions</i>	<b>31 December 2021</b>	<b>1 January 2021</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	21.9	21.9
- Females	24.2	24.1
	<u>          </u>	<u>          </u>
Retiring in 15 years		
- Males	22.5	22.6
- Females	25.1	25.0
	<u>          </u>	<u>          </u>
	<b>31 December 2021</b>	<b>1 January 2021</b>
<i>Amounts recognised in the income statement</i>	<b>£'000</b>	<b>£'000</b>
Current service cost	571	505
Interest receivable on pension assets	(1,039)	(1,325)
Interest on defined benefit liability	932	1,193
Pension administration costs	299	878
	<u>          </u>	<u>          </u>
Total costs	763	1,251
	<u>          </u>	<u>          </u>
	<b>31 December 2021</b>	<b>1 January 2021</b>
<i>Amounts taken to other comprehensive income</i>	<b>£'000</b>	<b>£'000</b>
Actuarial (gain)/loss arising during the period	(2,626)	5,859
Return on plan assets greater than discount rate	(4,056)	(7,654)
Deferred tax thereon	(1,671)	(341)
	<u>          </u>	<u>          </u>
Total income	(8,353)	(2,136)
	<u>          </u>	<u>          </u>

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**21 Retirement benefit schemes (Continued)**

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	31 December 2021 £'000	1 January 2021 £'000
Present value of defined benefit obligations	(69,540)	(72,949)
Fair value of plan assets	84,078	81,211
Surplus in scheme	<u>14,538</u>	<u>8,262</u>

*Movements in the present value of defined benefit obligations*

	£'000
Liabilities at 2 January 2021	72,949
Current service cost	571
Benefits paid	(2,330)
Contributions from scheme members	44
Interest cost	932
Remeasurement	(2,626)
At 31 December 2021	<u>69,540</u>

*Movements in the fair value of plan assets*

	£'000
Fair value of assets at 2 January 2021	81,211
Interest income	1,039
Benefits paid	(2,330)
Contributions by the employer	357
Contributions by scheme members	44
Return on plan asset greater than discount rate	4,056
Administrative costs paid	(299)
At 31 December 2021	<u>84,078</u>

	31 December 2021 £'000	1 January 2021 £'000
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
LGIM diversified growth fund	22,533	22,496
LGIM LDI	36,144	33,784
Partner fund	22,669	23,876
Cash	2,732	1,055
	<u>84,078</u>	<u>81,211</u>

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**22 Share capital**

	31 December 2021	1 January 2021	31 December 2021	1 January 2021
	Number	Number	£'000	£'000
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	9,680,472	9,680,472	9,680	9,680

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights on redemption.

**23 Reserves**

**Share premium**

The share premium account includes the premium on the issue of equity shares, net of any issue costs.

**Profit and loss reserves**

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**24 Operating lease commitments**

**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2021	1 January 2021
	£'000	£'000
Within one year	815	1,248
Between one and five years	3,384	4,993
In over five years	6,207	9,985
	<u>10,406</u>	<u>16,226</u>

**25 Events after the reporting date**

On the 12 January 2022, the company changed its name to L3Harris Communications Systems UK Limited.

In June 2022, L3Harris Communications Systems UK Limited was awarded the first ever single source contract with the Ministry of Defence for a total of \$95m which will have positive future implications for L3Harris's turnover.

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**26 Ultimate controlling party**

From 6 November 2021, the company's immediate parent undertaking is L3Harris Technologies UK Limited, a company registered in England and Wales (registered office address: 100 New Bridge Street, London, United Kingdom, EC4V 6JA).

The company's ultimate parent undertaking, and the parent undertaking of the smallest and largest group for which group financial statements are drawn up and of which the company is a member, is L3Harris Technologies, Inc. which is incorporated in Delaware, USA. Copies of the financial statements of L3Harris Technologies, Inc. can be obtained from 1025 West NASA Boulevard, Melbourne, Florida 32919, USA or viewed on Harris Corporations' website at [www.l3harris.com](http://www.l3harris.com).

The director does not consider the company to have a controlling party.