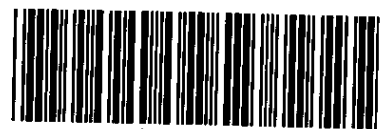


Company registration number: 03689515

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

L3 HARRIS AUTONOMOUS SURFACE VEHICLES
LIMITED

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L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

COMPANY INFORMATION

Directors	S J Evans M R Exeter (resigned 25 January 2024) S T Mikuen (appointed 19 February 2024)
Company secretary	Reed Smith Corporate Services Limited
Registered number	03669515
Registered office	Unit 12 Murriss Estate Fareham Hampshire PO16 9RQ
Independent auditors	Ernst & Young LLP Chartered Accountants & Statutory Auditor R+ Building 2 Blagrove Street Reading RG1 1AZ

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Business review

Revenue in 2022 declined as no new large contracts commenced. 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 reaches a level that the repeat product sales are significantly higher than the first in class productions. Loss before tax increased vs prior year, in line with revenues reducing.

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 Unmanned Surface Vehicles (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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 year ASV has continued to work with the suppliers downstream to better plan material requirements for the 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.

Geopolitical Climate

Continuing unrest in Russia and Ukraine as well as within the Middle East can impact demand of ASV's products as well as impact supply. The unrest has not and is not anticipated to adversely impact performance.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Financial key performance indicators

Revenue

2021: £15,845,655

2022: £13,400,963

Decline: -15.4%

Year on year revenues were lower as a result of no new major programs with customers starting in 2022. Forecast revenues are due to increase as customers start to increase their spend in manne autonomy, especially in the military market.

Order backlog

2021: £31,328,614

2022: £25,535,787

Decline: -18.5%

Order backlog at 31 December 2022 stood at £25.5M. This is a reduction to prior year since no new major programmes of the scale of the MMCM contract have commenced or been won in 2022.

Staff (at year end)

2021: 110

2022: 121

Growth: 10.0%

The business continued to invest in growing skills and resources to deliver the MMCM programme and the growth forecast for the 2023-2025 period.

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

.....
S J Evans
Director

Date: 24 June 2024

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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 United Kingdom ("UK") Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Standard applicable in the UK and the Republic of Ireland' ("FRS 102"). 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 Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the director is required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time in the financial position of the Group and to enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the Group 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 £4,480,588 (2021 - loss £1,955,746).

Directors

The directors who served during the year were:

S J Evans
M R Exeter (resigned 25 January 2024)

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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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.

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. Whilst the company has net liabilities and continues to be loss-making, the company will continue to have sufficient cash funds in the foreseeable future even after considering sensitivities including not winning follow-on contracts or not winning substantial new business in the order backlog.

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 a period of 12 months from the date of approval of the balance sheet.

The Director has considered forecast information and believes that it remains appropriate to prepare the financial statements on a going concern basis for a period of 12 months from the date of approval of the balance sheet. As such, the director continues to adopt the going concern basis of accounting.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

.....
S J Evans

Director

Date: 24 June 2024

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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

Qualified opinion

We have audited the financial statements of L3Harris Autonomous Surface Vehicles Limited for the period ended 31 December 2022 which Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 22, 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, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its Loss 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 qualified opinion

We were not appointed as auditor of the company until after 31 December 2022 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2022 which are included in the balance sheet at £875,550.

Consequently we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

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 qualified opinion.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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

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.

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 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £875,550 held at 31 December 2022. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinion on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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

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 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.

* 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 Autonomous Surface Vehicles Limited is complying with those frameworks 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.

* Based on this understanding we designed our audit procedures to identify non-compliance 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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

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

Use of our report

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

Kate Allen (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP

Chartered Accountants
Statutory Auditor

R+ Building
2 Blagrove Street
Reading
RG1 1AZ

25 June 2024

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Turnover	4	13,400,963	15,845,655
Cost of sales		(5,335,372)	(8,838,093)
Gross profit		8,065,591	6,907,562
Administrative expenses		(12,600,676)	(9,091,865)
Other operating income	5	-	12,680
Operating loss	6	(4,535,085)	(2,171,623)
Interest payable and similar expenses	10	(135,969)	(71,333)
Loss before tax		(4,671,054)	(2,242,956)
Tax on loss	11	190,466	287,210
Loss after tax		(4,480,588)	(1,955,746)
Retained earnings at the beginning of the year		(11,959,593)	(10,003,847)
		(11,959,593)	(10,003,847)
Loss for the year		(4,480,588)	(1,955,746)
Retained earnings at the end of the year		(16,440,181)	(11,959,593)

The notes on pages 13 to 26 form part of these financial statements.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED
REGISTERED NUMBER:03689515

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022		As restated
		£		2021
				£
Fixed assets				
Intangible assets	12		-	750
Tangible assets	13		2,493,295	869,132
			2,493,295	869,882
Current assets				
Stocks	14	875,551	763,751	
Debtors: amounts falling due within one year	15	10,070,898	7,078,603	
Cash at bank and in hand		1,657,662	3,247,582	
		12,604,111	11,089,936	
Creditors: amounts falling due within one year	16	(17,455,483)	(10,008,307)	
Net current (liabilities)/assets			(4,851,372)	1,081,629
Total assets less current liabilities			(2,358,077)	1,951,511
Provisions for liabilities				
Other provisions	17	(171,000)		
			(171,000)	
Net (liabilities)/assets			(2,529,077)	1,951,511
Capital and reserves				
Called up share capital	18		5,561,665	5,561,665
Share premium account	19		8,349,439	8,349,439
Profit and loss account	19		(16,440,181)	(11,959,593)
			(2,529,077)	1,951,511

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

.....
S J Evans
 Director

Date: 24 June 2024

The notes on pages 13 to 26 form part of these financial statements.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

L3Harris 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 2022 and these financial statements may be obtained from L3Harris Technologies Inc. 600 Third Avenue, New York, 10016 USA.

2.3 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. Whilst the company has net liabilities and continues to be loss-making, the company will continue to have sufficient cash funds in the foreseeable future even after considering sensitivities including not winning follow-on contracts or not winning substantial new business in the order backlog.

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 a period of 12 months from the date of approval of the balance sheet.

The Director has considered forecast information and believes that it remains appropriate to prepare the financial statements on a going concern basis for a period of 12 months from the date of approval of the balance sheet. As such, the director continues to adopt the going concern basis of accounting.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the 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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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
Office equipment	-
Assets under construction	- No depreciation
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 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made. Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 Financial Instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

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, management review the expected total costs to complete the programme, the "Estimate At Completion" (EAC) as well as the costs to complete "Estimates to Complete" (ETC). The % cost of completion at that date is applied to the total contract revenue to recognise the associated revenue pertaining to the contract in that period.

Stock provision

A provision of 100% 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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. Turnover			
An analysis of turnover by class of business is as follows:			
		2022	2021
		£	£
Sale of goods		<u>13,400,963</u>	<u>15,845,655</u>
		<u>13,400,963</u>	<u>15,845,655</u>
Analysis of turnover by country of destination:			
		2022	2021
		£	£
United Kingdom		11,695,819	13,594,674
Rest of Europe		32,840	-
Rest of the world		<u>1,672,304</u>	<u>2,260,981</u>
		<u>13,400,963</u>	<u>15,845,655</u>
5. Other operating income			
		2022	2021
		£	£
Other operating income		-	12,680
		<u>-</u>	<u>12,680</u>
6. Operating loss			
The operating loss is stated after charging:			
		2022	2021
		£	£
Research & development charged as an expense		404,028	358,031
Exchange differences		330,703	12,271
Other operating lease rentals		<u>383,315</u>	<u>399,287</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7.	Auditors' remuneration	2022 £	2021 £
	Fees payable to the Company's auditors for the audit of the Company's financial statements	89,000	18,000
8.	Employees		
	Staff costs, including directors' remuneration, were as follows		
		2022 £	2021 £
	Wages and salaries	5,458,578	4,653,340
	Social security costs	884,160	549,496
	Cost of defined contribution scheme	317,010	139,014
		<u>6,459,748</u>	<u>5,341,850</u>
	The average monthly number of employees, including the directors, during the year was as follows:		
		2022 No.	2021 No.
	Total	<u>128</u>	<u>110</u>
9.	Directors' remuneration		
		2022 £	2021 £
	Directors' emoluments	147,818	163,868
	Company contributions to defined contribution pension schemes	11,253	1,758
		<u>159,071</u>	<u>165,626</u>
10.	Interest payable and similar expenses		
		2022 £	2021 £
	Other loan interest payable	135,969	71,333
		<u>135,969</u>	<u>71,333</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. Taxation	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	(190,466)	(287,210)
	<u>(190,466)</u>	<u>(287,210)</u>
Total current tax	<u>(190,466)</u>	<u>(287,210)</u>
Deferred tax		
Total deferred tax	-	-
Taxation on loss on ordinary activities	<u>(190,466)</u>	<u>(287,210)</u>
Factors affecting tax charge for the year		
The tax assessed for the year is higher than (2021 -higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:		
	2022 £	2021 £
Loss on ordinary activities before tax	<u>(4,671,054)</u>	<u>(2,242,956)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 -19%)	(887,500)	(428,162)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,495	4,718
Adjustments to tax charge in respect of prior periods	(284,349)	(287,210)
Other timing differences leading to an increase (decrease) in taxation	(109,994)	52,994
Deferred tax asset not recognised	(286,836)	881,603
Changes in tax rates	68,840	(513,153)
Group relief	1,306,878	-
Total tax charge for the year	<u>(190,466)</u>	<u>(287,210)</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. Intangible assets

	Development £
Cost	
At 1 January 2022	16,750
At 31 December 2022	<u>16,750</u>
Amortisation	
At 1 January 2022	16,000
Charge for the year on owned assets	750
At 31 December 2022	<u>16,750</u>
Net book value	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>750</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. Tangible fixed assets

	Long-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Equipment	Assets under construction	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 January 2022	268,242	628,144	41,370	868,436	1,265,100	282,114	3,353,406
Additions	-	-	-	-	1,778,867	104,106	1,882,973
Disposals	-	(1,020)	-	-	-	-	(1,020)
At 31 December 2022	<u>268,242</u>	<u>627,124</u>	<u>41,370</u>	<u>868,436</u>	<u>3,043,967</u>	<u>386,220</u>	<u>5,235,359</u>
Depreciation							
At 1 January 2022	258,157	494,143	31,255	642,217	1,058,502	-	2,484,274
Charge for the year on owned assets	10,511	34,380	2,023	55,985	154,911	-	257,790
At 31 December 2022	<u>268,668</u>	<u>528,503</u>	<u>33,278</u>	<u>698,202</u>	<u>1,213,413</u>	<u>-</u>	<u>2,742,064</u>
Net book value							
At 31 December 2022	<u>(426)</u>	<u>98,621</u>	<u>8,092</u>	<u>170,234</u>	<u>1,830,554</u>	<u>386,220</u>	<u>2,493,295</u>
At 31 December 2021	<u>10,085</u>	<u>134,001</u>	<u>10,115</u>	<u>226,219</u>	<u>206,598</u>	<u>282,114</u>	<u>869,132</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14.	Stocks	2022 £	2021 £
	Finished goods and goods for resale	<u>875,551</u>	<u>763,751</u>
		<u>875,551</u>	<u>763,751</u>
	The provision of impairment loss recognised within cost of sales in the statement of comprehensive income for the period in respect of stock obsolescence was of £776,867 (2021 - £156,231).		
15.	Debtors	2022 £	<i>As restated</i> 2021 £
	Trade debtors	1,661,905	2,290,935
	Amounts owed by group undertakings	64,731	-
	Other debtors	491,014	521,572
	Prepayments and accrued income	476,805	582,204
	Amounts recoverable on long term contracts	<u>7,374,443</u>	<u>3,683,892</u>
		<u>10,070,898</u>	<u>7,078,603</u>
16.	Creditors: Amounts falling due within one year	2022 £	<i>As restated</i> 2021 £
	Trade creditors	2,278,159	468,267
	Amounts owed to group undertakings	13,185,214	7,207,128
	Other taxation and social security	634,010	624,539
	Other creditors	258,218	92,011
	Accruals and deferred income	<u>1,099,882</u>	<u>1,616,362</u>
		<u>17,455,483</u>	<u>10,008,307</u>

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Provisions

	Dilapidations £
Charged to profit or loss	171,000
At 31 December 2022	<u>171,000</u>

The provision for dilapidations are in respect of requirements to make good premises at the end of the leases.

18. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
5,561,665 (2021 -5,561,665) Ordinary shares of £1.00 each	<u>5,561,665</u>	<u>5,561,665</u>

Each ordinary share has equal voting and dividend rights.

19. 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.

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. **Prior year adjustment**

In the year to 31 December 2020 revenue was understated on a project that was ongoing and has since been completed. This error has had an effect on the opening reserves for the year to 31 December 2021. There is no effect on the Statement of Comprehensive Income. The effect of these adjustments on the Statement of Financial Position in 2021 can be seen as follows.

	As previously reported	Effect of adjustments	As restated 2021
	£	£	£
Statement of Financial Position			
Debtors due within one year	6,628,603	450,000	7,078,603
Creditors: amounts falling due within one year	(10,020,684)	12,377	(10,008,307)
Net current assets/(liabilities)	619,252	462,377	1,081,629
Total assets less current liabilities	1,489,134	462,377	1,951,511
Net assets	1,489,134	462,377	1,951,511
Profit and loss account	(12,421,970)	462,377	(11,959,593)

L3 HARRIS AUTONOMOUS SURFACE VEHICLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21. 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 £317,010 (2021 - £139,014). Contributions totalling £696 were receivable (2021 - £24,703 payable) from the fund at the balance sheet date.

22. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods.

	2022 £	2021 £
Not later than 1 year	364,149	304,105
Later than 1 year and not later than 5 years	447,951	729,400
	<u>812,100</u>	<u>1,033,505</u>

23. 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.