

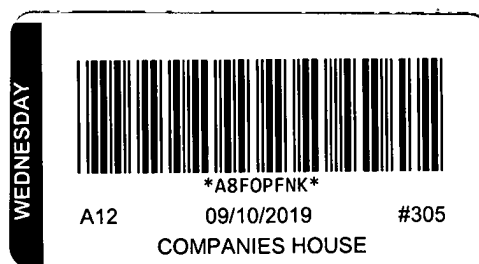
Babcock Information Analytics and Security Limited

Annual report

For the year ended 31 March 2019

Company registration number:

02275471



Babcock Information Analytics and Security Limited

Directors and advisors

Current directors

I Urquhart
J Hall
M Jones (resigned 06/09/2019)
R Burge
N McDougall

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
United Kingdom
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Babcock Information Analytics & Security Limited

Strategic report for the year ended 31 March 2019

The directors present their Strategic report on the Company for the year ended 31 March 2019.

Principal activities

Over the course of the year, the business has gone through a transition where a transfer of employees, trade and assets to other Group entities has taken place. The company still trades a small number of contracts where licence IP still sits within the company and as such these contracts attract cost and generate profit.

Review of the business

	2019	2018
	£000	£000
Revenue	6,566	17,778
Loss for the financial year	(198)	(3,443)

Key performance indicators

The Company's key financial and other performance indicators are as follows:

	2019	2018
	£000	£000
Revenue Reduction	(63%)	(17%)
Operating Losses on revenue	(3%)	(21%)
Order Book	-	7,753
Total injuries rate per 100,000 hours worked	-	-
Current assets as % of current liabilities	100%	99%
Average number of employees (including directors)	49	186
Debtor Days	104	30

The growth and performance of Marine, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 40 to 42 of the Group's report, which does not form part of this report.

Babcock Information Analytics and Security Limited

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Babcock International Group PLC level (Group) by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee. The business risks and uncertainty however are low in nature due to the transition and transfer of trade to other Group entities.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 70 to 81 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

The directors undertook a strategic review that resulted in a rationalisation of where contracts are discharged within the Babcock Group. The Company continues to run a series of core contracts.

On behalf of the board



R Burge

Director

02/10/2019

Directors' report for the year ended 31 March 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Dividends

No dividends were received in the year (2018: £315,302). No final dividend was recommended by the directors (2018: £nil).

Future developments

Information on the future developments of the Company can be found in the Strategic report.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 35 to 37 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Price risk

The Company has no exposure to price risk as a result of its operations.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Babcock Information Analytics and Security Limited

Directors' report for the year ended 31 March 2019 *(continued)*

Financial risk management *(continued)*

Interest rate cash flow risk

The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a fixed rate, with the exception of interest earned on cash balances which accrue interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Directors

The directors who held office during the year and up to the date of signing the annual report were as follows:

I Urquhart
J Hall
M Jones (resigned 06/09/2019)
R Burge
N McDougall

Safety policy

The Company recognises the promotion of health and safety at work as an important objective. It is Company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of Babcock staff on site.

Research and development

The Company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

Environment

The Company recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to appropriate standards where appropriate.

The Company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

Directors' report for the year ended 31 March 2019 *(continued)*

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Qualifying third party indemnity provisions

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by Companies Act 2006) for the benefit of members of Babcock International Group PLC, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities came into force in 2012 and remain in force.

Babcock Information Analytics and Security Limited

Directors' report for the year ended 31 March 2019 *(continued)*

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements. There is a letter of support from Devonport Royal Dockyard Limited confirming they will provide the necessary support to the Company to meet their obligations as they fall due, for a period of at least 12 months from the date of signing these financial statements.

Statement of disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

Reappointment of auditors

PricewaterhouseCoopers LLP were reappointed as auditors at the Annual General Meeting.

On behalf of the board



R Burge

Director

2nd October 2019

Babcock Information Analytics and Security Limited

Independent auditors' report to the members of Babcock Information Analytics and Security Limited

Report on the audit of the financial statements

OPINION

In our opinion, Babcock Information Analytics and Security Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Annual report (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2019; the Income statement, the Statement of comprehensive income, the Statement 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 company 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

ISAs (UK) require us to report to you when:

- 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 company'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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Babcock Information Analytics and Security Limited

Independent auditors' report to the members of Babcock Information Analytics and Security Limited (continued)

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 Directors' report, 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 Directors' report

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Babcock Information Analytics and Security Limited

Independent auditors' report to the members of Babcock Information Analytics and Security Limited (continued)

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Craig Sullivan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
October 2019

Babcock Information Analytics and Security Limited**Income statement***for the year ended 31 March 2019*

	Note	2019 £000	2018 £000
Revenue	4	6,566	17,778
Cost of sales		<u>(4,855)</u>	<u>(15,907)</u>
Gross profit		1,711	1,871
Administrative expenses		(1,879)	(5,678)
Operating Loss		(168)	(3,807)
Income from shares in group undertakings		<u>-</u>	<u>315</u>
Loss on ordinary activities before interest and taxation	6	(168)	(3,492)
Finance expense	5	(2)	(15)
Loss on ordinary activities before income tax		(170)	(3,507)
Income tax (charge) / credit	9	<u>(28)</u>	<u>64</u>
Loss for the financial year		<u>(198)</u>	<u>(3,443)</u>

All of the above results derive from continuing operations.

Statement of comprehensive income*for the year ended 31 March 2019*

	2019 £000	2018 £000
Loss for the financial year	(198)	(3,443)
Total comprehensive loss for the year	<u>(198)</u>	<u>(3,443)</u>

Babcock Information Analytics and Security Limited

Statement of financial position

as at 31 March 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investments	21	-	-
Intangible assets	10	596	700
Property, plant and equipment	11	84	391
		<u>680</u>	<u>1,091</u>
Current assets			
Trade and other receivables	12	7,777	10,784
Cash and cash equivalents		1,017	-
		<u>8,794</u>	<u>10,784</u>
Current liabilities			
Trade and other payables – amounts falling due within one year	13	(8,816)	(6,688)
Bank Overdraft		-	(4,220)
		<u>(8,816)</u>	<u>(10,908)</u>
Net current liabilities		<u>(22)</u>	<u>(124)</u>
Total assets less current liabilities		<u>658</u>	<u>967</u>
Provisions	14	-	(111)
Net assets		<u>658</u>	<u>856</u>
Equity			
Called up share capital	16	399	399
Retained earnings		259	457
Total shareholders' funds		<u>658</u>	<u>856</u>

The notes on pages 14 to 30 are an integral part of these financial statements.

The financial statements on pages 11 to 30 were approved by the board of directors and signed on its behalf by:



R Burge

Director

2nd October 2019

Babcock Information Analytics and Security Limited**Statement of changes in equity**
For the year ended 31 March 2019

	Note	Called up share capital £000	Retained earnings £000	Total share- holders' funds £000
Balance at 1 April 2017	16	399	3,900	4,299
Loss for the financial year and total comprehensive loss for the year		-	(3,443)	(3,443)
Balance at 31 March 2018	16	399	457	856
Loss for the financial year and total comprehensive loss for the year		-	(198)	(198)
Balance at 31 March 2019	16	399	259	658

Babcock Information Analytics and Security Limited

Notes to the financial statements

1 General information

Babcock Information Analytics and Security Limited is a private company limited by shares which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London, United Kingdom, W1U 1QX.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly owned subsidiary of Babcock Information Analytics & Security Holdings Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

- paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
- paragraph 73(e) of IAS 16 Property, plant and equipment; and
- paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- f) IAS 7, 'Statement of cash flows'
- g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Adoption of new and revised standards

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 9, '*Financial Instruments*' has been adopted in the year (effective 1 January 2018) and replaces IAS 39. The standard introduces new requirements for classifying and measuring financial instruments. The adoption of IFRS 9 has not had any impact on the financial position of the company. Accordingly prior year comparatives have not been restated.

IFRS 15, '*Revenue from Contracts with Customers*' (effective 1 January 2018), replaces existing revenue recognition standards. The Company's previous revenue recognition policy was materially compliant with IFRS 15. The Company has adopted the modified transition approach in line with IFRS 15. As such prior year comparative balances have not been adjusted as permitted by the Standard.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements. There is a letter of support from Devonport Royal Dockyard Limited confirming they will provide the necessary support to the Company to meet their obligations as they fall due, for a period of at least 12 months from the date of signing these financial statements.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

Notes to the financial statements *(continued)***(a) Performance obligations**

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract. The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group's pricing principles. The Company's contracts typically do not include significant financing components.

(c) Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time.

Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

- the customer simultaneously receives and consumes the benefits of the company's performance as it performs; or
- the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for work done; or
- the company's performance creates or enhances an asset controlled by the customer.

Most of the Company's contracts meet the requirements to satisfy performance obligations and recognise revenue over time either because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for work done.

Where the Company satisfies performance obligations over time, revenue is recognised using costs incurred as a proportion of total estimated costs to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation. In some circumstances the Company also uses an output based earned value approach, as an indicator, to validate the cost based input approach and this approach uses suitably qualified and experienced Company personnel to assess the stage of completion of performance obligations.

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods.

Notes to the financial statements *(continued)***2 Summary of significant accounting policies** *(continued)*

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis by suitably qualified and experienced Group personnel and the assessments of all significant contracts are subject to review and challenge by local management, sector management and Group management. Assessment of outcomes are in relation to separate performance obligations and include variable consideration, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Any expected loss on a contract is recognised immediately in the income statement.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Contract accounting balances

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Pre-contract costs are recognised as expenses are incurred, except that directly attributable costs are recognised as an asset and amortised over the life of the contract when it can be reliably expected that a contract will be obtained and the contract is expected to result in future net cash inflows.

Post-contract award but pre-contract operational start-up mobilisation costs are recognised as an asset and amortised over the life of the contract.

Intangible assets*a) Goodwill*

Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101.

Annual impairment reviews are performed using the NPV of cash flow method. Goodwill impairment reviews are undertaken annually or more frequently if event or changes in circumstances indicate potential impairment. The carrying value is compared to the recoverable amount. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Computer software

Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

Notes to the financial statements *(continued)***2 Summary of significant accounting policies** *(continued)***Property, plant and equipment**

Property, plant and equipment ('PPE') is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each year end on Statement of financial position date) at the following annual rates:

Computer Equipment	25-33%
Fixtures and Fittings	25%

PPE is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

Trade receivables

Trade receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

Taxation**(a) Current income tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the year end on Statement of financial position date.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted by the year end on Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Notes to the financial statements *(continued)***2 Summary of significant accounting policies** *(continued)***Foreign currencies**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the year-end exchange rates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the Statement of financial position date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis. A provision is made where the operating leases are deemed to be onerous.

Provisions for liabilities

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as write downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly. A provision is made where the operating leases are deemed to be onerous.

A provision for employee benefits is recognised when there is a realistic expectation of the liability.

Dividend Income

Dividend income is recognised as income in the Company's financial statements in the period in which the dividends are approved and received from Group shareholdings.

Notes to the financial statements *(continued)***3 Critical accounting estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of financial position or year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Contract accounting

The Company has long term contracts where revenue and expenses are incurred over multiple financial periods. This requires estimates of revenue and expenses over multiple periods, considering various elements such as the frequency and extent of the number of employees, materials and other resources required to fulfil the contract terms, billing rates and cost changes. Revisions that affect a contract's total estimated profitability results in an adjustment of earnings. Where necessary, provisions are established for any probable future losses.

Useful economic lives of property, plant and equipment and intangible assets

The annual depreciation charge for the property, plant and equipment is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment, and note 2 for the useful economic lives of for each class of assets.

Provisions

A provision for restructuring represents management's best estimate of the costs that will be incurred based on the contractual requirements of those staff identified at risk. The restructuring was completed by September 2018.

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Notes to the financial statements *(continued)*

4 Revenue

Revenue is wholly attributable to the principal activities of the Company and arises as follows:

	2019 £000	2018 £000
By area of activity:		
Rendering of services	6,566	17,778
	<u>6,566</u>	<u>17,778</u>

	2019 £000	2018 £000
By geographical area:		
United Kingdom	6,288	17,465
Europe	-	21
Rest of World	278	292
	<u>6,566</u>	<u>17,778</u>

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Notes to the financial statements *(continued)*

5 Finance expense

	2019 £000	2018 £000
Finance expense:		
Finance costs	(2)	(15)
	<u>(2)</u>	<u>(15)</u>

6 Loss on ordinary activities before interest and taxation

Loss on ordinary activities before interest and taxation is stated after charging:

	2019 £000	2018 £000
Depreciation of property plant and equipment	185	599
Amortisation of intangible assets	104	148
Royalty fee	25	30
Operating lease charges		
- Land and buildings	107	160
- Other assets	30	23
Parent company management charges	18	78
Audit fees payable to the Company's auditors	20	20

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC. The Group financial statements are required to comply with the statutory disclosure requirements.

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Notes to the financial statements *(continued)*

7 Staff costs

The average monthly number of employees (including directors) employed by the Company during the year was as follows:

	2019 Number	2018 Number
By activity:		
Operations	39	150
Management and administration	10	36
	<u>49</u>	<u>186</u>

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	3,198	9,084
Social security costs	312	1,149
Other pension costs (note 20)	345	1,052
	<u>3,855</u>	<u>11,285</u>

Included in other pension costs are £345,000 (2018: £1,052,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities.

8 Directors' remuneration

The remuneration of the Company's directors, including pension contributions, was paid by other Group companies of the Babcock International Group PLC. No recharge was made to the Company and the directors received no remuneration for their services as directors of the Company as it was not applicable to apportion the costs.

Babcock Information Analytics and Security Limited**Notes to the financial statements (continued)****9 Income tax****Tax (credit) / charge included in income statement**

	2019	2018
	£000	£000
Current tax:		
UK Corporation tax on profits for the year	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	(25)	(70)
Adjustments in respect of deferred tax for prior years	49	(1)
Impact of change in UK tax rate	4	7
Total deferred tax charge / (credit) (note 15)	28	(64)
Tax on profit on ordinary activities	28	(64)

Tax charge for the year is higher (2018: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2019 of 19% (2018: 20%). The differences are explained below:

	2019	2018
	£000	£000
Loss on ordinary activities before taxation	(170)	(3,507)
Loss on ordinary activities multiplied by standard UK corporation tax rate of 19% (2018: 20%)	(32)	(666)
Effects of:		
Expenses not deductible for tax purposes	-	(59)
Group relief surrendered for nil consideration	7	655
Impact of change in UK tax rate	4	7
Adjustments in respect of deferred tax for prior years	49	(1)
Total tax charge / (credit) for the year	28	(64)

In the UK 2015 Budget it was announced that the UK corporation tax rate will reduce to 19% from April 2017. It was announced in the 2016 UK Budget that it will be further reduced to 18% from April 2020. It was subsequently announced in 2017 UK Budget that it will be reduced to 17% from April 2020. As a result of this change, UK deferred tax balances have been remeasured at 17% as this is the tax rate that will apply on reversal.

Babcock Information Analytics and Security Limited**Notes to the financial statements (continued)****10 Intangible assets**

	Software £000	Goodwill Restated £000	Total £000
Cost			
At 1 April 2018 and at 31 March 2019	1,832	2,116	3,948
Accumulated amortisation and impairment			
At 1 April 2018	(1,549)	(1,699)	(3,248)
Amortisation of software	(104)	-	(104)
At 31 March 2019	(1,653)	(1,699)	(3,352)
Book value 31 March 2019	179	417	596
At 31 March 2018	283	417	700

11 Property, plant and equipment

	Computer Equipment £000	Fixtures and Fittings £000	Total £000
Cost			
At 1 April 2018	2,264	818	3,082
Additions	-	17	17
Disposals	(1,323)	(610)	(1,933)
At 31 March 2019	941	225	1,166
Accumulated depreciation			
At 1 April 2018	(2,063)	(628)	(2,691)
Charge for the year	(121)	(64)	(185)
Disposals	1,272	522	1,794
At 31 March 2019	(912)	(170)	(1,082)
Net book value			
At 31 March 2019	29	55	84
At 31 March 2018	201	190	391

Babcock Information Analytics and Security Limited**Notes to the financial statements (continued)****12 Trade and other receivables**

	2019	2018
	£000	£000
Amounts falling due within one year:		
Trade receivables	817	831
Amounts due from customers for contract work	267	1,449
Amounts owed by group undertakings	6,393	7,270
Deferred tax asset (note 15)	123	151
Prepayments and accrued income	177	1,083
	7,777	10,784

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

Trade receivables are stated after provisions for impairment of £Nil (2018: £Nil).

	Amounts due for contract work £000	Total £000
At 31 March 2018	1,449	1,449
Reclassification – IFRS 15 Transition	-	-
31 March 2018 - restated	1,449	1,449
Transfers from contract assets recognised at the beginning of the year to receivables	(1,449)	(1,449)
Increase due to work done not recognised in the income statement	267	267
At 31 March 2019	267	267

Babcock Information Analytics and Security Limited**13 Trade and other payables**

	2019	2018
	£000	£000
Amounts falling due within one year:		
Trade creditors	98	393
Amounts owed to parent and group undertakings	6,770	1,443
Taxation and social security	18	477
UK corporation tax payable	1,751	1,751
Payments received on account	77	1,324
Accruals and deferred income	102	1,300
	8,816	6,688

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

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 18(a)).

	Contract cost accrual £000	Advance payments £000	Total £000
At 31 March 2018	421	1,324	1,745
Revenue recognised that was included in contract liabilities at the beginning of the year	(421)	(1,324)	(1,745)
At 31 March 2019	-	-	-

Babcock Information Analytics and Security Limited

Notes to the financial statements *(continued)*

14 Provisions

	Dilapidations provision £000
At 1 April 2018	111
Released to the income statement	<u>(111)</u>
At 31 March 2019	<u>-</u>

Dilapidations provisions relate to office buildings leased by the Company and now sit within the accounts of another Babcock company.

15 Deferred taxation

The major components of the deferred tax assets are recorded as follows:

Deferred tax asset	Accelerated capital allowances £000	Other £000	Total £000
At 1 April 2018:	<u>130</u>	<u>21</u>	<u>151</u>
- Debited to the income statement	<u>(7)</u>	<u>(21)</u>	<u>(28)</u>
At 31 March 2019	<u>123</u>	<u>-</u>	<u>123</u>

16 Called up share capital

	2019 £000	2018 £000
Allotted and fully paid		
349,097 ordinary shares of £1 each (2018: 349,097)	349	349
50,000 preference shares of £1 each (2018: 50,000)	<u>50</u>	<u>50</u>
	<u>399</u>	<u>399</u>

Babcock Information Analytics and Security Limited

Notes to the financial statements (continued)

17 Dividends

No Dividends were received in year (2018: £315,302).

18 Guarantees and financial commitments

a) Contingent liabilities

At the year end the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2018: £nil) provided to certain group companies. In addition, the Company at the year-end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2018: £nil).

No securities have been provided by the Company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystallize.

b) Operating lease commitments

At 31 March 2019, the Company had future minimum rentals payable under non-cancellable operating leases as follows:

	2019 Land and buildings £000	2019 Other £000	2018 Land and buildings £000	2018 Other £000
Future minimum rentals payable under non-cancellable operating leases:				
- within one year	102	-	160	23
- between two and five years	26	-	185	34
	128	-	345	57

The entity leases two offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases plant and machinery under non-cancellable operating leases.

19 Related party disclosures

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

Babcock Information Analytics and Security Limited

Notes to the financial statements *(continued)*

20 Pension commitments

The Company accounts for pension costs in accordance with IAS 19.

The Company contributes to a defined contribution scheme in respect of a number of its employees.

21 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

Company Name and Registered Address	Country	Interest	Direct %	Ultimate%
LOCAM Limited Lincoln House Wellington Crescent, Fradley Park, Lichfield, Staffordshire, WS13 8RZ	United Kingdom	1 Ordinary shares	100.0%	100.0%

22 Ultimate parent undertaking

The Company's immediate parent company is Babcock Information Analytics and Security Holdings Limited. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London W1U 1QX