

REGISTERED NUMBER: 02263923 (England and Wales)

LEIDOS SECURITY & AUTOMATION LIMITED
PREVIOUSLY KNOWN AS
MACDONALD HUMFREY (AUTOMATION) LIMITED
GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

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FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**LEIDOS SECURITY & AUTOMATION LIMITED
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2019**

DIRECTORS: Mr J R Davenport
Mr J A Comery
Mr J C Reagan
Mr J S Howe, JR

SECRETARY: Mr B A Winter

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

REGISTERED NUMBER: 02263923 (England and Wales)

AUDITORS: PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

The directors present their strategic report of the company and the group for the year ended 31st December 2019.

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 4th 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 (formerly Exmac Automation Limited)

Leidos Automation Limited is a 100% owned subsidiary company of Leidos Security & Automation Limited, based in Droitwich in the West Midlands.

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 (formerly MacDonald Humfrey Automation Middle East Control Systems 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.

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

REVIEW OF BUSINESS - continued

Leidos Security Detection & Automation Pte. Limited (formerly MacDonald Humfrey (Automation) SEA 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.

Leidos Industrial Engineers Limited (formerly C. K. 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 £82.4 million decreased by 10.0% and gross profit of £23.7 million decreased by 25.0%. This reflects a respectable result facing challenging markets with modest declines in all key markets whilst also recognising the first full year of Leidos Industrial Engineers Limited ("LIEL") which has contributed turnover of £10.9 million (2018 - £3.1 million). Administrative expenses of £17.6 million increased by 31.9% reflecting strategic expansion of the organisation to develop and support future growth, but also the full year effect of consolidating LIEL compared to the short stub period last year. This has resulted in operating profit of £6.1 million, 66.6% lower than last year - within this LIEL contributed operating profit of £0.9 million (2018 - £nil). The return on capital employed decreased to 11.7% compared to 38.7% reflecting the above, along with profitable trading building the capital employed base and no dividend distributions. 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 increased from £47.3 million to £52.1 million. The main reason for the increase was continued good profitable trading during the year with no dividend distributions. The group generated cash from operations of £9.4 million during the year compared to £6.5 million last year. 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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

PRINCIPAL RISKS AND UNCERTAINTIES - continued

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 have been 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 has 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 does not anticipate that Brexit will have a significant impact on the future of the business.

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.

During the period, the group has been a wholly owned subsidiary of a US parent group. As a result, the directors' standard approach is to align the long term strategy and policies to the US parent group. Following a change of ownership after the year end, the corporate governance framework of the wider Leidos Group (US ultimate parent company and subsidiaries) will be 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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

SECTION 172(1) STATEMENT - continued

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 Directors Report.

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 the factors set out in s.172(1)(f) relevant to the proper discharge of their duty under s.172 of the Act.

ON BEHALF OF THE BOARD:

Mr J A Comery - Director

22nd December 2020

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

The directors present their report with the audited financial statements of the company and the group for the year ended 31st December 2019.

CHANGE OF NAME

The group passed a special resolution on 28th May 2020 changing its name from MacDonald Humfrey (Automation) Limited to Leidos Security & Automation Limited.

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

No dividends will be distributed for the year ended 31st December 2019.

RESEARCH AND DEVELOPMENT

2019 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 have 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

The directors 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.

However, the impact of the uncertainties of the global health crisis COVID-19 on the group may temporarily hold back progress in this respect which is dependent on how long the crisis lasts. Contingency plans have been put in place in order to mitigate the negative effects.

The continuing investment within India with the Pune office firmly established is expected to lead to growth and opportunities in the future.

The forecast success anticipated for the Indian market is expected to be replicated in the Asia Pacific region where there is an increased awareness and desire for similar services and products.

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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

DIRECTORS

The directors who have held office during the period from 1st January 2019 to the date of this report are as follows:

Mr M W J MacDonald - resigned 2nd August 2019
Mr P-K Chin - resigned 2nd August 2019
Mr R Cook - resigned 20th September 2019
Mr M Simon - resigned 30th August 2019
Mr J R Davenport - appointed 2nd August 2019
Mr J A Comery - appointed 2nd August 2019
Mr A Dallsingh - appointed 2nd August 2019

Mr J C Reagan and Mr J S Howe, JR were appointed as directors after 31st December 2019 but prior to the date of this report.

Mr A E Crawford , Mr A Yeager and Mr A Dallsingh ceased to be directors after 31st December 2019 but prior to the date of this report.

FINANCIAL INSTRUMENTS

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.

Should the need arise for additional liquid resources the ultimate parent, Leidos Holdings, Inc., has guaranteed to provide additional liquidity requirements.

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 provision is made for doubtful debts where necessary.

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**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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.

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 13 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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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.

ON BEHALF OF THE BOARD:

Mr J A Comery - Director

22nd December 2020

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

Opinion

In our opinion, Leidos Security & Automation Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group Strategic Report, Report of the Directors and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Christopher Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Reading

22nd December 2020

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
TURNOVER	3	82,365	91,499
Cost of sales		<u>58,664</u>	<u>59,900</u>
GROSS PROFIT		23,701	31,599
Administrative expenses		<u>17,584</u> 6,117	<u>13,329</u> 18,270
Other operating income		<u>-</u>	<u>39</u>
OPERATING PROFIT	6	6,117	18,309
Interest receivable and similar income	8	<u>182</u> 6,299	<u>329</u> 18,638
Amounts recovered on investments	9	<u>-</u> 6,299	<u>(11)</u> 18,649
Interest payable and similar expenses	10	<u>-</u>	<u>728</u>
PROFIT BEFORE TAXATION		6,299	17,921
Tax on profit	11	<u>1,311</u>	<u>3,575</u>
PROFIT FOR THE FINANCIAL YEAR		4,988	14,346
OTHER COMPREHENSIVE (LOSS)/INCOME			
Retranslation of foreign subsidiaries		(225)	337
Income tax relating to other comprehensive (loss)/income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(225)</u>	<u>337</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>4,763</u>	<u>14,683</u>

The notes on pages 20 to 41 form part of these financial statements

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	2019	2018
	£'000	£'000
Profit attributable to: Owners of the parent	<u>4,988</u>	<u>14,346</u>
Total comprehensive income attributable to: Owners of the parent	<u>4,763</u>	<u>14,683</u>

The notes on pages 20 to 41 form part of these financial statements

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**CONSOLIDATED BALANCE SHEET
31ST DECEMBER 2019**

	Notes	2019 £'000	£'000	2018 £'000	£'000
FIXED ASSETS					
Intangible assets	13		14,389		15,156
Tangible assets	14		6,786		2,262
Investments	15		-		-
			<u>21,175</u>		<u>17,418</u>
CURRENT ASSETS					
Stocks	16	2,012		983	
Debtors	17	40,233		37,210	
Cash at bank		<u>17,377</u>		<u>13,308</u>	
		59,622		51,501	
CREDITORS					
Amounts falling due within one year	18	<u>28,708</u>		<u>21,586</u>	
NET CURRENT ASSETS			<u>30,914</u>		<u>29,915</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			52,089		47,333
PROVISIONS FOR LIABILITIES	21		<u>33</u>		<u>40</u>
NET ASSETS			<u><u>52,056</u></u>		<u><u>47,293</u></u>
CAPITAL AND RESERVES					
Called up share capital	22		20		20
Share premium	23		90		90
Retained earnings	23		<u>51,946</u>		<u>47,183</u>
SHAREHOLDERS' FUNDS			<u><u>52,056</u></u>		<u><u>47,293</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 22nd December 2020 and were signed on its behalf by:

Mr J A Comery - Director

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**COMPANY BALANCE SHEET
31ST DECEMBER 2019**

	Notes	2019 £'000	£'000	2018 £'000	£'000
FIXED ASSETS					
Intangible assets	13		-		-
Tangible assets	14		6,055		1,444
Investments	15		<u>22,857</u>		<u>22,307</u>
			28,912		23,751
CURRENT ASSETS					
Stocks	16	1,972		943	
Debtors	17	31,493		26,294	
Cash at bank		<u>9,795</u>		<u>5,071</u>	
		43,260		32,308	
CREDITORS					
Amounts falling due within one year	18	<u>30,466</u>		<u>18,159</u>	
NET CURRENT ASSETS			<u>12,794</u>		<u>14,149</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>41,706</u>		<u>37,900</u>
CAPITAL AND RESERVES					
Called up share capital	22		20		20
Share premium	23		90		90
Retained earnings	23		<u>41,596</u>		<u>37,790</u>
SHAREHOLDERS' FUNDS			<u>41,706</u>		<u>37,900</u>
Company's profit for the financial year			<u>3,806</u>		<u>10,089</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22nd December 2020 and were signed on its behalf by:

Mr J A Comery - Director

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1st January 2018	20	32,500	90	32,610
Changes in equity				
Profit for the year	-	14,346	-	14,346
Other comprehensive income	-	337	-	337
Total comprehensive income	-	14,683	-	14,683
Balance at 31st December 2018	20	47,183	90	47,293
Changes in equity				
Profit for the year	-	4,988	-	4,988
Other comprehensive income	-	(225)	-	(225)
Total comprehensive income	-	4,763	-	4,763
Balance at 31st December 2019	20	51,946	90	52,056

The notes on pages 20 to 41 form part of these financial statements

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1st January 2018	20	27,701	90	27,811
Changes in equity				
Total comprehensive income	-	10,089	-	10,089
Balance at 31st December 2018	20	37,790	90	37,900
Changes in equity				
Total comprehensive income	-	3,806	-	3,806
Balance at 31st December 2019	20	41,596	90	41,706

The notes on pages 20 to 41 form part of these financial statements

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	27	9,399	6,458
Tax paid		<u>(1,945)</u>	<u>(2,376)</u>
Net cash from operating activities		<u>7,454</u>	<u>4,082</u>
Cash flows from investing activities			
Purchase of subsidiary		-	(17,399)
Purchase of tangible fixed assets		(3,160)	(1,133)
Interest received		<u>4</u>	<u>329</u>
Net cash from investing activities		<u>(3,156)</u>	<u>(18,203)</u>
Cash flows from financing activities			
Amounts received from group undertakings		-	<u>10,000</u>
Net cash from financing activities		-	<u>10,000</u>
Increase/(decrease) in cash and cash equivalents			
		4,298	<u>(4,121)</u>
Cash and cash equivalents at beginning of year			
	28	13,308	17,429
Effect of foreign exchange rate changes		<u>(229)</u>	-
Cash and cash equivalents at end of year	28	<u>17,377</u>	<u>13,308</u>

The notes on pages 20 to 41 form part of these financial statements

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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.

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, on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial instruments at fair value through profit and loss. The ultimate parent company, Leidos Holdings, Inc., has provided guarantees of ongoing support.

The directors have considered the impact of the uncertainties of the global health crisis COVID-19 on the group. Contingency plans have been put in place in order to mitigate the negative effects of any period of interrupted trading. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

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);
- 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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

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.

No indications of impairment have been identified during the year.

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.

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:

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Revenue recognition - continued

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.

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.

Tangible fixed assets

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

Short leasehold	- over the remaining period of the lease
Plant and machinery	- 20% on reducing balance
Fixtures, fittings and equipment	- 20% on reducing balance
Motor vehicles	- 25% on reducing balance
Trial lanes	- over the remaining period of the trial

Tangible fixed assets are measured at cost less accumulated depreciation.

Investment - Company

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

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Stocks

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

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.

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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

2. ACCOUNTING POLICIES - continued

Research and development

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

Foreign currencies

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 to which they relate.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2019	2018
	£'000	£'000
United Kingdom	49,106	56,767
Europe	7,486	5,864
North and South America	13,091	21,378
Rest of the world	12,682	7,490
	<u>82,365</u>	<u>91,499</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

4. EMPLOYEES AND DIRECTORS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Wages and salaries	22,016	18,789	15,377	14,048
Social security costs	2,546	1,958	1,895	1,608
Other pension costs	887	1,452	687	1,255
	<u>25,449</u>	<u>22,199</u>	<u>17,959</u>	<u>16,911</u>

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

	Group		Company	
	2019	2018	2019	2018
Directors	3	6	3	1
Administrative staff	71	60	45	48
Design and manufacture	<u>393</u>	<u>336</u>	<u>222</u>	<u>251</u>
	<u>467</u>	<u>402</u>	<u>270</u>	<u>300</u>

5. DIRECTORS' REMUNERATION

	2019	2018
	£	£
Directors' remuneration	293,741	157,445
Directors' pension contributions to money purchase schemes	<u>16,719</u>	<u>7,114</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 31st December 2019 is as follows:

	2019
	£
Emoluments etc	109,211
Pension contributions to money purchase schemes	<u>7,115</u>

Director's paid by other group undertakings and are not recharged to the company. The directors are considered to be key management.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

6. OPERATING PROFIT

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

	2019 £'000	2018 £'000
Hire of plant and machinery	306	280
Other operating leases	1,806	1,156
Depreciation - owned assets	726	461
(Profit)/loss on disposal of fixed assets	(8)	6
Goodwill amortisation	767	183
Research and development costs	856	637
Foreign exchange differences	<u>(370)</u>	<u>104</u>

7. AUDITORS' REMUNERATION

	2019 £'000	2018 £'000
Fees payable to the company's auditors for the audit of the company and consolidated financial statements	140	140
Fees payable to the company's auditors for the audit of the subsidiaries financial statements	<u>-</u>	<u>27</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Other interest receivable	4	329
Gain on financial instrument	178	-
	<u>182</u>	<u>329</u>

9. AMOUNTS RECOVERED ON INVESTMENTS

	2019 £'000	2018 £'000
Minority interest balance recovered	<u>-</u>	<u>(11)</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Loss on financial instrument	<u>-</u>	<u>728</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

11. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	1,544	3,355
Adjustment to tax charge in respect of previous periods	(17)	229
Foreign corporation tax	<u>(209)</u>	<u>-</u>
Total current tax	1,318	3,584
Deferred tax	<u>(7)</u>	<u>(9)</u>
Tax on profit	<u>1,311</u>	<u>3,575</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	<u>6,299</u>	<u>17,921</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19 % (2018 - 19 %)	1,197	3,405
Effects of:		
Expenses not deductible for tax purposes	149	1
Depreciation in excess of capital allowances	69	55
Adjustments to tax charge in respect of previous periods	(17)	229
Research and development relief	-	(224)
Charged at different tax rates	7	109
Impact of overseas tax rates	<u>(94)</u>	<u>-</u>
Total tax charge	<u>1,311</u>	<u>3,575</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

11. TAXATION - continued

Tax effects relating to effects of other comprehensive income

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

	2018		
	Gross £'000	Tax £'000	Net £'000
Retranslation of foreign subsidiaries	<u>337</u>	<u>-</u>	<u>337</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6th September 2016). These include reductions to the main rate to reduce the rate to 17% from 1st April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reductions in corporation tax rate from 19% to 17%. This was substantively enacted on 17th March 2020. The rate from 1st April 2020 now remains at 19%.

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.

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

13. INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000
COST	
At 1st January 2019 and 31st December 2019	<u>15,339</u>
AMORTISATION	
At 1st January 2019	183
Amortisation for year	<u>767</u>
At 31st December 2019	<u>950</u>
NET BOOK VALUE	
At 31st December 2019	<u>14,389</u>
At 31st December 2018	<u>15,156</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

14. TANGIBLE FIXED ASSETS

Group

	Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000
COST			
At 1st January 2019	1,708	1,325	3,305
Additions	4,652	105	214
Disposals	-	-	(127)
Exchange differences	-	3	-
Reclassification	-	-	(19)
At 31st December 2019	<u>6,360</u>	<u>1,433</u>	<u>3,373</u>
DEPRECIATION			
At 1st January 2019	788	932	2,397
Charge for year	202	90	210
Eliminated on disposal	-	-	(44)
Exchange differences	-	(1)	-
Reclassification	-	-	-
At 31st December 2019	<u>990</u>	<u>1,021</u>	<u>2,563</u>
NET BOOK VALUE			
At 31st December 2019	<u>5,370</u>	<u>412</u>	<u>810</u>
At 31st December 2018	<u>920</u>	<u>393</u>	<u>908</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

14. TANGIBLE FIXED ASSETS - continued

Group

	Motor vehicles £'000	Trial lanes £'000	Totals £'000
COST			
At 1st January 2019	216	-	6,554
Additions	-	140	5,111
Disposals	(4)	-	(131)
Exchange differences	-	-	3
Reclassification	-	359	340
At 31st December 2019	<u>212</u>	<u>499</u>	<u>11,877</u>
DEPRECIATION			
At 1st January 2019	175	-	4,292
Charge for year	11	213	726
Eliminated on disposal	(2)	-	(46)
Exchange differences	-	-	(1)
Reclassification	-	120	120
At 31st December 2019	<u>184</u>	<u>333</u>	<u>5,091</u>
NET BOOK VALUE			
At 31st December 2019	<u>28</u>	<u>166</u>	<u>6,786</u>
At 31st December 2018	<u>41</u>	<u>-</u>	<u>2,262</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

14. TANGIBLE FIXED ASSETS - continued

Company

	Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000
COST			
At 1st January 2019	829	311	2,458
Additions	4,615	10	188
Disposals	-	-	(81)
Reclassification	-	-	(19)
At 31st December 2019	<u>5,444</u>	<u>321</u>	<u>2,546</u>
DEPRECIATION			
At 1st January 2019	118	255	1,803
Charge for year	132	13	142
Eliminated on disposal	-	-	(27)
Reclassification	-	-	-
At 31st December 2019	<u>250</u>	<u>268</u>	<u>1,918</u>
NET BOOK VALUE			
At 31st December 2019	<u>5,194</u>	<u>53</u>	<u>628</u>
At 31st December 2018	<u>711</u>	<u>56</u>	<u>655</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

14. TANGIBLE FIXED ASSETS - continued

Company

	Motor vehicles £'000	Trial lanes £'000	Totals £'000
COST			
At 1st January 2019	156	-	3,754
Additions	-	140	4,953
Disposals	(4)	-	(85)
Reclassification	-	359	340
At 31st December 2019	<u>152</u>	<u>499</u>	<u>8,962</u>
DEPRECIATION			
At 1st January 2019	134	-	2,310
Charge for year	6	213	506
Eliminated on disposal	(2)	-	(29)
Reclassification	-	120	120
At 31st December 2019	<u>138</u>	<u>333</u>	<u>2,907</u>
NET BOOK VALUE			
At 31st December 2019	<u>14</u>	<u>166</u>	<u>6,055</u>
At 31st December 2018	<u>22</u>	<u>-</u>	<u>1,444</u>

**LEIDOS SECURITY & AUTOMATION LIMITED (REGISTERED NUMBER: 02263923)
PREVIOUSLY KNOWN AS MACDONALD HUMFREY (AUTOMATION) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019**

15. **INVESTMENTS**

Company

	Shares in group undertakings £'000
COST	
At 1st January 2019	29,307
Additions	<u>550</u>
At 31st December 2019	<u>29,857</u>
PROVISIONS	
At 1st January 2019 and 31st December 2019	<u>7,000</u>
NET BOOK VALUE	
At 31st December 2019	<u>22,857</u>
At 31st December 2018	<u>22,307</u>

The additions during the year was additional capital paid into MacDonald Humfrey (Automation) India Private Limited.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
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15. **INVESTMENTS - continued**

Subsidiary undertaking	Class of share	Held by the company	Registered office
Leidos Automation Limited (formerly Exmac Automation Limited)	Ordinary	100%	Unit 3 Bedford Link Logistic Park, Kempston, Bedfordshire, MK43 9SS
Leidos Security Detection & Automation PTE. Limited (formerly MacDonalD Humfrey (Automation) SEA PTE. Limited)	Ordinary	100%	60 Kaki Bukit Place, #08-13, Eunos Techpark, Singapore, 415979
Leidos Security Detection & Automation LLC (formerly MacDonalD Humfrey Automation Middle East Control Systems LLC)	Ordinary	49%	Office 306, 3rd Floor, Arjan Emrates Building, Defense Road, Abu Dhabi, UAE, P.O. Box 127557
MacDonalD Humfrey (Automation) India Private Limited	Ordinary	99.99%	A-2, Gruhlaxmi Apartments, 415/1, Somwar Peth near Rasta Peth MSEB Office, Pune, MH 411011, India
Leidos Industrial Engineers Limited (formerly C. K. Industrial Engineers Limited)	Ordinary B Ordinary	100% 100%	4-6 Enterprise Way, Wickford Business Park, Wickford, Essex, SS11 8DH

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 31st December 2019.

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 31st December 2019.

16. **STOCKS**

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Stocks	<u>2,012</u>	<u>983</u>	<u>1,972</u>	<u>943</u>

An impairment loss of £325,000 (2018 - £270,000) was recognised in cost of sales.

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17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	20,688	16,348	13,196	8,742
Amounts owed by group undertakings	1,935	3,760	7,216	10,160
Amounts recoverable on contract	15,934	16,493	10,228	6,923
Other debtors	1,676	609	853	469
	<u>40,233</u>	<u>37,210</u>	<u>31,493</u>	<u>26,294</u>

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

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Payments on account	11,440	5,410	7,851	4,904
Trade creditors	5,432	3,299	3,508	1,805
Amounts owed to group undertakings	752	1,189	11,317	3,859
Corporation tax	2,442	3,072	746	1,053
Social security and other taxes	667	653	481	470
VAT	272	217	574	341
Other creditors	311	2,359	253	1,558
Derivatives	20	371	20	371
Accruals	7,372	5,016	5,716	3,798
	<u>28,708</u>	<u>21,586</u>	<u>30,466</u>	<u>18,159</u>

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

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19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2019	2018
	£'000	£'000
Within one year	1,558	779
Between one and five years	4,564	929
In more than five years	7,267	318
	<u>13,389</u>	<u>2,026</u>

Company

	Non-cancellable operating leases	
	2019	2018
	£'000	£'000
Within one year	1,346	541
Between one and five years	3,933	393
In more than five years	7,081	-
	<u>12,360</u>	<u>934</u>

20. FINANCIAL INSTRUMENTS

	2019	2018
	£'000	£'000
Group		
Financial liabilities at fair value through profit and loss	<u>(20)</u>	<u>(371)</u>
Company		
Financial liabilities at fair value through profit and loss	<u>(20)</u>	<u>(371)</u>

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FINANCIAL INSTRUMENTS - continued

The group and company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency customers. At the balance sheet date the outstanding contracts mature by March 2020 (2018 - September 2019). The group and company are committed to selling 18,376,617 AED (2018 - 46,009,888 AED) for a fixed amount of sterling at the balance sheet date.

These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract.

21. PROVISIONS FOR LIABILITIES

	Group	
	2019	2018
	£'000	£'000
Deferred tax	<u>33</u>	<u>40</u>
Group		Deferred tax
		£'000
Balance at 1st January 2019		40
Credit to Statement of Comprehensive Income during year		<u>(7)</u>
Balance at 31st December 2019		<u>33</u>

The deferred tax liability expected to reverse next year is £4,000 relating to the reversal of existing timing differences on capital allowances.

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£	£
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.

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23. 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.

24. 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)

	2019	2018
	£'000	£'000
Rent paid	<u>274</u>	<u>479</u>

25. POST BALANCE SHEET EVENTS

Subsequent to the year end, the global health crisis caused by COVID-19 has impacted on some operations of the group. Contingency plans have been put in place in order to mitigate the negative effects of any period of reduced 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 has established additional employee support facilities and implemented greater flexibility in working patterns, supported by enhanced business continuity procedures.

While there has been some short-term impact on the group, management expects the related business environment to normalise in due course and with a strong Balance Sheet and support of Leidos Holdings, Inc. it is anticipated that any impact will be kept to a minimum.

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26. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Leidos Security Detection & Automation U.K. Limited (formerly L-3 Communications U.K. Limited). The registered office is 100 New Bridge Street, London, EC4V 6JA.

On 29th June 2019, L3 Technologies, Inc. merged with Harris Corporation, Inc. to form L3Harris Technologies, Inc. which at the balance sheet date was the ultimate parent undertaking and controlling party. L3Harris Technologies, Inc., a company incorporated in the United States of America.

The consolidated financial statements of L3Harris Technologies, Inc. are publicly available and can be obtained from their headquarters at 1025 West NASA Boulevard, Melbourne, Florida 32919, United States of America.

On 4th May 2020, the immediate parent undertaking was acquired through Leidos, Inc., by Leidos Holdings, Inc. which is now the ultimate parent undertaking and controlling party, a company incorporated in the United States of America.

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£'000	£'000
Profit before taxation	6,299	17,921
Depreciation charges	726	461
(Profit)/loss on disposal of fixed assets	(8)	6
Amortisation charge	767	183
Foreign operations retranslation	-	339
Interest payable and similar e	-	728
Interest receivable and simila	(182)	(329)
	<u>7,602</u>	<u>19,309</u>
(Increase)/decrease in stocks	(1,249)	822
Increase in trade and other debtors	(3,023)	(10,536)
Increase/(decrease) in trade and other creditors	<u>6,069</u>	<u>(3,137)</u>
Cash generated from operations	<u><u>9,399</u></u>	<u><u>6,458</u></u>

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28. CASH AND CASH EQUIVALENTS

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

Year ended 31st December 2019

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

Year ended 31st December 2018

	31.12.18	1.1.18
	£'000	£'000
Cash and cash equivalents	<u>13,308</u>	<u>17,429</u>

29. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.19 £'000	Cash flow £'000	At 31.12.19 £'000
Net cash			
Cash at bank and in hand	<u>13,308</u>	<u>4,069</u>	<u>17,377</u>
	<u>13,308</u>	<u>4,069</u>	<u>17,377</u>
Total	<u>13,308</u>	<u>4,069</u>	<u>17,377</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.