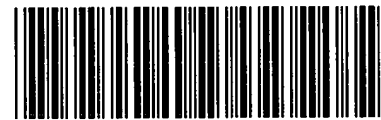


REGISTERED NUMBER: 02263923 (England and Wales)

**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
LEIDOS SECURITY & AUTOMATION LIMITED**

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for the Year Ended 31 DECEMBER 2020**

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LEIDOS SECURITY & AUTOMATION LIMITED

COMPANY INFORMATION
for the Year Ended 31 DECEMBER 2020

DIRECTORS: Mr J S Howe, JR
Mr C R Cage

SECRETARY: Mr B A Winter

REGISTERED OFFICE: Unit 3 Bedford Link Logistic Park
Kempston
Bedford
Bedfordshire
MK43 9SS
United Kingdom

REGISTERED NUMBER: 02263923 (England and Wales)

AUDITORS: Deloitte LLP
1 Station Square
Cambridge
CB1 2GA
United Kingdom

**GROUP STRATEGIC REPORT
for the Year Ended 31 DECEMBER 2020**

The directors present their strategic report of the company and the group for the year ended 31 December 2020.

REVIEW OF BUSINESS

The directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties it faces.

The group now operates from five UK locations: Bedford, Ellesmere Port, Droitwich Spa, Birmingham and Wickford; and three overseas locations: Abu Dhabi UAE, Pune India and Singapore. Its principal market sectors are automotive, airports and other selective industrial control and automation projects.

The activities of the group have consisted of the following elements: computer systems engineering, computer software development, SCADA & MI system development, industrial PLC systems software development, electrical engineering design, CAD systems, simulation & emulation software, control panel manufacture & assembly, project management, site planning, site management, site installation, system commissioning, system support, system training, emergency technical support all year round, operate and maintain contracts, mechanical design engineering, full mechanical manufacturing and assembly of a wide range of mechanical handling equipment inclusive of overhead chain transportation conveyors, overhead electromotive systems, powered trolley systems, inverted transport conveyors, roller bed transportation systems, floor conveyors of all definitions, automated guided vehicle systems, crane storage systems, as well as specialist bespoke material handling equipment.

Leidos Security & Automation Limited and its subsidiaries are now wholly owned by Leidos Holdings, Inc. following acquisition from L3Harris Technologies, Inc. on 4 May 2020.

The business of Leidos Security & Automation Limited continues to show opportunities for growth in the medium to long term within the airports sector as it benefits from being part of the international platform within the Leidos Holdings, Inc group.

As well as automotive, other sectors such as housing manufacturing, aerospace, logistics, food and beverage and nuclear industries offer further potential growth opportunities for the business.

Leidos Automation Limited

Leidos Automation Limited is a 100% owned subsidiary company of Leidos Security & Automation Limited, based in Droitwich in the West Midlands, but the business during the year has been moved to facilities in Bedford.

Leidos Automation Limited, is recognised as one of the leading Design Engineering & Manufacturing Companies in the UK. The key market sectors of Leidos Automation Limited are automotive, logistics, aerospace and general manufacturing.

Leidos Security Detection & Automation LLC

Leidos Security Detection & Automation LLC is currently servicing a key airport project in the UAE.

The subsidiary is seen as a valuable resource and support centre for future projects in the region.

Leidos Security Detection & Automation Pte. Limited

Leidos Security Detection & Automation Pte. Limited in Singapore has continued to support a key client.

MacDonald Humfrey (Automation) India Private Limited

MacDonald Humfrey (Automation) India Private Limited was established in India during 2016 in order to develop local airports business and establish further software engineering resources for the group. Progress continues pursuing local business and with the build-up of resources.

**GROUP STRATEGIC REPORT
for the Year Ended 31 DECEMBER 2020**

REVIEW OF BUSINESS - continued

Leidos Industrial Engineers Limited

The principal activity of Leidos Industrial Engineers Limited is the design and manufacture of automotive tooling for large automotive manufacturers. These products and knowhow serve a strong niche segment in the automotive manufacturing market and strategically compliment the group's product offering, the combination of which is expected to support growth and opportunities.

Key performance indicators

The directors consider the key financial performance indicators to be those that communicate the financial performance and strength of the group as a whole, these being turnover, gross profit and return on capital employed.

Development and financial performance during the year

Group turnover of £42.7 million decreased by 48.2% and gross profit of £1.1 million decreased by £22.6 million. This reflects the impact from COVID hindering business operations in project execution and new business acquisition resulting in lower trading volumes. There were also a number of one-off adjustments, mainly from 2 key projects resulting in a turnover reduction of £5.5 million and a gross profit reduction of £6.5 million. Administrative expenses of £19.3 million increased by 9.8% reflecting £2.2 million of restructuring costs. This has resulted in operating loss of £17.7 million, £23.8 million lower than last year's operating profit of £6.3 million. The return on capital employed decreased to (59.9)% compared to 11.7% last year reflecting the above. Return on capital employed is calculated as operating profit divided by capital employed which constitutes total assets less current liabilities.

Financial position at the reporting date

The balance sheet shows that the group's net assets at the year-end decreased from £52.1 million to £28.2 million reflecting the above trading performance while there was a decline in the overall cash balance of £3.9 million. The group had a net cash used in operations of £1.0 million during the year compared to £9.4m generated from operations last year and there was a £6.1 million dividend distribution. The fluctuation in cash from operations is due to the stage payment nature of contracts not aligning with the stage of completion used to recognise profit.

PRINCIPAL RISKS AND UNCERTAINTIES

Management continually monitor the key risks facing the group together with assessing the controls used for managing these risks. The board of directors reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the group are as follows:

The directors recognise the significant impact of the COVID-19 global pandemic on the internal and external environment within which the company operates, and the additional risks arising as a result. There has been an impact on the Automation and Airports sectors with project completion delays and the group has worked closely with those customers affected to minimise the impact. Contingency plans were put in place in order to mitigate the negative effects of any period of interrupted trading. The group has implemented clearly communicated action plans, policies and procedures that prioritise ensuring the health and well-being of its employees whilst also ensuring that it continues to deliver on critical services to its customers. The group established additional employee support facilities and implemented greater flexibility in working patterns, supported by enhanced business continuity procedures.

The group sells into markets around the world and as such there is a potential risk that changes in the global macro-economic environment could impact the group's results.

The group is exposed to fluctuations in exchange rates with reference to countries in which it sells and buys. When dealing with large foreign country projects the group evaluates the risk at the time of order placement and takes an informed decision with regards to the introduction of a financial currency protection instrument.

The group did not experience the potential business interruption impact in 2020 as anticipated from Brexit and is not expected to have a significant impact on the future viability of the business.

GROUP STRATEGIC REPORT
for the Year Ended 31 DECEMBER 2020

SECTION 172(1) STATEMENT

The directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. The corporate governance framework of the wider Leidos Group (US ultimate parent company and subsidiaries) has been used.

The directors, with the support of the UK Senior Leadership Team, engage with the stakeholders, when appropriate, and have processes in place to capture and consider stakeholders' insights and views. In performing their s.172 duties, the directors take into account the stakeholders' feedback, the s.172 matters as well as other factors they consider relevant to the board.

Likely consequences of any decisions in the long term

To support the long term growth of the group, the company during the year committed to relocating the head office facilities to a new development near Bedford. The move successfully took place during 2020. The new facilities ensure that the company is well placed to support product development and employee facilities. The new facility has low energy demands and therefore improve the environmental impact of the company.

Employees

The directors recognise that employees are fundamental and core to the business and delivery of strategic ambitions. The success of the group depends on retaining and motivating existing employees whilst attracting new employees as roles develop. Further details of how the directors engage with their employees is captured within the "Engagement with Employees" section of the Report of the Directors.

Suppliers, customers and other key stakeholders

The directors recognise that suppliers are important partners in the group's ability to deliver innovative, affordable solutions for our customers' needs. Further details of how the directors engage with these key stakeholders is captured within the "Engagement with Suppliers, Customers and Others" section of the Directors Report.

Impact on the community and environment

The directors recognise the group's environmental and social responsibilities along with the importance of the contribution the group can make. They have implemented policies in order to assist it in monitoring its impact on the environment and to reduce any damage that might be caused by the group's activities. Continuous improvement in environmental conditions and the reduction and disposal of waste play a major part in the systems we design and implement for our customers. These systems range from major initiatives such as intelligent load sharing to simple in-house initiatives regarding waste disposal. All of the group's environmental policies are monitored and evaluated on a regular basis in line with ISO 14001 Certification procedures.

In addition to the environmental policies that the group has established, it has also set policies regarding its social responsibility and specifically its responsibility to the local community.

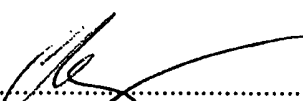
Maintaining a reputation for high standards of business conduct

The group prides itself on maintaining its strong reputation throughout the industries that it operates within. The directors support the management teams of each business to promote innovation, flawless execution and to exceed customers' expectations.

Acting fairly between members

As a wholly owned subsidiary, the directors do not consider this to be relevant to the proper discharge of their duties under s.172 of the Act, as the interests of the members are managed globally by the ultimate parent company.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....
Mr C R Cage Director

Date: 14 MARCH 2022
.....

**REPORT OF THE DIRECTORS
for the Year Ended 31 DECEMBER 2020**

The directors present their annual report with the audited financial statements of the company and the group for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the company and the group is focused around systems integration and offering clients a full turnkey service from top end computer systems through to shop floor implementation and full service support.

DIVIDENDS

The directors do not recommend a final dividend to be paid to ordinary shareholders. An interim dividend of £6,118,585 (304.9618p per ordinary share) was paid on 26 May 2020 (2019 - £nil).

RESEARCH AND DEVELOPMENT

2020 witnessed further developments and updating of existing product lines to meet the need for connectivity and real time information sharing with the aviation industry.

Further development and research has been focussed on a radical solution within the hold baggage screening transportation arena to address improved security, energy and labour savings and shorten industrialisation deployment of new installations.

FUTURE DEVELOPMENTS

Management have implemented a UK group reorganisation exercise whereby the trade and assets of Leidos Security & Automation Limited have been split according to Aviation & General Automation business units and transferred to Leidos Security Detection & Automation U.K. Ltd (for Aviation) and Leidos Industrial Engineers Limited (for General Automation) respectively. As part of the same exercise the trade and assets of Leidos Automation Limited (General Automation) have been transferred to Leidos Industrial Engineers Limited. The effective date for these transfers was 3 October 2021.

The above exercise will allow more aligned strategic focus to be applied to the individual business units of Aviation and General automation each with their own legal entity. For both business units management consider the medium to long term promising for future development and opportunities both within the domestic market and worldwide through the global reach of the Leidos Holdings, Inc group.

GOING CONCERN

As a result of the group reorganisation explained above, management have indicated their intention to liquidate Leidos Security & Automation Limited in the next 12 months from the balance sheet date. As required by UK accounting standards, the directors have prepared the financial statements on the basis other than that of going concern.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The company did not make any charitable nor political contributions during the year ending 31 December 2020.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

**REPORT OF THE DIRECTORS
for the Year Ended 31 DECEMBER 2020**

DIRECTORS

The directors who have held office during the period from 1 January 2020 to the date of this report are as follows:

Mr A E Crawford - resigned 4 May 2020
Mr A Yeager - resigned 9 April 2020
Mr A Dallsingh - resigned 4 May 2020
Mr J C Reagan - appointed 4 May 2020
Mr J S Howe, JR - appointed 4 May 2020

Mr C R Cage (appointed 13 October 2021) was appointed as a director after 31 December 2020 but prior to the date of this report.

Mr J A Comery (resigned 13 January 2021), Mr J R Davenport (resigned 8 January 2021) and Mr J C Reagan (resigned 13 October 2021) ceased to be directors after 31 December 2020 but prior to the date of this report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Treasury operations and financial instruments

The group, at its level, operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the group's activities.

The group's principal financial instrument is the bank account, which provides working capital for the group's operations. In addition, the group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Liquidity Risk

The group manages its bank balances centrally to maximise interest income and minimise interest expense and ensures that the group has sufficient liquid resources to meet the operating needs of its business.

Interest Rate Risk

The group is exposed to cash flow interest rate risk on its floating rate deposits. The treasury function regularly monitors the fluctuations in rates available and achieved in order to minimise this risk.

Foreign Currency Risk

The group's principal foreign currency exposures arise from trading with overseas companies. Group policy is to maintain foreign currency bank accounts and convert foreign currency to sterling when rates are favourable. When dealing with large foreign country projects the group evaluates the risk at the time of order placement and takes an informed decision with regards to the introduction of a financial currency protection instrument.

Credit Risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and an allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

EMPLOYMENT OF DISABLED PERSONS

Group policy is to give full and fair consideration to applications for employment made by disabled people, having regard to their particular aptitudes and abilities.

Disabled employees receive appropriate training to promote their career development within the group. Where an employee becomes disabled reasonable adjustments are made to ensure the employee is not disadvantaged compared to non-disabled people which includes a phased return to work, working flexible hours or part-time, time off for medical treatment or counselling, giving another employee tasks the employee cannot easily do and providing practical aids and technical equipment.

**REPORT OF THE DIRECTORS
for the Year Ended 31 DECEMBER 2020**

ENGAGEMENT WITH EMPLOYEES

Employee involvement is seen as a key factor in the success of the group business. Employees are actively encouraged to become involved in all aspects of the business and to participate fully in meaningful discussions regarding methods of working, health and safety and any environmental issues they may recognise.

Any concerns or employment issues raised by individual members of staff are addressed by their immediate line manager with regular meetings and support from the Human Resource Administrator.

Employees are kept informed about the progress and position of the group by means of departmental meetings and internal staff communications.

Promotion from within is one of the core principles of the group and all staff members are encouraged to progress at every opportunity.

There is a modern internal training department which has been developed to include a specialist training classroom, housing dedicated training PODS for 20 employees at a time. Specialist training modules include high level systems software, PLC, SCADA software, robot programming and specialist CAD training. There are 3 technical trainees.

The health, safety and wellbeing of all staff is a key component of the group strategy and Leidos Security & Automation Limited employs a Chartered Health and Safety Manager and is also a member of the British Safety Council. Leidos Security & Automation Limited undertakes internal and external monitoring of its health and safety procedures in line with the company's BS OHSAS 18001:2007 certification.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The group aims to have positive and strong business relationships with key stakeholders, such as customers and suppliers, to ensure long term sustainable value. As a result of the group's decentralised model, engagement with customers and suppliers is a matter that is largely delegated to the management teams of each business, who know their business best. The directors therefore support the management teams to manage those customer and supplier relationships.

STREAMLINED ENERGY AND CARBON REPORTING

As part of the new streamlined energy and carbon reporting (SECR) framework the company is committed to adhering to the new regulatory guidance on reducing GHG emission levels. Trend analysis will develop in future years to allow benchmarking against similar sized businesses within the UK industry.

The quantity of emissions of carbon dioxide (Co2) equivalent resulting from the company's activities in the UK during the year ended 31 December 2020 are:

	2020 tCO2e	2020 kWh
Emissions from combustion of gas	94	511,801
Emissions from electricity purchased for own use	209	895,794
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	652	2,628,441
Total gross CO 2e/Kwh based on above	955	4,036,036
Total kWh to sales (%)		9.5%

The carbon accounting and reporting approach used follows the Energy Saving Opportunities Scheme (ESOS) framework. All emission sources have been calculated using the emission factors recommended by DEFRA: <https://www.gov.uk/guidance/measuring-and-reporting-environmental-impacts-guidance-for-businesses>

Due to the Covid-19 pandemic the business units' plans to implement certain energy saving initiatives were postponed until 2022. These initiatives will include a Carbon Reduction Plan in line with PPN0621, low energy LED lighting replacements, and the installation of more efficient air conditioning in computer server rooms.

**REPORT OF THE DIRECTORS
for the Year Ended 31 DECEMBER 2020**

Directors' Responsibility Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

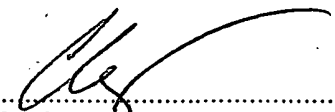
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....
Mr C R Cage - Director

Date: 14 MARCH 2022
.....

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEIDOS SECURITY & AUTOMATION LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Leidos Security & Automation Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibility Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEIDOS SECURITY & AUTOMATION LIMITED

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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.

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- due to the complexity and degree of judgement involved in the estimation of costs required to complete long-term contracts, there is risk that revenue recorded during the accounting period is inaccurate. As part of our audit work, for a sample of contracts we have reviewed audit evidence from project managers, obtained details of post balance sheet events and challenged the forecast cost to complete in order to assess if these estimates are reasonable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEIDOS SECURITY & AUTOMATION
LIMITED.**

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

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.

Matthew Hall

.....
Matthew Hall, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

Date: 15 March 2022
.....

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

**CONSOLIDATED
STATEMENT OF COMPREHENSIVE
INCOME
for the Year Ended 31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	4	42,653	82,365
Cost of sales		<u>(41,523)</u>	<u>(58,664)</u>
GROSS PROFIT		1,130	23,701
Administrative expenses		<u>(19,310)</u>	<u>(17,584)</u>
		(18,180)	6,117
Other operating income		<u>471</u>	<u>-</u>
OPERATING (LOSS)/PROFIT	7	(17,709)	6,117
Interest receivable and similar income	9	<u>40</u>	<u>182</u>
		(17,669)	6,299
Interest payable and similar expenses	10	<u>(50)</u>	<u>-</u>
(LOSS)/PROFIT BEFORE TAXATION		(17,719)	6,299
Tax on loss/(profit)	11	<u>257</u>	<u>(1,311)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(17,462)	4,988
OTHER COMPREHENSIVE EXPENSE			
Retranslation of foreign subsidiaries		<u>(325)</u>	<u>(225)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF INCOME TAX		<u>(325)</u>	<u>(225)</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		<u>(17,787)</u>	<u>4,763</u>
(Loss)/profit attributable to:			
Owners of the parent		<u>(17,462)</u>	<u>4,988</u>
Total comprehensive (expense)/income attributable to:			
Owners of the parent		<u>(17,787)</u>	<u>4,763</u>

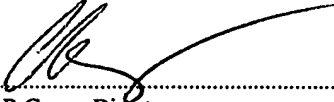
The notes on pages 18 to 33 form part of these financial statements

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

CONSOLIDATED BALANCE SHEET
as at 31 DECEMBER 2020

	Notes	2020 £'000	£'000	2019 £'000	£'000
FIXED ASSETS					
Intangible assets	14		13,622		14,389
Tangible assets	15		<u>9,442</u>		<u>6,786</u>
			23,064		21,175
CURRENT ASSETS					
Stocks	17	2,079		2,012	
Debtors	18	25,192		40,233	
Cash at bank		<u>13,202</u>		<u>17,377</u>	
		40,473		59,622	
CREDITORS					
Amounts falling due within one year	19	<u>35,387</u>		<u>28,708</u>	
NET CURRENT ASSETS			<u>5,086</u>		<u>30,914</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			28,150		52,089
PROVISIONS FOR LIABILITIES	22		-		<u>33</u>
NET ASSETS			<u>28,150</u>		<u>52,056</u>
CAPITAL AND RESERVES					
Called up share capital	23		20		20
Share premium	24		90		90
Retained earnings	24		<u>28,040</u>		<u>51,946</u>
SHAREHOLDERS' FUNDS			<u>28,150</u>		<u>52,056</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2022 and were signed on its behalf by:


.....
Mr C R Cage - Director

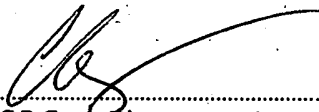
The notes on pages 18 to 33 form part of these financial statements

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

COMPANY BALANCE SHEET
31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000	2019 £'000
FIXED ASSETS				
Tangible assets	15		9,218	6,055
Investments	16		<u>27,540</u>	<u>22,857</u>
			36,758	28,912
CURRENT ASSETS				
Stocks	17	2,079		1,972
Debtors	18	15,383		31,493
Cash at bank		<u>3,564</u>		<u>9,795</u>
		21,026		43,260
CREDITORS				
Amounts falling due within one year	19	<u>(30,028)</u>		<u>(30,466)</u>
NET CURRENT (LIABILITIES)/ASSETS			<u>(9,002)</u>	<u>12,794</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS			<u>27,756</u>	<u>41,706</u>
CAPITAL AND RESERVES				
Called up share capital	23		20	20
Share premium	24		90	90
Retained earnings	24		<u>27,646</u>	<u>41,596</u>
SHAREHOLDERS' FUNDS			<u>27,756</u>	<u>41,706</u>
Company's (loss)/profit for the financial year			<u>(7,831)</u>	<u>3,806</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2022 and were signed on its behalf by:


.....
Mr C R Cage - Director

The notes on pages 18 to 33 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 DECEMBER 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2019	20	47,183	90	47,293
Changes in equity				
Profit for the year	-	4,988	-	4,988
Other comprehensive expense	-	(225)	-	(225)
Total comprehensive income	-	4,763	-	4,763
Balance at 31 December 2019	<u>20</u>	<u>51,946</u>	<u>90</u>	<u>52,056</u>
Changes in equity				
Loss for the year	-	(17,462)	-	(17,462)
Other comprehensive expense	-	(325)	-	(325)
Total comprehensive expense	-	(17,787)	-	(17,787)
Dividends	-	(6,119)	-	(6,119)
Balance at 31 December 2020	<u>20</u>	<u>28,040</u>	<u>90</u>	<u>28,150</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 DECEMBER 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2019	20	37,790	90	37,900
Changes in equity				
Profit and total comprehensive income	-	3,806	-	3,806
Balance at 31 December 2019	<u>20</u>	<u>41,596</u>	<u>90</u>	<u>41,706</u>
Changes in equity				
Dividends	-	(6,119)	-	(6,119)
Loss and total comprehensive expense	-	(7,831)	-	(7,831)
Balance at 31 December 2020	<u>20</u>	<u>27,646</u>	<u>90</u>	<u>27,756</u>

CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	28	(1,009)	9,399
Interest paid		(50)	-
Tax paid		<u>(2,617)</u>	<u>(1,945)</u>
Net cash (used in)/from operating activities		<u>(3,676)</u>	<u>7,454</u>
Cash flows used in investing activities			
Purchase of tangible fixed assets		(5,093)	(3,160)
Interest received		<u>20</u>	<u>4</u>
Net cash used in investing activities		<u>(5,073)</u>	<u>(3,156)</u>
Cash flows from financing activities			
Loan received from group undertakings		11,705	-
Repayment of borrowings to group undertakings		(760)	-
Dividends paid to owners of parent		<u>(6,119)</u>	<u>-</u>
Net cash from financing activities		<u>4,826</u>	<u>-</u>
(Decrease)/increase in cash and cash equivalents		<u>(3,923)</u>	<u>4,298</u>
Cash and cash equivalents at beginning of year			
Effect of foreign exchange rate changes	29	17,377	13,308
		<u>(252)</u>	<u>(229)</u>
Cash and cash equivalents at end of year	29	<u>13,202</u>	<u>17,377</u>

The notes on pages 18 to 33 form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 DECEMBER 2020**

1. STATUTORY INFORMATION

Leidos Security & Automation Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page, and the functional currency is sterling.

The principal activity of the company and the group is focused around systems integration and offering clients a full turnkey service from top end computer systems through to shop floor implementation and full service support.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value through profit and loss.

Going Concern

Management have indicated their intention to liquidate Leidos Security & Automation Limited in the next 12 months from the balance sheet date. As required by UK accounting standards, the directors have prepared the financial statements on the basis other than that of going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. Where contracts involve multiple elements, the individual elements are assessed separately.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) it is probable that future economic benefits will flow to the entity as described below:

Turnover and profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Turnover derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen. When the final outcome is not certain, which may be where the deliverable is bespoke nature or in a different field, recognition of revenue may be deferred until it is clear that all economic benefit has been transferred.

Turnover which has been earned but not yet invoiced appears in debtors as amounts recoverable on contract. The amount by which payments on account exceed turnover is included in creditors as payments on account.

Turnover from the supply of maintenance services is recognised over time. The revenue for these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

Interest income

Interest income is recognised using the effective interest method.

Intangibles

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvement	- Straight line over period of lease
Plant and machinery	- Straight line over 5 years
Fixtures, fittings and equipment	- 15% on reducing balance and Straight line over 5 years
Motor vehicles	- Straight line over 4 years and Straight line over 5 years
Trial lanes	- 25% on reducing balance and Straight line over 5 years

Tangible fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributed to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

The assets' useful lives are viewed, and adjusted, if appropriate, during each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Investment - Company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

Government grants

Grants are recognised when it is reasonable to expect that the grant will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Cost is determined as the individual cost segregated for specific projects. Costs include the purchase price and transport costs directly attributable to bringing the stock to its present location and condition.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock item is reduced to its selling price less cost to sell. An impairment charge is recognised in the profit and loss account.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets and liabilities, including trade and other debtors, bank balances, trade and other creditors and loans from fellow group companies are recognised at amortised cost.

Derivatives, including forward foreign exchange rate contracts, are not basic financial instruments. Non-basic financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value at the year end date. Changes in fair value is recognised in the consolidated statement of comprehensive income in interest receivable and similar income or interest payable and similar expenses, as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Income and expenses of each statement of comprehensive income are translated at an average exchange rate for the period. All resulting exchange differences are recognised in other comprehensive income.

Operating lease commitments

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

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period in which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year, are discussed below:

Contract recoverables

To assess turnover and profit on long-term contracts the directors need to determine if the final outcome can be assessed with reasonable certainty and any profit or loss included is calculated by reference to estimated revenue and costs to completion. The estimated cost to completion is reviewed and updated once a quarter with the project manager on the material contracts at each quarter end. At the review exceptional additions and contract variations are taken into account when estimating the cost to completion. With contract reviews that estimate a loss on completion, the loss is recognised in full on identification.

Impairment and useful economic life of goodwill

Annually, the group considers whether goodwill is impaired. Where an indication of impairment is identified the estimation of recoverable value is required. This requires estimation of the future cash flows and a selection of the appropriate discount rate in order to calculate the net present value of those cashflows.

The useful economic life of the group's goodwill is considered to be a source of estimation uncertainty. The directors have considered the current useful economic life is 20 years. However the actual useful life might be shorter, depending on technological advancements.

4. TURNOVER

The turnover and loss (2019 - profit) before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2020	2019
	£'000	£'000
United Kingdom	22,858	49,106
Europe	3,379	7,486
North and South America	8,866	13,091
Rest of the world	<u>7,550</u>	<u>12,682</u>
	<u>42,653</u>	<u>82,365</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

5. EMPLOYEES AND DIRECTORS

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	18,411	22,016	12,901	15,377
Social security costs	2,195	2,546	1,676	1,895
Other pension costs	<u>890</u>	<u>887</u>	<u>655</u>	<u>687</u>
	<u>21,496</u>	<u>25,449</u>	<u>15,232</u>	<u>17,959</u>

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

	Group		Company	
	2020	2019	2020	2019
Directors	2	3	2	3
Administrative staff	73	71	46	45
Design and manufacture	<u>348</u>	<u>393</u>	<u>202</u>	<u>222</u>
	<u>423</u>	<u>467</u>	<u>250</u>	<u>270</u>

6. DIRECTORS' REMUNERATION

	2020	2019
	£	£
Directors' remuneration	667,482	293,741
Directors' pension contributions to money purchase schemes	28,893	16,719
Compensation for loss of office	<u>498,924</u>	<u>-</u>
Total of directors' remuneration	<u>1,195,299</u>	<u>310,460</u>

The number of directors who exercised share options and to whom retirement benefits were accruing was as follows:

Share option schemes	2	-
Money purchase schemes	<u>2</u>	<u>3</u>

Information regarding the highest paid director is as follows:

	2020	2019
	£	£
Directors' remuneration	383,421	109,211
Directors' pension contributions to money purchase schemes	13,090	7,115
Compensation for loss of office	<u>290,479</u>	<u>-</u>
Total of directors' remuneration	<u>686,990</u>	<u>116,326</u>

Directors remuneration paid by other group undertakings are not recharged to the company. The directors are considered to be key management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

7. OPERATING (LOSS)/PROFIT

The operating loss (2019 - operating profit) is stated after charging/(crediting):

	2020	2019
	£'000	£'000
Hire of plant and machinery	233	306
Other operating leases	1,857	1,806
Depreciation - owned assets	2,082	726
Disposal of fixed assets	1	(8)
Goodwill amortisation	767	767
Research and development costs	996	856
Foreign exchange differences	238	(370)
Coronavirus job retention scheme grant	<u>(471)</u>	<u>-</u>

In 2020, government grants of £471,000 (2019 - £nil) were received as part of a Government initiative, the Coronavirus Job Retention Scheme, to provide immediate financial support as a result of COVID-19. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

8. AUDITORS' REMUNERATION

	2020	2019
	£'000	£'000
Fees payable to the company's auditors for the audit of the company and consolidated financial statements	<u>157</u>	<u>140</u>

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£'000	£'000
Other interest receivable	20	4
Gain on financial instrument	<u>20</u>	<u>178</u>
	<u>40</u>	<u>182</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£'000	£'000
Group loan interest paid	<u>50</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

11. TAXATION**Analysis of the tax (credit)/charge**

The tax (credit)/charge on the loss for the year was as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	44	1,544
Adjustment to tax charge in respect of previous periods	(480)	(17)
Foreign corporation tax	<u>214</u>	<u>(209)</u>
Total current tax	(222)	1,318
Deferred tax	<u>(35)</u>	<u>(7)</u>
Tax on (loss)/profit	<u>(257)</u>	<u>1,311</u>

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the year is different than the standard rate of corporation tax in the UK, and this is explained below:

	2020 £'000	2019 £'000
(Loss)/profit before tax	<u>(17,719)</u>	<u>6,299</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(3,367)	1,197
Effects of:		
Expenses not deductible for tax purposes	666	149
Depreciation in excess of capital allowances	-	69
Adjustments to tax charge in respect of previous periods	(480)	(17)
Charged at different tax rates	3	7
Impact of overseas tax rates	214	(94)
Trading losses not claimed	2,330	-
Deferred tax not provided	<u>377</u>	<u>-</u>
Total tax (credit)/charge	<u>(257)</u>	<u>1,311</u>

Tax effects relating to effects of other comprehensive income

	2020		
	Gross £'000	Tax £'000	Net £'000
Retranslation of foreign subsidiaries	<u>(325)</u>	<u>-</u>	<u>(325)</u>
	2019		
	Gross £'000	Tax £'000	Net £'000
Retranslation of foreign subsidiaries	<u>(225)</u>	<u>-</u>	<u>(225)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

11. TAXATION - continued

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. A full analysis of the expected changes has not yet been performed, however, once the tax legislation changes have been enacted it is not expected that the Company be materially affected.

12. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

13. DIVIDENDS

	2020 £'000	2019 £'000
Dividend per shares of 304.96181p each Interim	<u>6,119</u>	<u>-</u>

14. INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000
COST	
At 1 January 2020 and 31 December 2020	<u>15,339</u>
AMORTISATION	
At 1 January 2020	950
Amortisation for year	<u>767</u>
At 31 December 2020	<u>1,717</u>
NET BOOK VALUE	
At 31 December 2020	<u>13,622</u>
At 31 December 2019	<u>14,389</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

15. TANGIBLE FIXED ASSETS

Group	Leasehold Improvement £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000
COST			
At 1 January 2020	6,360	1,433	3,373
Additions	3,671	-	1,068
Disposals	<u>(833)</u>	<u>(1,213)</u>	<u>(2,556)</u>
At 31 December 2020	<u>9,198</u>	<u>220</u>	<u>1,885</u>
DEPRECIATION			
At 1 January 2020	990	1,021	2,563
Charge for year	819	289	780
Eliminated on disposal	<u>(833)</u>	<u>(1,213)</u>	<u>(2,555)</u>
At 31 December 2020	<u>976</u>	<u>97</u>	<u>788</u>
NET BOOK VALUE			
At 31 December 2020	<u>8,222</u>	<u>123</u>	<u>1,097</u>
At 31 December 2019	<u>5,370</u>	<u>412</u>	<u>810</u>
	Motor vehicles £'000	Trial lanes £'000	Totals £'000
COST			
At 1 January 2020	212	499	11,877
Additions	-	-	4,739
Disposals	<u>(203)</u>	<u>(499)</u>	<u>(5,304)</u>
At 31 December 2020	<u>9</u>	<u>-</u>	<u>11,312</u>
DEPRECIATION			
At 1 January 2020	184	333	5,091
Charge for year	28	166	2,082
Eliminated on disposal	<u>(203)</u>	<u>(499)</u>	<u>(5,303)</u>
At 31 December 2020	<u>9</u>	<u>-</u>	<u>1,870</u>
NET BOOK VALUE			
At 31 December 2020	<u>-</u>	<u>-</u>	<u>9,442</u>
At 31 December 2019	<u>28</u>	<u>166</u>	<u>6,786</u>

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

15. TANGIBLE FIXED ASSETS - continued

Company

	Leasehold Improvement £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000
COST			
At 1 January 2020	5,444	321	2,546
Additions	3,671	-	1,068
Disposals	-	(309)	(1,891)
At 31 December 2020	<u>9,115</u>	<u>12</u>	<u>1,723</u>
DEPRECIATION			
At 1 January 2020	250	268	1,918
Charge for year	682	48	666
Eliminated on disposal	-	(310)	(1,890)
At 31 December 2020	<u>932</u>	<u>6</u>	<u>694</u>
NET BOOK VALUE			
At 31 December 2020	<u>8,183</u>	<u>6</u>	<u>1,029</u>
At 31 December 2019	<u>5,194</u>	<u>53</u>	<u>628</u>
	Motor vehicles £'000	Trial lanes £'000	Totals £'000
COST			
At 1 January 2020	152	499	8,962
Additions	-	-	4,739
Disposals	(152)	(499)	(2,851)
At 31 December 2020	-	-	<u>10,850</u>
DEPRECIATION			
At 1 January 2020	138	333	2,907
Charge for year	14	166	1,576
Eliminated on disposal	(152)	(499)	(2,851)
At 31 December 2020	-	-	<u>1,632</u>
NET BOOK VALUE			
At 31 December 2020	-	-	<u>9,218</u>
At 31 December 2019	<u>14</u>	<u>166</u>	<u>6,055</u>

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020**

16. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £'000
COST	
At 1 January 2020	29,857
Additions	<u>4,683</u>
At 31 December 2020	<u>34,540</u>
PROVISIONS	
At 1 January 2020 and 31 December 2020	<u>7,000</u>
NET BOOK VALUE	
At 31 December 2020	<u>27,540</u>
At 31 December 2019	<u>22,857</u>

The additions during the year was additional capital paid into Leidos Automation Limited.

Subsidiary undertaking	Class of share	Held by the company	Registered office	Principal activity
Leidos Automation Limited	Ordinary	100%	Unit 3 Bedford Link Logistic Park, Kempston, Bedfordshire, MK43 9SS	Design and manufacture of material handling systems
Leidos Security Detection & Automation PTE. Limited	Ordinary	100%	60 Kaki Bukit Place, #08- 13, Eunos Techpark, Singapore, 415979	Automation controls engineering
Leidos Security Detection & Automation LLC	Ordinary	49%	Office 306, 3rd Floor, Arjan Emrates Building, Defense Road, Abu Dhabi, UAE, P.O. Box 127557	Security and detection systems integration
MacDonald Humfrey (Automation) India Private Limited	Ordinary	99.99%	Theorem House, 2 nd Floor Survey No. 105/1/1 Near Radha Hotel, Mumbai, Pune, Maharashtra, MH 411011, India	Security and detection systems integration
Leidos Industrial Engineers Limited	Ordinary	100%	4-6 Enterprise Way, Wickford Business Park, Wickford, Essex, SS11 8DH	Design and manufacture of automotive tooling

The company holds 100% of the voting and distribution rights of Leidos Security Detection & Automation LLC.

Leidos Automation Limited, company number 06758287, has taken the exemption from audit under Section 479A of the Companies Act 2006 for the year ended 31 December 2020.

Leidos Industrial Engineers Limited, company number 01707058, has taken the exemption from audit under Section 479A of the Companies Act 2006 for the year ended 31 December 2020.

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

17. STOCKS

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Raw materials	872	-	872	-
Work-in-progress	1,086	1,791	1,086	1,751
Finished goods	<u>121</u>	<u>221</u>	<u>121</u>	<u>221</u>
	<u>2,079</u>	<u>2,012</u>	<u>2,079</u>	<u>1,972</u>

An impairment loss of £1,036,247 (2019 - £325,000) was recognised in cost of sales.

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	10,519	20,688	7,229	13,196
Amounts owed by group undertakings	739	1,935	753	7,216
Amounts recoverable on contract	11,502	15,934	5,534	10,228
Other debtors	1,216	1,676	532	853
Corporation tax	1,214	-	1,214	-
VAT	-	-	121	-
Deferred tax asset	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,192</u>	<u>40,233</u>	<u>15,383</u>	<u>31,493</u>

Deferred tax asset

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Payments on account	4,483	11,440	1,280	7,851
Trade creditors	7,667	5,432	2,710	3,508
Amounts owed to group undertakings	11,005	752	16,880	11,317
Corporation tax	771	2,442	-	746
Taxation and social security	581	667	447	481
VAT	261	272	-	574
Other creditors	2,403	311	2,267	253
Derivatives	-	20	-	20
Accruals	<u>8,216</u>	<u>7,372</u>	<u>6,444</u>	<u>5,716</u>
	<u>35,387</u>	<u>28,708</u>	<u>30,028</u>	<u>30,466</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

The company has an unsecured loan from a group undertaking of £11,000,000. The loan may be repaid at any time. Interest on the loan is LIBOR+1.5 % per annum. All other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

20. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2020 £'000	2019 £'000
Within one year	1,189	1,558
Between one and five years	4,075	4,564
In more than five years	<u>7,907</u>	<u>7,267</u>
	<u>13,171</u>	<u>13,389</u>

Company

	Non-cancellable operating leases	
	2020 £'000	2019 £'000
Within one year	962	1,346
Between one and five years	3,064	3,933
In more than five years	<u>7,845</u>	<u>7,081</u>
	<u>11,871</u>	<u>12,360</u>

21. FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
Group		
Financial liabilities at fair value through profit and loss	<u>-</u>	<u>(20)</u>

Company

Financial liabilities at fair value through profit and loss	<u>-</u>	<u>(20)</u>
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The group and company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency customers. At the year end the balance sheet date no contracts were held (2019 - the company was committed to selling 18,376,617 AED for a fixed amount of sterling).

22. PROVISIONS FOR LIABILITIES

	Group	
	2020 £'000	2019 £'000
Deferred tax	<u>-</u>	<u>33</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020

22. PROVISIONS FOR LIABILITIES - continued

Group				
				Deferred tax
				£'000
	Balance at 1 January 2020			33
	Credit to Statement of Comprehensive Income during year			<u>(35)</u>
	Balance at 31 December 2020			<u>(2)</u>

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2020	2019
			£	£
2,006,345	Ordinary shares	1p	<u>20,063</u>	<u>20,063</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

24. RESERVES

Retained earnings includes all current and prior year periods retained profits and losses attributable to the group. Share premium includes any premiums received on issue of share capital, less any transactions costs associated with the issuing of those shares.

25. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Other related parties (under common influence)

	2020	2019
	£'000	£'000
Rent paid	<u>-</u>	<u>274</u>

The company rented two properties from key management. Both properties attracted a below market rate rent charge. Total rents paid in the year to 31 December 2020 were £nil (2019: £274,000). No amounts are outstanding at end of 2020 (2019: £nil).

26. POST BALANCE SHEET EVENTS

The group loan of £11 million was converted on the 3 September 2021 to share capital. The company reduced its share capital from £13,020,063.45 with ordinary shares at £0.01 each to share capital of £1.302 with ordinary shares at £0.000000001 each on 3rd September 2021.

Management implemented a UK group reorganisation exercise by splitting the trade and assets of Leidos Security & Automation Limited into Aviation & General Automation business units and transferred to Leidos Security Detection & Automation U.K. Ltd (Aviation) and Leidos Industrial Engineers Limited (General Automation). The trade and assets of Leidos Automation Limited (General Automation) have been transferred to Leidos Industrial Engineers Limited. The effective date for these transfers was 3 October 2021. As a result, the financial statements have been prepared on a basis other than that of going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 DECEMBER 2020**

27. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Leidos Security Detection & Automation U.K. Limited. The registered office is 100 New Bridge Street, London, EC4V 6JA. The smallest undertaking for which the company is a member and for which group financial statements are prepared is Leidos Security & Automation Limited and the largest undertaking is Leidos Holdings, Inc.

On 4 May 2020, the immediate parent undertaking was acquired through Leidos, Inc., by Leidos Holdings, Inc. which at the balance sheet date was the ultimate parent undertaking and controlling party. Leidos Holdings Inc., a company incorporated in the United States of America. The consolidated financial statements of Leidos Holdings, Inc. are publicly available and can be obtained from their registered address at 11251 Roger Bacon Drive, Reston, VA20190, United States of America.

28. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£'000	£'000
(Loss)/profit before taxation	(17,719)	6,299
Depreciation charges	2,082	726
Profit on disposal of fixed assets	-	(8)
Amortisation charge	767	767
Interest payable and similar expenses	50	-
Interest receivable and similar income	<u>(40)</u>	<u>(182)</u>
	(14,860)	7,602
Increase in stocks	(67)	(1,249)
Decrease/(increase) in trade and other debtors	15,325	(3,023)
(Decrease)/increase in trade and other creditors	<u>(1,407)</u>	<u>6,069</u>
Cash (used in)/generated from operations	<u>(1,009)</u>	<u>9,399</u>

29. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Consolidated Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2020

	31.12.20	1.1.20
	£'000	£'000
Cash and cash equivalents	<u>13,202</u>	<u>17,377</u>

Year ended 31 December 2019

	31.12.19	1.1.19
	£'000	£'000
Cash and cash equivalents	<u>17,377</u>	<u>13,308</u>

30. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.20	Cash flow	At 31.12.20
	£'000	£'000	£'000
Net cash			
Cash at bank	<u>17,377</u>	<u>(4,175)</u>	<u>13,202</u>
	<u>17,377</u>	<u>(4,175)</u>	<u>13,202</u>
Total	<u>17,377</u>	<u>(4,175)</u>	<u>13,202</u>