

Babcock Information Analytics and Security Limited

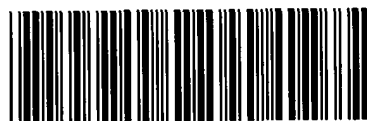
Annual report

For the year ended 31 March 2018

Company registration number:

02275471

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COMPANIES HOUSE

Babcock Information Analytics and Security Limited

Directors and advisors

Current directors

I Urquhart
J Hall
M Hardy (Resigned 31/3/2018)
M Jones (Appointed 1/4/2018)
R Burge
N McDougall

Company secretary

Babcock Corporate Secretaries Limited

Registered office

Lincoln House
Wellington Crescent
Fradley Park
Lichfield
Staffordshire
WS13 8RZ

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 2018

The directors present their Strategic report on the Company for the year ended 31 March 2018.

Principal activities

Babcock Information Analytics and Security Limited (BIAS) is focused on the delivery of measureable business benefits to its customers in through-life support of complex assets. This is achieved through the provision of technical services and information technology solutions. Our aim is to deliver clear and sustainable value to our customers whilst achieving satisfactory returns to our stakeholders, sustainable profit growth, first class career development opportunities and a safe working environment for our people.

BIAS's corporate strategy continues to focus on growth in two areas: Defence and Energy.

BIAS's core business remains in the defence market sector where the requirement is to demonstrate value for money, be more innovative and deliver more effectively the UK's defence outputs. BIAS will continue to focus on the development of key industrial partnerships with the MOD, Primes and OEM's as 'providers' to the MOD as a route to market.

During the year BIAS has continued to invest in the new business stream Managed Security Services (MSS). MSS provides IT security and monitoring services to a range of new and existing customers. A downturn in the Marine sector resulted in a reduction of revenue in the year.

Review of the business

	2018	2017
	£000	£000
Revenue	17,778	21,451
Loss for the financial year	(3,443)	(1,949)

Over the course of the year, the Company's core business activities resulted in a downturn in the Marine sector. The increased loss is representative of increased investment in the MSS business stream.

Babcock Information Analytics and Security Limited

Strategic report for the year ended 31 March 2018 (continued)

Key performance indicators

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

	2018 £000	2017 £000
Revenue Growth	(17%)	1%
Operating Return on revenue	(21%)	(9%)
Order Book	7,753	5,766
Total injuries rate per 100,000 hours worked	0	0
Current assets as % of current liabilities	99%	136%
Average number of employees (including directors)	186	221
Debtor Days	30	30

The growth and performance of Marine, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 30 to 37 of the Group's report, which does not form part of this report.

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 key risks and uncertainties affecting the Company are considered to relate to overexposure to any one of our market sectors, the political and regulatory environment and the ability to recruit and retain quality staff. The directors manage this risk by meeting on a regular basis to discuss these risks.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 68 to 79 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

The directors are undertaking a strategic review which may result in a rationalisation of where contracts are discharged within the Babcock Group. This review is expected to be concluded before September 2018.

On behalf of the board



R Burge

Director

26 June 2018

Registered number 02275471

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Babcock Information Analytics and Security Limited

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Dividends

Dividends were received in the year 2018: £315,302 (2017: £Nil). No final dividend was recommended by the directors (2017: £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 26 to 29 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Price risk

The Company is exposed to price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities. The Company has no exposure to equity securities price risks as it holds no listed equity investments.

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 2018 (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 Hardy (Resigned 31/3/2018)
M Jones (Appointed 1/4/2018)
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 the employees of the Company.

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.

Babcock Information Analytics and Security Limited

Directors' report for the year ended 31 March 2018 *(continued)*

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). 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 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 UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. They 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.

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 until the date of the approval of the financial statements.

Babcock Information Analytics and Security Limited

Directors' report for the year ended 31 March 2018 (continued)

Post balance sheet events

On the 18th April the Directors took the decision assess the ongoing viability of the BIAS business. The proposed action was to transfer some trade and assets to other group entities. The Collective Consultation process began on 1st May 2018 and is currently ongoing at the date of signing these accounts. It is anticipated this process will conclude during September 2018. The directors anticipate that the company will be trading for at least the next 12 months and no decision has been made to strike off the company in the foreseeable future.

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.

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.

On behalf of the board



R Burge

Director

26 June 2018

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 2018 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, which comprise: the Statement of financial position; the Income statement and the Statement of comprehensive income, the Statement of changes in equity; 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

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

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 2018 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 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.

Babcock Information Analytics and Security Limited

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

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.

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

28 June 2018

Babcock Information Analytics and Security Limited**Income statement***for the year ended 31 March 2018*

	Note	2018 £000	2017 £000
Revenue	4	17,778	21,451
Cost of sales		<u>(15,907)</u>	<u>(16,297)</u>
Gross profit		1,871	5,154
Administrative expenses		<u>(5,678)</u>	<u>(7,122)</u>
Operating Loss		(3,807)	(1,968)
Income from shares in group undertakings		<u>315</u>	<u>-</u>
Loss on ordinary activities before interest and taxation	6	(3,492)	(1,968)
Finance (expense) / income	5	<u>(15)</u>	<u>2</u>
Loss on ordinary activities before income tax		(3,507)	(1,966)
Income tax credit	9	<u>64</u>	<u>17</u>
Loss for the financial year		(3,443)	(1,949)

All of the above results derive from continuing operations.

Statement of comprehensive income*for the year ended 31 March 2018*

	2018 £000	2017 £000
Loss for the financial year	(3,443)	(1,949)
Total comprehensive loss for the year	(3,443)	(1,949)

Babcock Information Analytics and Security Limited**Statement of financial position**
as at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investments	22	-	-
Intangible assets	10	700	848
Property, plant and equipment	11	391	972
		<u>1,091</u>	<u>1,820</u>
Current assets			
Trade and other receivables	12	10,784	9,865
Cash and cash equivalents		-	-
		<u>10,784</u>	<u>9,865</u>
Current liabilities			
Trade and other payables – amounts falling due within one year	13	(6,688)	(6,636)
Bank Overdraft		(4,220)	(639)
		<u>(10,908)</u>	<u>(7,275)</u>
Net current (liabilities) / assets		<u>(124)</u>	<u>2,590</u>
Total assets less current liabilities		<u>967</u>	<u>4,410</u>
Provisions	14	(111)	(111)
Net assets		<u>856</u>	<u>4,299</u>
Equity			
Called up share capital	16	399	399
Retained earnings		457	3,900
Total shareholders' funds		<u>856</u>	<u>4,299</u>

The notes on pages 14 to 28 are an integral part of these financial statements.

The financial statements on pages 11 to 28 were approved by the board of directors and signed on its behalf by:



R Burge

Director

26 June 2018

Babcock Information Analytics and Security Limited**Statement of changes in equity**
For the year ended 31 March 2018

	Note	Called up share capital £000	Retained earnings £000	Total share- holders' funds £000
Balance at 1 April 2016		399	5,849	6,248
Profit for the financial year and total comprehensive income for the year		-	(1,949)	(1,949)
Dividends paid	17	-	-	-
Balance at 31 March 2017		399	3,900	4,299
Loss for the financial year and total comprehensive loss for the year		-	(3,758)	(3,758)
Dividends received	17	-	315	315
Balance at 31 March 2018		399	457	856

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 Lincoln House, Wellington Crescent, Fradley Park, Lichfield, Staffordshire, WS13 8RZ.

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. The Company has adopted FRS 101 in these financial statements.

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) IFRS 7, 'Financial instruments: Disclosures'
- b) 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)
- c) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - 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)
- d) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- e) IAS 7, 'Statement of cash flows'
- f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'

Babcock Information Analytics and Security Limited

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

- g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- h) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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 is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured and recovery of consideration is considered probable.

(b) Rendering of services

Revenue from services rendered is recognised by reference to the stage of completion of the transaction. The provision of services over a long-term period are accounted for under the principles of construction contracts, and the revenue recognised as set out below. In a limited number of contracts where performance and revenue are measured annually the revenue and costs are similarly recognised over the course of the year.

(c) Long-term service contracts

Revenue from long-term service contracts is recognised by reference to the stage of completion of the contract in accordance with IAS 18 'Revenue' and IAS 11 'Construction contracts'. The stage of completion is determined according to the nature of the specific contract concerned. Methods used to assess the stage of completion include incurred costs as a proportion of total costs; labour hours incurred or earned value of work performed.

The profit element of the revenue attributable to a contract is recognised if the final outcome can be reliably assessed. In order to assess the likely outcome of a contract a full estimated cost of completion is produced which will assess risks and opportunities including cost rates, time, volume and performance for the contract and apply a probability to these being realised. As time elapses, these risks and opportunities will become more predictable. Risks and opportunities will vary dependent on the terms of each contract and the commercial environment of each market. Where certain contracts have pain/gain share arrangements, whereby target cost under/over spends are shared with the customer, these sharing arrangements are included in assessing the overall contract outturn and the expected profit.

Any expected loss on a contract is recognised immediately in the income statement.

Notes to the financial statements (*continued*)

2 Summary of significant accounting policies (*continued*)

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.

c) Research and Development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit but not exceeding seven years.

Babcock Information Analytics and Security Limited

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.

Babcock Information Analytics and Security Limited

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 Statement of financial position 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 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 Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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.

Babcock Information Analytics and Security Limited**Notes to the financial statements (continued)****4 Revenue**

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

	2018	2017
	£000	£000
By area of activity:		
Sales of goods	-	-
Rendering of services	17,778	21,451
	17,778	21,451

	2018	2017
	£000	£000
By geographical area:		
United Kingdom	17,465	21,283
Europe	21	38
Rest of World	292	130
	17,778	21,451

Babcock Information Analytics and Security Limited**Notes to the financial statements (continued)****5 Finance income and costs**

	2018	2017
	£000	£000
Finance income/expense:		
Finance costs	(15)	-
Bank interest received	-	2
	<u>(15)</u>	<u>2</u>

6 Loss on ordinary activities before interest and taxation

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

	2018	2017
	£000	£000
Depreciation of property plant and equipment	599	405
Amortisation of intangible assets	148	121
Research and development recognised as an expense	-	424
Royalty fee	30	322
Operating lease charges		
- Land and buildings	160	160
- Other assets	23	27
Parent company management charges	78	86
Audit fees payable to the Company's auditors	20	33

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.

Babcock Information Analytics and Security Limited

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:

	2018 Number	2017 Number
By activity:		
Operations	150	182
Management and administration	36	39
	<u>186</u>	<u>221</u>

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	9,084	10,687
Social security costs	1,149	1,256
Other pension costs (note 20)	1,052	1,105
	<u>11,285</u>	<u>13,048</u>

Included in other pension costs are £1,052,000 (2017: £1,105,000) in respect of the defined contribution scheme.

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 included in income statement**

	2018 £000	2017 £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	(70)	(24)
Adjustments in respect of deferred tax for prior years	(1)	-
Impact of change in UK tax rate	7	7
Total deferred tax credit (note 15)	(64)	(17)
Tax on profit on ordinary activities	(64)	(17)

Tax credit for the year is higher (2017: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before taxation	(3,507)	(1,966)
Loss on ordinary activities multiplied by standard UK corporation tax rate of 19% (2017: 20%)	(666)	(393)
Effects of:		
Expenses not deductible for tax purposes	(59)	5
Group relief surrendered for nil consideration	655	364
Impact of change in UK tax rate	7	7
Adjustments in respect of deferred tax for prior years	(1)	-
Total tax credit for the year	(64)	(17)

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 2017	1,832	2,116	3,948
Additions	-	-	-
At 31 March 2018	1,832	2,116	3,948
Accumulated amortisation and impairment			
At 1 April 2017	(1,401)	(1,699)	(3,100)
Amortisation of software	(148)	-	(148)
At 31 March 2018	(1,549)	(1,699)	(3,248)
Book value 31 March 2018	283	417	700
At 31 March 2017	431	417	848

11 Property, plant and equipment

	Computer Equipment £000	Fixtures and Fittings £000	Total £000
Cost			
At 1 April 2017	2,617	816	3,433
Additions	16	2	18
Disposals	(369)	-	(369)
At 31 March 2018	2,264	818	3,082
Accumulated depreciation			
At 1 April 2017	(1,909)	(552)	(2,461)
Charge for the year	(523)	(76)	(599)
Disposals	369	-	369
At 31 March 2018	(2,063)	(628)	(2,691)
Net book value			
At 31 March 2018	201	190	391
At 31 March 2017	708	264	972

Babcock Information Analytics and Security Limited

Notes to the financial statements (continued)

12 Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade receivables	831	566
Amounts due from customers for contract work	1,449	1,794
Amounts owed by group undertakings	7,270	6,951
Deferred tax asset (note 15)	151	87
Prepayments and accrued income	1,083	467
	<u>10,784</u>	<u>9,865</u>

Amounts owed by group undertakings are unsecured.

There are two major loans (2017: two) to group companies:

- Two (2017: Two) loans totalling £3,500,000 (2017: £3,500,000) are repayable on demand, with no interest charge.

Trade receivables are stated after provisions for impairment of £Nil (2017: £Nil).

13 Trade and other payables

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade creditors	393	748
Amounts owed to parent and group undertakings	1,443	1,571
Taxation and social security	477	402
UK corporation tax payable	1,751	1,751
Payments received on account	1,324	508
Accruals and deferred income	1,300	1,656
	<u>6,688</u>	<u>6,636</u>

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)).

Babcock Information Analytics and Security Limited**Notes to the financial statements (continued)****14 Provisions**

	Dilapidations provision £000
At 1 April 2017	111
Additions to the income statement	-
At 31 March 2018	111

Dilapidations provisions relate to office buildings leased by the Company. At the end of each lease there is a requirement to reinstate the property to its prior condition, so the Company has provided for the reinstatement costs. The provisions will be fully utilised when the final lease expires during the year ending 31 March 2020.

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 2017:	66	21	87
- Credited to the income statement	64	-	64
At 31 March 2018	130	21	151

16 Called up share capital

	2018 £000	2017 £000
Allotted and fully paid		
349,097 ordinary shares of £1 each (2017: 349,097)	349	349
50,000 preference shares of £1 each (2017: 50,000)	50	50
	399	399

Babcock Information Analytics and Security Limited

Notes to the financial statements (continued)

17 Dividends

Dividends of £315,302 were received in year (2017: Nil).

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 (2017: £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 (2017: £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 crystallise.

b) Operating lease commitments

At 31 March 2018, the Company had future minimum rentals payable under non-cancellable operating leases as follows:

	2018 Land and buildings £000	2018 Other £000	2017 Land and buildings £000	2017 Other £000
Future minimum rentals payable under non-cancellable operating leases:				
- within one year	160	23	160	27
- between two and five years	185	34	345	15
	345	57	505	42

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 Post balance sheet events

On the 18th April the Directors took the decision assess the ongoing viability of the BIAS business. The proposed action was to transfer some trade and assets to other group entities. The Collective Consultation process began on 1st May 2018 and is currently ongoing at the date of signing these accounts. It is anticipated this process will conclude during September 2018. The directors anticipate that the company will be trading for at least the next 12 months and no decision has been made to strike off the company in the foreseeable future.

22 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%

23 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