

Forensic Science Service Ltd
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012



Registered office and headquarters
Trident Court
2920 Solihull Parkway
Birmingham Business Park
Birmingham
B37 7YN

Company Registration No 5607780

Forensic Science Service Ltd

CHAIRMAN'S STATEMENT

Since the announcement of the closure of FSS by James Brokenshire, Under Secretary of State, in December 2010, the past year has been focussed on achieving an orderly wind-down of the business and its activities, ensuring no discontinuity of service to the criminal justice system (CJS). With effect from the end of March 2012, the company ceased delivery of forensic scientific services.

The wind-down project has been executed in an exemplary manner by the executive team and their staff, ensuring the needs of the CJS were prioritised. The company has worked alongside its Home Office shareholder and a number of criminal justice stakeholders in providing a smooth transfer of work, whether that has been to police forces themselves or their private sector suppliers. This has resulted in a progressive reduction in the levels of scientific casework undertaken by FSS during the second half of this year, the last case being delivered in March 2012.

This smooth transition has been assisted by the continued and rapid contraction of the accessible forensic science market, caused by a mixture of in-sourcing and lower spending generally by police forces.

FSS's legacy will be its extensive archive of over three million case-files and retained items. This is a key resource of the CJS and it is intended that this will be run by a small residual element of the company, which will continue to manage the archive on behalf of the Home Office.

Throughout this difficult year, FSS staff remained entirely professional and dedicated to servicing the CJS, even though their own futures were uncertain. Working with them has been a pleasure and they have expanded my own knowledge greatly. I have been immensely proud to be associated with a company and its people whose innovations have changed the investigation and detection of crime across the world and whose public service ethos has never faltered. I would like to extend my gratitude to them all and wish them every success in their future careers.



Bill Griffiths
Chairman

Forensic Science Service Ltd

CHIEF EXECUTIVE'S STATEMENT

The wind-down of a national, multi-site business at the same time as continuing to deliver excellent service to the criminal justice system has presented some unique challenges over the past year. FSS staff have risen to each and every test magnificently, ensuring as little disruption as possible to our customers.

FSS management and staff approached the closure programme with three key Home Office priorities as the primary focus for the project:

- to secure continuity of supply to the Criminal Justice System,
- to minimise the cost of closure to the taxpayer, and
- the completion of all operational forensic science by the end of March 2012.

A further objective of the FSS Board and executive management team was to ensure that all our staff were treated with absolute fairness and the highest respect as they undertook this challenging and complex programme. Wherever possible we sought to secure jobs for our staff with new providers.

At the start of the closure programme towards the end of 2010, FSS employed approximately 1200 staff and operated from 4 sites. By December 2011 operations had ceased at 3 sites and headcount had been reduced to 510. At the end of March 2012 operations had ceased at all sites and headcount had reduced to 223. At this date the Lambeth laboratory was handed back to the Metropolitan Police Authority with over 100 staff previously transferring to the Metropolitan Police in-house forensic facility.

The work previously undertaken at Wetherby was transferred to the new West Yorkshire forensic facility at Wakefield, run by LGC forensics, established through a tripartite agreement between the North East forces, FSS and LGC. Twenty-four FSS staff were transferred to LGC as a result of this agreement. Wetherby was the last of our laboratories to close and its final case was delivered in the last week of March, thus meeting the deadline set by the Minister for operational closure by the end of March 2012.

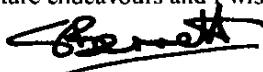
Despite the staff transfers mentioned and some recruitment by other providers, a large number of ex-FSS scientists have now left the field of forensic science, depriving it of vast amounts of experience and talent. This is largely due to the contraction in the overall size of the accessible market, which is estimated now to be half the size it was in 2010.

All current and historic case files have been consolidated into two remaining facilities from which previous archive activity has been supported. At the request of the Home Office we have structured a stand alone archive capability so that the very large number of case files relating to historic cases covered by FSS in the past can be retrieved when required to support any activity on-going in the courts.

All this was achieved without any supply failure to our customers and with no diminution of our quality standards. The objective of minimising cost to the tax payer was achieved, thanks in no small part to the use of a flexible voluntary redundancy scheme agreed with staff, that allowed us to define precisely the departure date for each team such that our capacity could be closely matched to the diminishing backlog of work. We were supported in this activity by the constructive and positive contributions of the Employee Forum and the Trade Unions.

None of this would have been possible without the selfless dedication and commitment of every single staff member. I greatly appreciate the diligence and professionalism shown by all of our people through this protracted and painful process. They should be proud of this achievement and, indeed, for their contribution to the Criminal Justice System over many previous years. I am confident FSS people will find success in their future endeavours and I wish them success and good fortune.

Simon Bennett
Chief Executive



Forensic Science Service Ltd

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

During the year to 31 March 2012, the Forensic Science Service Ltd (the company or FSS) steadily reduced the provision of forensic science services with the last piece of casework being delivered just before the year end. Operational delivery for most customers ceased on 3 October with delivery to the Metropolitan Police ceasing in December and then finally delivery to the North East customers in March. Hand over to alternate suppliers, or the forces themselves, was smooth in all cases with no material disruption to the criminal justice system. By the end of the year continuing activities being undertaken by the company were the Scenesafe division (which provides scene of crime evidence recovery kits), finalisation of a substantial contract to establish a DNA capability for the Abu Dhabi police and establishment of the national forensic archive. Activity levels for FSS going forward will be significantly reduced as a result of this change in focus for the company.

The principal task remaining is for the company to conclude liquidation of the primary assets. The company will continue to operate as a much smaller entity and the directors have assessed the status of the company as a going concern. The basis for this assumption is explained further in the going concern section of this report.

FUTURE DEVELOPMENTS

Following the Home Office announcement on 14 December 2010, the intention of there being no continuing state interest in a forensics provider by March 2012 has been achieved. The FSS no longer delivers casework services to any customers, with this work and some of the resources which support provision of these services having been transferred to other providers. This has been a gradual transition to ensure that there would be no adverse impacts on the criminal justice system. The number of scientific staff has reduced in line with the transfer of work. Following completion of casework by the end of March, some of the operational scientists remained to assist with decommissioning activities with all operational scientists then leaving the business by the end of April 2012.

The Home Office has asked the FSS to continue to manage the archive of forensic case files and materials which are used to support court cases and further work which may be undertaken on such cases in the future by other providers. This is a medium term solution whilst consideration is being given to the most appropriate service provider and mechanism for the long term.

The division of the company which assembles and sells evidence recovery kits is also a continuing entity. The intention is for Scenesafe Ltd to be created, in order to operate as a wholly owned subsidiary company whilst work is being retendered. This will ensure continuity of supply to customers in an area where alternative options for police customers appear to be limited.

The other operational laboratories will be closed down and mothballed prior to being sold, leases terminated where possible or sublet. As part of this process equipment is being sold predominantly through auction or transfer to other providers.

At the end of September 2012, the remaining directors of the company will resign and handover to Home Office appointed directors to take over governance of the remaining entity.

Over the next 6-12 months, the company will ensure efficient operation of the archive facility. The subsidiary company Scenesafe Ltd will be set up with appropriate governance arrangements, whilst the Home Office works in discussion with the customers on how the company can continue to support the provision of evidence recovery kits in the longer term.

Forensic Science Service Ltd

DIRECTORS' REPORT

During this period the company will continue to contribute to meeting the Home Office's remaining objectives which include

- to minimise disruption to the criminal justice system,
- to wind down the FSS in an orderly and solvent manner, and
- to provide best value for money for the tax-payer

FINANCIAL PERFORMANCE

The company has progressively transferred work to other providers during the year and as expected the turnover is significantly lower than the prior year being £48.0m (2011 £87.3m). The Home Office has provided financial support to the company to ensure that the delivery of services by the FSS is not disrupted through the transition period. This has been received in the form of Rescue Aid followed by Liquidation Aid grant funding which has been approved by the EU. An amount of £69.2m has been included in exceptional items which represents the grant utilised to 31 March 2012 to both offset trading losses and the costs associated with winding down activities incurred to this date.

Operating costs on ordinary activities before exceptional items were significantly lower due to the progressive contraction in the size of the business in line with the reduction in revenue, being £63.0m (2011 £106.9m).

In the prior year a significant exceptional item was shown in the Income Statement representing the costs incurred and expected to materialise in respect of winding down the company to eventual closure. The anticipated wind down costs were also reflected in the provisions for restructuring costs and property related costs. There is now a greater level of certainty over such costs for the business and the parts of the company which will continue to operate. The remaining provisions have been re-aligned accordingly.

In addition to the government grant utilised in year, the exceptional item also includes the reversal of restructuring provisions not required amounting to £6.3m. A further reversal has been made for property lease termination costs no longer required mainly due to the favourable settlement of the lease on the Lambeth facility in London, this is partially replaced by onerous lease provisions for two of the company's properties. The impact of this on the exceptional costs has been a reduction in costs of £12.2m in the year.

The Home Office loan has also been waived at 31 March 2012, being shown as a gain of £18.1m within finance income.

Largely as a result of both the exceptional item and the Home Office loan being waived, the company has made a profit after taxation of £85.8m.

The operating loss on ordinary activities before exceptional items in the year was £14.8m (2011 £19.4m). This prior year figure has been restated from £12.3m for presentational reasons, with the Home Office grant funding (approved by the EU) which was included in other operating income in the prior year being represented in the current year within exceptional items.

The deficit on the company's profit and loss reserve has reduced from £169.2m to £106.4m. This is due to the profit for the year of £85.8m, offset by an actuarial loss (net of deferred tax) on the company's defined benefit pension scheme (measured in accordance with IAS19) of £22.9m.

There was no further share capital issued in the year, all funding having been received from the Shareholder in the form of government grants.

Forensic Science Service Ltd

DIRECTORS' REPORT

GOING CONCERN

The company has steadily reduced its activities over the financial year as detailed in the principal activities section of this report and the continuing entity is a much smaller business. The directors are satisfied that the company has a reasonable expectation of receiving adequate funding for the foreseeable future to enable it to meet its liabilities as they fall due. The financial statements have therefore continued to be prepared on a going concern basis.

The principal factors supporting this view are

- the company has net liabilities at the year end of £8.4m. This position includes the directors' best estimates of the likely wind down costs to the company both in the short and long term. The Home Office has given assurances to the board of directors that it will provide sufficient funding to meet these liabilities as they fall due over the next 6-12 months through Liquidation Aid, with further amounts due to be received in 2012/13 and beyond, and
- in respect of ongoing activities, the forensic archive has been established and the annual running costs for this and the necessary supporting infrastructure are to be funded separately by the Home Office. At the date of these financial statements, a Service level Agreement to formalise this arrangement is in the process of being finalised. Financial forecasts indicate that the Scenesafe division will be self-financing for the foreseeable future coupled with an expectation that should this not be the case sufficient funds would be made available in the form of Liquidation Aid from the Home Office to fund a solvent wind down.

In addition, the company has received specific assurances from the Home Office that funding will be made available in the event that the contingent liabilities relating to pension top up requirements (and detailed in note 32 to the accounts) crystallise.

Further detail is provided in the accounting policies on page 23.

KEY PERFORMANCE INDICATORS

A Home Office Forensic Transition Board has remained in place throughout the year. This has included the FSS and other external stakeholders. The Board has overseen the programme of work which has included the progressive wind down of the operational activities of the company. The key objective of having no Home Office interest in the provision of forensic science from the end of March 2012 has been achieved. Progress towards other key objectives is being monitored at regular meetings.

The company regularly updates its financial forecasts for the transition period. The Board has reviewed its reporting and aligned this to the three strands of activity which will continue to be in place to co-ordinate the wind down of the residual company, the ongoing archive function and the separate reporting on Scenesafe activities. A summary of performance against key closure objectives is also regularly reported to the Board.

Forensic Science Service Ltd

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for the company's approach to assessing risks and systems of internal control. This includes reviewing financial, operational and compliance controls and risk management procedures. The Board and business leadership team regularly review emerging risks within the business, their likelihood and potential impact and monitor the progress of mitigating actions taken by management. A separate corporate change board has supported this process through highlighting risks arising from both the wind down of operational activities and the wider company infrastructure, escalating these both internally and externally to the Home Office where necessary. The role of executive management is to implement the Board's policies on risk and control and provide assurance of compliance with these policies. The Audit Committee reviews the risk management processes and independent assurance is provided through contracted professional auditors.

Quality continues to be a fundamental requirement for the company. The reputation of the company and the trust of its customer base may be eroded if mistakes are made, particularly in high profile cases. During the year the company has continued to work closely with the external Forensic Science Regulator to address issues of quality within the industry.

The company has successfully transferred its activities in a controlled and phased way to support the continuation of forensic supply to the criminal justice system. The principal risks in the final stages of this combined programme of work are:

- delays in establishing a clear strategy and support for the continuing elements of the company,
- the potential for service delivery levels of the archive to fall short of criminal justice system requirements, and
- continued uncertainty regarding the future activity of Scenesafe leading to instability in either supply or customer demand.

Other risks which are more directly within the company's control are:

- the retention of relevant skills and key staff throughout this period,
- the risk of governance or control issues in this period of significant change and downsizing; and
- the risk of disposing of IP at less than best value.

RESEARCH AND DEVELOPMENT

The focus for the Research and Development function during the year has been winding down activities and disposal of assets. A phased series of redundancies was undertaken, reducing the headcount from 58 to 2, with a concurrent programme of archiving research records.

Intellectual Property (IP) and technology assets resulting from research activity were entered into a competitive sales process, which is nearing completion. Some of the assets were sold commercially and others retained for the benefit of the UK Criminal Justice System. Further assets are still subject to sales negotiations and a number of patents are expected to be sold at a specialist IP auction.

In parallel, significant further development of FSS DNA INSIGHT, enabling calculation of evidential strength, was undertaken, in order to improve sales value and benefit the UK Criminal Justice System.

Forensic Science Service Ltd

DIRECTORS' REPORT

DIRECTORS

The following directors have held office during the year and up to the date of this report or until stated

W R Griffiths	Non-Executive Chairman
S D Bennett	Chief Executive Officer
C Hadkiss (resigned 31 March 2012)	UK Criminal Justice System Director
R Hewitt-Jones	Finance Director
N P Baldwin (resigned 30 April 2012)	Non-Executive Director
A Bloxham (resigned 30 April 2012)	Non-Executive Director
D M Clarke	Non-Executive Director
P M Hay-Plumb	Non-Executive Director

The resignations of the directors referred to above are part of the planned gradual wind down of the Board aligned to that of the company and as agreed with the Minister. The company understands the requirement to ensure that control structures remain appropriate to the size of the business and as a result of this further director departures will take place over the next six months, in accordance with this agreed plan.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The company maintains liability insurance for its directors and officers. This insurance was in place throughout the financial year and at the date of approval of the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The company did not make any charitable contributions during the year (2011 £nil)

The company did not make any political contributions during the year (2011 £nil)

SHARE CAPITAL

No further shares were issued during the year. The company's authorised share capital remains unchanged from an aggregate nominal amount of £100,000,000.

TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

Subject to the provisions included in the company's governance documents, the Board approves treasury policies, day-to-day operations are controlled by senior managers.

The company's financial instruments comprise loan stock, cash and liquid resources such as trade receivables and trade payables.

The Board regularly reviews liquidity risk and the status of going concern at each meeting, acting appropriately within the zone of insolvency. Grant funding has been obtained to support the wind down of the business.

Forensic Science Service Ltd

DIRECTORS' REPORT

Interest rates on debt are fixed at 6% The company utilises money market deposit accounts to maximise investment income

The company is not exposed to price risk as it holds no listed investments, and all share capital is held solely by the Shareholder (see note 30)

In respect of foreign currency transactional exposure, the company undertakes a limited number of foreign exchange transactions and risk is restricted to currency movements between invoice and payment dates

The company has a robust procedure in place to ensure that credit risk is properly assessed before customer orders are accepted Given the customer base, credit risk is generally low

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the company's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued to keep them informed both on matters affecting them as employees and on the various factors affecting the performance of the company Weekly manager updates are held by telephone conference, followed up with key messages being cascaded by managers and distributed electronically An internal intranet site is available to all business areas, and has been used to keep staff updated with progress and decisions made regarding the future of the company Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests Senior managers make regular site visits to brief staff and to participate in open question and answer sessions

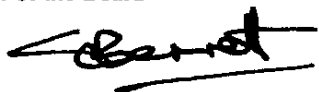
INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP was re-appointed as auditor of the company at the Board meeting on 29 July 2011 A resolution to re-appoint PricewaterhouseCoopers LLP as auditor will be put to the Board

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware Each director has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board



Director
12 June 2012

Forensic Science Service Ltd

CORPORATE SOCIAL RESPONSIBILITY

Despite focusing on the wind-down of the company over the last year, the Forensic Science Service did not completely finish all operational casework until March 2012 and therefore continued to play a full and vital role in supporting the UK criminal justice service throughout the year. The majority of scientists left the company in the new year and there was no evidence of any diminution of their public service ethos as the wind-down progressed, ensuring the transfer of work to new suppliers was seamless.

The FSS has been mindful of the environmental impact of its wind-down activities and has sought to minimise the amount of material that has been disposed of. This has been accomplished by donation of remaining laboratory consumables and stationery to local schools and colleges. Equipment has been sold on for future use through open market auction. Old scientific equipment, still in working order, but with no commercial value has also been donated to educational establishments where possible.

The laboratories which have been closed have been decommissioned using best practice and the company appreciates the manner in which staff exiting the business have made this possible.

The company continues to be aware of its responsibility to the criminal justice system and going forward it will endeavour to establish the new archive facility with this in mind.

Forensic Science Service Ltd

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 those financial statements, the directors are required to

- a) select suitable accounting policies and then apply them consistently,
- b) make judgments and accounting estimates that are reasonable and prudent,
- c) state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- d) 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Forensic Science Service Ltd

CORPORATE GOVERNANCE

On incorporation the company in 2005, a Board Plan was adopted which described the composition, method of working and committee structure of the Board. Many of the arrangements included within it are derived from guidelines set out in the Combined Code, although the company is not required to comply with this.

Following the announcement in December 2010 to begin an orderly solvent wind down of the company, the Forensic Transition Board was formed by the Home Office to include all key stakeholders in steering the process of transferring operational activity to other providers. Regular reporting has been provided to the Home Office to give assurance on the extent to which FSS has delivered its wind down plans, the key issues and risks. In addition to this, the Minister has continued to meet with the Non-Executive Chair to ensure that the Home Office is kept informed about the company's progress.

BOARD EFFECTIVENESS

During this period of considerable change the Board has continued to scrutinise its efficiency, also reviewing the role of its Committees to ensure these remain appropriate. The Transition Committee has undertaken a key role in supporting the decisions which the Board has been required to make in relation to wind down activities. As the operational areas of the company have completed work and commenced close down, the focus of the Board has changed to setting up a robust structure to support the continuing areas of the business. The Audit Committee function will remain to provide support throughout the next six months of the residual wind down activity, with ensuring that a sound control environment is maintained. It is intended that on 30 September the remaining directors will resign and be replaced by directors appointed by the Home Office to run the archive and Scenesafe functions.

The Chair of each of the Committees reports and gives assurance to the Board at its monthly meetings.

The company's financial position is regularly discussed with the Shareholder in order to ensure adequate funding is in place at the appropriate times to complete the wind down.

FSS BOARD

The FSS Board was supported by the following committees:

- Audit,
- Remuneration,
- Transition, and
- Finance and Performance

The Board meets on a monthly basis to review the strategy and direction of the business. The main functions are:

- developing and delivering the corporate strategy,
- monitoring the overall performance of the company and progress in delivering the wind down plan,
- identifying, assessing and reviewing risks, and ensuring adequate control measures are in place,
- approving policies and monitoring compliance with these, and
- ensuring that the company complies with its statutory obligations

Forensic Science Service Ltd

CORPORATE GOVERNANCE

Members of the Board at 31 March 2012 were

W R Griffiths Non-Executive Chairman
 S D Bennett Chief Executive Officer
 C Hadkiss UK Criminal Justice System Director (resigned 31 March 2012)
 R Hewitt-Jones Finance Director
 N P Baldwin Non-Executive Director
 A Bloxham Non-Executive Director
 D M Clarke Non-Executive Director
 P M Hay-Plumb Non-Executive Director

J A W Strachan, Company Secretary, regularly attends meetings

The following table sets out the number of meetings of the Board and its committees during the year and individual attendance by members at these meetings

	Board (scheduled meetings)	Board (ad hoc meetings)	Audit Committee	Remuneration Committee	Transition Committee	Finance and Performance Committee
Number of meetings during the year	10	7	5	3	9	6
W R Griffiths	10	7			9	
S D Bennett	10	7			8	5
C Hadkiss	10	7			6	
R Hewitt-Jones	10	7			7	6
N P Baldwin	9	3	3	3	9	
A Bloxham	9	5		3		
D M Clarke	9	4	5			6
P M Hay-Plumb	8	4	5	3		

During the past year it has been necessary for the Board to meet and respond to specific issues outside of the main scheduled Board meetings. These meetings are referred to as ad hoc meetings in the table above. They have been arranged typically at short notice to ensure contract negotiations can be progressed quickly and efficiently as part of the wind down plans.

AUDIT COMMITTEE

The Audit Committee's role is to assist the Board in meeting its responsibilities in the areas of internal control and management of risks, together with oversight of the internal and external audit processes. This committee also has particular responsibility for good business principles and quality matters. It reports to the Board and is chaired by a non-executive director. Both internal and external auditors routinely attend the meetings.

Members of the Audit Committee at 31 March 2012 were

P M Hay-Plumb Committee Chair
 N P Baldwin
 D M Clarke

Forensic Science Service Ltd

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining the terms of service and remuneration of the executive directors

The Remuneration Committee evaluates and makes recommendations to the Board on senior executive remuneration policy. The committee is chaired by a non-executive member of the Board and comprises two other non-executive directors

The Non-Executive Chair, and the Head of People and Organisational Development, are invited to attend (but left the meetings when items directly relating to them were discussed)

The members of the Remuneration Committee at 31 March 2012 were

A Bloxham Committee Chair
N P Baldwin
P M Hay-Plumb

FINANCE AND PERFORMANCE COMMITTEE

The Finance and Performance Committee reviews and identifies issues with regard to financial performance and the overall performance framework of the business, highlighting these to the Board as necessary. This committee is also responsible for advising on production and content of financial reports and other management information, together with detailed scrutiny of the development of the company's business plan

Members of the Finance and Performance Committee at 31 March 2012 were

D M Clarke Committee Chair
S D Bennett
R Hewitt-Jones

TRANSITION COMMITTEE

The Transition Committee considers proposals and information received from the Home Office Forensic Transition Board and the wider closure programme in general. This Committee makes recommendations to the Board on decisions required and on proposals about major issues, which the FSS is required to submit to the Home Office Forensic Transitions Board

Members of the Transition Committee at 31 March 2012 were

N P Baldwin Committee Chair
W R Griffiths
S D Bennett
R Hewitt-Jones
C Hadkiss (resigned 31 March 2012)

J A W Strachan, company secretary, attends meetings

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORENSIC SCIENCE SERVICE LTD

We have audited the financial statements of Forensic Science Service Ltd for the year ended 31 March 2012, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities statement on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORENSIC
SCIENCE SERVICE LTD

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Richard Bacon

Richard Bacon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Dated 14 June 2012

Forensic Science Service Ltd

INCOME STATEMENT

for the year ended 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
REVENUE	5	48,008	87,345
Cost of sales		(37,841)	(63,819)
GROSS PROFIT		10,167	23,526
Administrative expenses		(25,113)	(42,409)
Distribution costs		(22)	(637)
Other operating income	5	218	91
OPERATING LOSS BEFORE EXCEPTIONAL ITEM		(14,750)	(19,429)
Exceptional item	7	82,832	(78,697)
OPERATING PROFIT/ (LOSS)		68,082	(98,126)
Finance income	11	20,102	691
Finance costs	12	(1,239)	(1,258)
PROFIT/ (LOSS) BEFORE TAXATION	8	86,945	(98,693)
Income tax	13	(1,156)	(5,273)
PROFIT/ (LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	24	85,789	(103,966)

The result for the year includes the provision of forensic scientific services, which the company has ceased to provide from 31 March 2012. The company's continuing operations include the provision of forensic archive services and the business known as Scenesafe.

The notes on pages 21 to 57 form part of these financial statements

Forensic Science Service Ltd
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
PROFIT/ (LOSS) FOR THE YEAR		85,789	(103,966)
Other comprehensive income			
Actuarial (loss)/ gain on defined benefit pension scheme	27	(30,186)	4,691
Taxation on actuarial (loss)/ gain	13	7,245	(1,220)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME, NET OF TAX		(22,941)	3,471
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		62,848	(100,495)

The notes on pages 21 to 57 form part of these financial statements

Forensic Science Service Ltd
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2012

	Notes	Attributable to owners of the parent		
		Share capital £'000	Accumulated losses £'000	Total equity £'000
BALANCE AT 1 APRIL 2010		88,000	(68,704)	19,296
COMPREHENSIVE EXPENSE				
Loss for the year	24	-	(103,966)	(103,966)
OTHER COMPREHENSIVE INCOME				
Actuarial gain on defined benefit pension scheme, net of tax	27	-	3,471	3,471
TOTAL COMPREHENSIVE EXPENSE		-	(100,495)	(100,495)
TRANSACTIONS WITH OWNERS				
Proceeds from shares issued	23	10,000	-	10,000
TOTAL TRANSACTIONS WITH OWNERS		10,000	-	10,000
BALANCE AT 1 APRIL 2011		98,000	(169,199)	(71,199)
COMPREHENSIVE INCOME				
Profit for the year	24	-	85,789	85,789
OTHER COMPREHENSIVE EXPENSE				
Actuarial loss on defined benefit pension scheme, net of tax	27	-	(22,941)	(22,941)
TOTAL COMPREHENSIVE INCOME		-	62,848	62,848
TRANSACTIONS WITH OWNERS				
Proceeds from shares issued	23	-	-	-
TOTAL TRANSACTIONS WITH OWNERS		-	-	-
BALANCE AT 31 MARCH 2012		98,000	(106,351)	(8,351)

The notes on pages 21 to 57 form part of these financial statements

Forensic Science Service Ltd

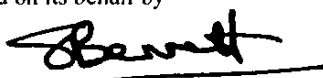
BALANCE SHEET

31 March 2012

Company Registration No 5607780

	Notes	2012 £'000	2011 £'000
NON-CURRENT ASSETS			
Other intangible assets	14	716	5,083
Property, plant and equipment	15	731	10,219
Retirement benefit assets	27	-	23,418
		<u>1,447</u>	<u>38,720</u>
CURRENT ASSETS			
Inventories	17	475	2,996
Trade and other receivables	18	3,283	13,417
Current tax asset	18	1,133	-
Corporation tax		-	-
Cash and cash equivalents	18	13,401	32,341
		<u>18,292</u>	<u>48,754</u>
ASSETS HELD FOR SALE	15	8,304	2,466
TOTAL ASSETS		<u>28,043</u>	<u>89,940</u>
CURRENT LIABILITIES			
Trade and other payables	21	(11,637)	(31,759)
Current tax liabilities	21	-	(3,670)
Obligations under finance leases	21	(31)	(203)
Provisions for liabilities	22	(10,877)	(59,342)
Deferred revenue	21	-	(559)
		<u>(22,545)</u>	<u>(95,533)</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases	21	(1,137)	(2,430)
Provisions for liabilities	22	(11,166)	(38,578)
Borrowings	19	-	(18,066)
Retirement benefit obligations	27	(1,546)	-
Deferred revenue	21	-	(443)
Deferred tax liability	13	-	(6,089)
		<u>(13,849)</u>	<u>(65,606)</u>
TOTAL LIABILITIES		<u>(36,394)</u>	<u>(161,139)</u>
NET LIABILITIES		<u>(8,351)</u>	<u>(71,199)</u>
EQUITY			
Share capital	23	98,000	98,000
Accumulated losses	24	(106,351)	(169,199)
TOTAL EQUITY		<u>(8,351)</u>	<u>(71,199)</u>

The financial statements on pages 16 to 57 were approved by the Board of directors and authorised for issue and are signed on its behalf by



Simon Bennett (Director)

12 June 2012

The notes on pages 21 to 57 form part of these financial statements

Forensic Science Service Ltd

STATEMENT OF CASH FLOWS

for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	25	(14,478)	(19,756)
Interest received		130	313
Interest paid		(1,084)	(1,084)
Income taxes received		-	221
Pension deficit repair contributions		(2,100)	-
Net cash flow from operating activities		(17,532)	(20,306)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,440	14
Purchase of property, plant and equipment and intangible assets		(1,229)	(1,457)
Net cash flow from investing activities		212	(1,443)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Repayment of capital element of finance leases		(1,619)	(292)
Net proceeds from issue of ordinary share capital		-	10,000
Net cash flow from financing activities		(1,619)	9,708
MOVEMENT IN CASH AND CASH EQUIVALENTS			
		(18,940)	(12,041)
Cash and cash equivalents at beginning of year		32,341	44,382
Cash and cash equivalents at end of year		13,401	32,341

The notes on pages 21 to 57 form part of these financial statements

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements for the year ended 31 March 2012 were authorised by the Board on 31 May 2012 and the Balance Sheet was signed on the Board's behalf by Simon Bennett

Forensic Science Service Ltd is a limited liability company owned by the Home Office. The company is incorporated in England and Wales, and domiciled in the United Kingdom. The registered address is Trident Court, 2920 Solihull Parkway, Birmingham Business Park, Birmingham, B37 7YN

The principal accounting policies adopted by the company are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 ADOPTION OF NEW AND REVISED STANDARDS

The company has adopted the following new and amended IFRSs as at 1 April 2011 where these are applicable:

IAS 32 (amendment), 'Classification of rights issues' effective 1 February 2010. This amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments, subject to certain provisions. The company has not offered any rights issues during the year.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' effective 1 July 2010. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with a creditor in return for equity instruments. The company has not entered into any such renegotiations during the year.

IFRS 1 (amendment), 'First-time adoption of IFRS' effective 1 July 2010. This provides relief to first-time adopters upon adoption of IFRS 7 and also clarifies transitional provisions of the amendments to IFRS 7. The company is not a first-time adopter of these amendments.

IAS 24 (revised), 'Related party disclosures' effective 1 January 2011. This amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities. The company has reported all related-party transactions in accordance with these disclosure requirements.

IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement' effective 1 January 2011. This removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The company had no such transactions during the year.

IFRS 1 (amendment), 'First-time adoption of IFRS' effective 1 January 2011. This provides clarification in respect of (a) accounting policy changes in the year of adoption, (b) revaluation basis as deemed cost, and (c) use of deemed cost for operations subject to rate regulation. The company made no applicable accounting policy changes or any deemed cost revaluations during the year.

IFRS 3 (amendment), 'Business combinations' effective on or after 1 July 2010. This provides clarification in respect of (a) transition requirements for contingent consideration from a business combination, (b) measurement of non-controlling interests, and (c) un-replaced and voluntarily replaced share-based payment awards. The company had no acquisitions during the year, has no non-controlling interests and did not operate any share-based payment award schemes during the year.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

2 ADOPTION OF NEW AND REVISED STANDARDS

IFRS 7 (amendment), 'Financial instruments' effective 1 January 2011 This emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments The company has not had any such financial instruments during the year

IAS 1 (amendment), 'Presentation of financial statements' effective 1 January 2011 This clarifies that an entity will present an analysis of other comprehensive income for each component of equity The company has presented an analysis in accordance with these disclosure requirements

IAS 27 (amendment), 'Consolidated and separate financial statements' effective on or after 1 July 2010 This clarifies that the consequential amendments made to IAS 21, IAS 28 and IAS 31 apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier The company does not have any non-controlling interests

IAS 34 (amendment), 'Interim financial reporting' effective 1 January 2011 This provides guidance to illustrate how to apply disclosure principles and add disclosure requirements and fair values of financial instruments, transfers of financial instruments, changes in classification of financial assets and changes in contingent liabilities and assets. The company has not had any such financial instruments or made changes in classification during the year

IFRIC 13 (amendment), 'Customer loyalty programmes' effective 1 January 2011 This clarifies the meaning of 'fair value' in the context of measuring award and credits under such programmes The company did not have any customer loyalty programmes during the year

IFRS 7 (amendment), 'Financial instruments' effective 1 July 2011 This promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposure in this respect The company has not had any such financial instruments during the year

IFRS 1 (amendment), 'First-time adoption of IFRS' effective 1 July 2011 This includes two changes to IFRS 1 in respect of eliminating the need to restate derecognition transactions and how to resume presenting financial statements after a period when an entity was unable to comply with IFRSs The company neither had any derecognition transactions nor was subject to severe hyperinflation during the year during the year

IAS 12 (amendment), 'Income taxes' effective 1 January 2012 This introduces an exception to the existing principle for the measurement of deferred tax arising on investment property measured at fair value The company did not own any investment property during the year

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

IAS1 (amendment)	Financial statement presentation
IAS19 (amendment)	Employee benefits
IFRS9	Financial instruments
IFRS10	Consolidated financial statements
IFRS11	Joint arrangements
IFRS12	Disclosures of interests in other entities
IFRS13	Fair value measurement
IAS27 (revised)	Separate financial statements
IAS28 (revised)	Associates and joint ventures

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES

GOING CONCERN

The company has made an operating loss before exceptional items for the year of £14,750k and recognised an exceptional gain of £82,832k following the re-assessment of provisions relating to wind down activity and the utilisation of government grants. The company now has a deficit on the profit and loss reserve of £106,351k and a net liability position of £8,351k. Cash and cash equivalents amount to £13,401k.

The directors have carried out a review of the company's ability to continue in operation for the foreseeable future. EU approval was obtained for the grant funding provided by the Home Office and the company has received the funding it has required to support wind down activities to date. The Home Office has been given regular updates as to both the use of these funds and future requirements. The Home Office has given assurances to the board of directors that further Liquidation Aid will be provided to ensure that the company has sufficient funds to meet these liabilities with a significant further tranche expected in the next few months and with final funding planned as long term leases become due.

The directors are satisfied that the company has a reasonable expectation of receiving adequate funding for the foreseeable future to enable liabilities to be met as they fall due. The financial statements can therefore continue to be prepared on a going concern basis. The principal factors supporting this view are:

- it is the intention that the completion of wind down activities over the next 6-12 months will be funded by Liquidation Aid, with further amounts due to be received in 2012/13 and beyond,
- the forensic archive has been established and the annual running costs for this and the necessary supporting infrastructure are to be funded separately by the Home Office. A Service Level Agreement to formalise this arrangement is in the process of being finalised,
- financial forecasts indicate that the Scenesafe division will be self financing for the foreseeable future coupled with an expectation that should this not be the case sufficient funds would be made available in the form of Liquidation Aid to fund a solvent wind down,
- financial forecasts indicate that, given further receipt of Liquidation Aid from the Home Office, the company will have sufficient funds to continue in operation for the next 12 months, and
- the company has received specific assurances from the Home Office that funding will be made available in the event that the contingent liabilities relating to pension top up requirements (and detailed in note 32 to the accounts) crystallise.

BASIS OF PREPARATION AND ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated. The principal accounting policies adopted are set out below.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION

The company's financial statements consist of the financial statements of Forensic Science Service Ltd only. The company has five subsidiary companies as shown in note 16 under its control. These companies have remained dormant and these financial statements therefore have not been consolidated on the grounds of materiality. All of the shares in the subsidiary companies are held by Forensic Science Service Ltd.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised when goods and services are delivered and title has passed. The provision of services contains many aspects and revenue is only recognised when all related work has been completed. This constitutes the 'significant act' for revenue reporting purposes.

Consideration received in advance is recognised as deferred revenue in the Balance Sheet and released to income as earned.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

GOVERNMENT GRANTS

Government grants relating to maintaining working capital and offsetting trading losses whilst the company winds down its activities are recognised as income over the period necessary to match them with losses incurred. Government grants received for the purpose of funding wind down activities are recognised as income as costs are incurred.

Government grants relating to development projects are recognised as income over the periods necessary to match them with the related costs.

Amounts not yet utilised are recognised within current liabilities.

CHANGE OF PRESENTATION IN ACCOUNTS

IAS1 requires separate disclosure of items of income and expense which are material. The Government grant received in the prior year amounting to £7,092k was included in other operating income. This has been restated in the current year to be included within exceptional items for presentational reasons only. The nature and amount are disclosed in note 7 to the accounts.

This change in presentation has had no impact on the reported results and the net liability position for the prior year.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

FOREIGN CURRENCIES

The functional and presentational currency of Forensic Science Service Ltd is sterling (£). Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rate of exchange ruling at the Balance Sheet date. All differences are taken to the Income Statement.

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at cost i.e. the consideration received.

Borrowing costs are deferred against the loans and borrowings and released to the Income Statement over the life of the loan. Borrowings relate to the long term fixed interest loan provided by the Shareholder (the Home Office). This loan was written down to nil value following agreement from the Home Office to waive the loan at 31 March 2012 in return for the Home Office acquiring rights to some residual intellectual property.

OPERATING LOSS BEFORE EXCEPTIONAL ITEM

Operating loss before exceptional item is the loss arising from the normal recurring operations of the business.

EXCEPTIONAL ITEM

Material costs or gains which due to the nature of the events giving rise to them, require separate presentation on the face of the Income Statement or in a note to allow a better understanding of financial performance in the year in comparison to prior years, are disclosed separately.

OPERATING LOSS

Operating loss is the loss arising from the normal, recurring operations of the business and after charging material exceptional items as defined above.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

RETIREMENT AND OTHER POST RETIREMENT BENEFITS

All members of the defined benefit schemes are contracted out of the earnings-related part of the State pension scheme

The plans' assets of the defined benefit scheme are measured at fair value. Liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term

Full actuarial valuations are carried out at intervals not normally exceeding three years as determined by the Trustees and are updated at each Balance Sheet date. The resulting defined benefit asset or liability is presented separately on the face of the Balance Sheet. For defined benefit schemes, the amount charged to income and included as part of people costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations for that cost. Where an event occurs that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future service, a curtailment is included as part of people costs. The interest cost and expected rate of return on assets are included within finance costs or finance income.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income. Any deferred tax movement associated with the actuarial gains and losses is also recognised in the Statement of Comprehensive Income. The company also operates a Trust based defined contribution scheme. The company's contributions are charged to operating profit as part of people costs in the year to which the contributions relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

The company's defined benefit scheme and Trust based defined contribution scheme were closed to new entrants on 1 January 2010. As a result of this, once the defined benefit scheme starts to mature the company expects the costs of funding the scheme to increase over future years.

The company has a contract based Group Personal Pension Plan which is available to new entrants (GPPP). Costs are recognised in the same way as those of the Trust based defined contribution scheme.

INCOME TAX AND DEFERRED TAX

The charge for current tax is based on the results for the year as adjusted for items that are disallowed. It is calculated using rates that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the Balance Sheet date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets, and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and increased or reduced to the extent that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

INCOME TAX AND DEFERRED TAX (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the tax asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated in the Balance Sheet at historic cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to the Income Statement so as to write off the cost of assets (other than freehold land which is not depreciated) less residual value over their useful economic lives, using the straight line method, on the following bases:

	Range of asset lives
Land and buildings	
Freehold land	Not depreciated
Freehold buildings	4 to 19 years
Leasehold buildings	term of the lease
Refurbishment of buildings	5 years or the remaining life of the lease if shorter
Plant, equipment and motor vehicles	
Laboratory equipment	5 to 10 years
Computer equipment	3 years
Office equipment	5 years
Motor vehicles	5 years

Where asset lives have been shortened due to the wind down activities of the business, depreciation has been accelerated over the remaining period and the additional expense has been categorised as an exceptional item.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Where the company has classified such items as held for sale, there is a clear commitment to the sale and it is expected to qualify for recognition as a complete sale within one year from the date of classification.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

INTERNALLY-GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the company's development is recognised only if all the following conditions are met:

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits,
- it is technically feasible to complete the asset,
- the company intends to, and is able to, complete the asset and use or sell it,
- adequate technical, financial and other resources are available to complete the asset, and
- the development cost of the asset can be measured reliably.

These assets are amortised over the period of anticipated sales from the related project, once the project is complete. There is no current year charge because there are no projects meeting the above criteria which have been completed to the point where sales have commenced.

Where no internally generated intangible asset can be recognised it is charged as an expense in the period in which it is incurred.

OTHER INTANGIBLE ASSETS - SOFTWARE

Software is stated in the Balance Sheet at historic cost less accumulated amortisation and any recognised impairment loss.

Amortisation is charged to the Income Statement so as to write off the cost of software assets over their useful economic lives of five years, using the straight line method.

PATENTS AND TRADEMARKS

Patents and trademarks are charged to income as the expense is incurred.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the Balance Sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the company estimates the recoverable amount of the generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (continued)

If the recoverable amount of an asset is estimated to be higher than its impaired carrying amount, impairment is reversed to align with the recoverable amount, unless this is deemed to be lower than the depreciated historical cost. An impairment reversal is recognised as a gain in the Income Statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Work in progress is valued at the lower of cost of professional time plus attributable laboratory overheads and net realisable value.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the company's Balance Sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables are recognised initially at the value invoiced, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. This is based on the company's expectations of the likelihood of the debt being settled. The amount of the provision is the difference between the debtor and the expected value of the payment. The loss is recognised in the Income Statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the provision for bad debts. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Income Statement.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at the Balance Sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the recognition of the financial asset, the future cash flows of the investment have been impacted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash.

DERECOGNITION OF FINANCIAL ASSETS

The company derecognises a financial asset only when the contractual rights to the cash flow expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

3 ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

PROVISIONS

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured as the directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, where the effect is material

OTHER OPERATING INCOME

Other operating income comprises contributions from staff for private use of cars and miscellaneous receipts

REPORTABLE INFORMATION

The company is not required to comply with the requirements of IFRS8. However, the company has chosen to give additional voluntary disclosure based on the Board of directors' process for monitoring the performance and profitability of the organisation as a single entity

CONTINGENT LIABILITIES

A contingent liability is recognised where either a possible obligation arises from past events yet to be confirmed, or where a present obligation cannot be recognised because it is not probable that an outflow of resources will be required to settle the obligation, or where a liability cannot be measured reliably

4 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods

Material estimates and assumptions are made particularly with regard to establishing depreciation periods for the company, impairment testing, parameters for measuring pension valuation, provisions, capitalisation of development costs and the likelihood that tax assets can be realised

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

5 REVENUE

The following table provides an analysis by geographical market

	2012 £'000	2011 £'000
United Kingdom	41,631	84,991
Rest of Europe	76	164
Rest of the World	6,301	2,190
	<u>48,008</u>	<u>87,345</u>

Revenue is analysed based on the location of the customer

Revenue from one customer amounts to £14.5m (2011 £27.3m) of the total sales revenue shown above

OTHER OPERATING INCOME

Other income comprises an amount of £218k (restated 2011 £91k) relating to other grants and miscellaneous receipts

In the prior year an amount of £7,092k was included in other operating income relating to EU Rescue Aid grant income. This amount is now being shown within exceptional items (see note 7) and other operating income has been restated for consistency

6 REPORTABLE INFORMATION

The company is not required to comply with the requirements of IFRS8 "Operating Segments". The company has reported its results based on having one segment but has presented additional geographical information

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

7 EXCEPTIONAL ITEM	2012	Restated
	£'000	2011 £'000
Impairment loss recognised in respect of assets	2,575	2,947
Other restructuring (credits)/ costs	(4,013)	66,454
Lease (credits)/ costs	(12,200)	33,782
Pension curtailment	-	(17,394)
EU approved grant funding	(69,194)	(7,092)
	<u>(82,832)</u>	<u>78,697</u>

In the financial year costs have been incurred to support the wind down of the scientific activity and associated support functions of the business which have been largely offset by the provisions made at the previous year end. Some of the anticipated costs which were provided for are no longer required. Excess provisions have been released during the year. The specific items recognised are

Impairment

£3.3m has been included for impairment of development costs for a project which has not been fully completed and for which full value is unlikely to be achieved from subsequent disposal.

£0.7m has been included as the estimated cost of writing down equipment which will be sold after the Balance Sheet date to its estimated realisable value.

A prior year impairment loss has been reversed following a revision to the estimated fair value of some of the freehold land and buildings. This reversal amounted to £1.4m.

Other restructuring costs

This item includes the costs of staff exiting the business through redundancy as a result of the wind down of the company. A reduction in costs of £6.3m has been recognised in the year due to the release of prior year provisions which were not required following the TUPE transfer of some staff to other organisations.

Income received for the sale of IP assets which were not capitalised amounting to £1.3m has also been included in exceptional items.

Additional depreciation and amortisation costs of £3.1m were incurred due to the shortening of asset lives to align with the timescales for wind down of the business.

Other costs and credits have been incurred in the year relating to the reduction in the workforce and to meeting the corporate requirements of ceasing activities and downsizing the company. These amount to a net cost of £0.5m.

Lease surrender costs

Last year end a significant provision was included to cover the costs of dilapidations and termination of property leases which were anticipated following site closures at leased properties. An amount of £24.7m has been released from this provision where it has not been possible or is no longer necessary due to changed circumstances to negotiate termination of property leases.

Two of the properties will now be occupied to deliver continuing activities. It is likely that the remaining properties will remain empty for the duration of the lease term and a provision has therefore been made for the expected costs over the life of the lease, together with estimated dilapidations. The net impact of the provision released and the replacement is a credit of £12.2m.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

EXCEPTIONAL ITEM (continued)

EU approved grant income

This amount relates to EU approved Rescue Aid and Liquidation Aid grant income. This has been utilised to offset the costs of winding down the company which includes staff exit costs and property related costs, in addition to the expenditure on setting up the archive, trading losses incurred to the Balance Sheet date and other costs included in the company's wind down plans which have been agreed with the Home Office.

In the prior year this amount was included in 'other operating income'. The presentation has been adjusted in the current year due to the nature and size of this item.

8	PROFIT/ (LOSS) FOR THE YEAR BEFORE TAXATION	2012 £'000	2011 £'000
	Profit/ (loss) before taxation for the year has been arrived at after (crediting)/ charging		
	Net foreign exchange (gains)/ losses	(8)	115
	Research and development costs	1,662	3,505
	Depreciation of property, plant and equipment	5,318	4,147
	Impairment of property, plant and equipment	688	3,147
	Reversal of prior year impairment loss	(1,401)	-
	(Profit)/ loss on disposal of property, plant and equipment	(1,408)	80
	Loss on disposal of intangible assets	223	1,097
	Amortisation of intangible assets	1,096	923
	Impairment of intangible assets	3,289	-
	Cost of inventories recognised as expense	4,192	7,659
	Normal operating lease rental costs	4,146	4,423
	Exceptional operating lease rental costs	(16,184)	36,115
	Staff costs (see note 10)	34,986	49,614
	Exceptional restructuring costs (see note 7)	(4,013)	66,454

9	AUDITORS' REMUNERATION	2012 £'000	2011 £'000
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The analysis of auditors' remuneration is as follows

Fees payable to the company's auditors for		
- audit of the company's annual financial statements	80	55
- other services	35	48
Total audit fees	115	103
Other services include		
- tax and advisory services	10	23
- other assurance services	25	25
Total other services	35	48

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

10a PEOPLE COSTS AND DIRECTORS' EMOLUMENTS	2012 No	2011 No
The average monthly number of employees (including directors) was		
Caseworkers and specialists	568	1,147
Management and support staff	257	434
	<u>825</u>	<u>1,581</u>
Temporary resource	33	138
	<u>858</u>	<u>1,719</u>

The total number of employees has reduced from 1,298 in April 2011 to 196 at the Balance Sheet date

People costs including directors' emoluments (see note 10b)	2012 £'000	2011 £'000
Wages and salaries	29,149	53,109
Pensions (see note 27)	2,726	(11,672)
Social security	2,556	4,391
	<u>34,431</u>	<u>45,828</u>
Temporary resource	555	3,786
	<u>34,986</u>	<u>49,614</u>

10b DIRECTORS' EMOLUMENTS	2012 £'000	2011 £'000
Directors' emoluments	796	890
Money purchase pension contributions	59	80
Total	<u>855</u>	<u>970</u>

Emoluments include an amount of £215k (2011 £199k) for the highest paid director, excluding contributions to a money purchase pension scheme. Contributions to a money purchase pension scheme were £19k (2011 £21k).

At 31 March 2012, there were no pension benefits in respect of defined benefit schemes accrued for the highest paid director (2011 £nil).

	2012 No	2011 No
The number of directors to whom relevant benefits are accruing under		
Money purchase pension scheme	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

10b DIRECTORS' EMOLUMENTS (continued)

Key management personnel

Key management have been determined as the FSS Board of directors, which has responsibility for planning, directing and controlling the activities of the company. Emoluments for key management personnel are as stated above under directors' emoluments.

11 FINANCE INCOME	2012	2011
	£'000	£'000
Interest receivable		
Bank balances	36	10
Short term bank deposits	94	303
Net pension finance income (see note 27)	1,906	378
Loan write-off	18,066	-
Total finance income	20,102	691

A gain of £18,066k has been recognised following the agreement from the Home Office to write-off the Government loan in exchange for the transfer of certain items of intellectual property.

12 FINANCE COSTS	2012	2011
	£'000	£'000
On Government loans	1,084	1,084
Net pension finance cost (see note 27)	-	-
Interest on obligations under finance leases	155	174
Total finance costs	1,239	1,258

13 INCOME TAX	2012	2011
	£ 000	£'000

The major components of income tax charge/ (credit) for the years ended 31 March 2012 and 31 March 2011 are

Tax (credited)/ charged to the Income Statement

Current income tax

Adjustment in respect of current income tax of prior years	-	(14)
Total current tax	-	(14)

Deferred income tax

Relating to origination and reversal of temporary differences

Effect of change in tax rate	(468)	30
Total deferred tax	1,156	5,287

Income tax charge reported in the Income Statement	1,156	5,273
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Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

13	INCOME TAX (continued)	2012 £'000	2011 £'000
	Tax charged to Other Comprehensive Income		
	Income tax related to items charged or credited directly to Other Comprehensive Income		
	Deferred income tax related to actuarial movements on pension deficit	(7,245)	1,220
	Income tax (credit)/ charge reported in Other Comprehensive Income	(7,245)	1,220
	Total taxation (gains)/ losses recognised		
	Current income tax credit	-	(14)
	Deferred income tax (credit)/ charge	(6,089)	6,507
	Total income tax (credit)/ charge reported	(6,089)	6,493
		2012 £'000	2011 £'000
	A reconciliation between tax expense and the product of accounting profit multiplied by the UK rate of Corporation Tax for the years ended 31 March 2012 and 31 March 2011 is as follows		
	Profit/ (loss) before taxation	86,945	(98,693)
	At UK standard rate of corporation tax of 26% (2011 28%)	22,606	(27,634)
	Adjustment in respect of prior years	-	(14)
	R&D tax credits	(27)	(162)
	Non-allowable expenses	(4,454)	1,127
	Deferred tax not recognised	(15,203)	30,021
	Deferred tax – difference in closing tax rates	(1,402)	1,905
	Deferred tax – difference in tax rates on opening balance	(468)	30
	Group relief surrendered (for nil payment)	104	-
	Tax charge in the Income Statement	1,156	5,273
	Effective income tax rate	1%	(5%)

In addition to the changes in rates of corporation tax disclosed above a number of further legislation changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 22% from 1 April 2014. These further changes had not been substantially enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes expected to be enacted in the Finance Act 2012 would be to reduce the unrecognised deferred tax assets at the balance sheet date by £1,190k. This decrease in the deferred tax rate would increase profit by £302k and decrease other comprehensive income by £302k. This decrease in the unrecognised deferred tax assets is due to the reduction in the corporation tax rate from 24% to 23% with effect from 1 April 2013.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

13 INCOME TAX (continued)

The proposed reduction of the main rate of corporation tax to 22% from 1 April 2014 is expected to be enacted separately. The overall effect of this further change, if it applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £15k

Movement in deferred income tax position	2012 £'000	2011 £'000
At 1 April 2011	6,089	(418)
Deferred income tax taken to the Income Statement	1,624	5,257
Deferred income tax taken to the Statement of Comprehensive Income	(7,245)	1,220
Rate change	(468)	30
At 31 March 2012	-	6,089

Deferred tax relates to the following

	2012 £'000	2011 £'000
Pensions temporary differences	-	(6,089)
Net deferred tax liability	-	(6,089)

The company has unrecognised deferred tax assets of £28,201k (2011 £47,574k), comprising (£407k) (2011 £5,136k) relating to property, plant and equipment timing differences, £2,680k (2011 £10,154k) relating to provisions timing differences and £25,928k (2011 £32,284k) relating to tax losses that are available to offset against future taxable profits. These have not been recognised because the company does not expect to have sufficient taxable profits in the foreseeable future. The company is considering its ability to utilise these tax losses going forward.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

14 OTHER INTANGIBLE ASSETS

For the year ended 31 March 2012

	Software £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2011	16,867	3,065	19,932
Additions	17	306	323
Disposals	(4,971)	-	(4,971)
Reclassified as held for sale	-	(3,371)	(3,371)
At 31 March 2012	11,913	-	11,913
Accumulated amortisation and impairment			
At 1 April 2011	14,849	-	14,849
Charged in the year	1,096	-	1,096
Disposals	(4,748)	-	(4,748)
Impairment	-	3,289	3,289
On assets reclassified as held for sale	-	(3,289)	(3,289)
At 31 March 2012	11,197	-	11,197
Net book amount			
At 31 March 2012	716	-	716

The intangible assets recognised in the Balance Sheet do not have indefinite lives

The net book amount of intangible assets at 31 March 2012 consists of

- software costs of £716k These are being written down on a straight line basis over their total economic lives of 5 years, reduced where applicable to reflect the expected remaining period of use, and
- development costs of £nil This asset has been impaired to the expected resale value based on the estimated auction reserve price The company has been unable to continue with development of this asset due to cessation of its scientific activity, with a considerable amount of investment still required to bring this asset to commercialisation This item has been reclassified as held for sale

Of the total amortisation charge of £1,096k relating to intangible assets, £854k is aggregated within cost of sales in the Income Statement and disclosed in note 8 to the financial statements An amount of £242k is included in exceptional items The impairment of development costs has also been included within exceptional items

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

14 OTHER INTANGIBLE ASSETS (continued)

For the year ended 31 March 2011

	Software £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2010	18,369	2,835	21,204
Additions	429	230	659
Disposals	(1,931)	-	(1,931)
At 31 March 2011	16,867	3,065	19,932
Accumulated amortisation and impairment			
At 1 April 2010	14,760	-	14,760
Charged in the year	923	-	923
Disposals	(834)	-	(834)
At 31 March 2011	14,849	-	14,849
Net book amount			
At 31 March 2011	2,018	3,065	5,083

15 PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 March 2012

	Land and buildings £'000	Plant, equipment and motor vehicles £'000	Total £'000
Cost			
At 1 April 2011	41,492	31,657	73,149
Additions	739	167	906
Disposals	(4,985)	(22,018)	(27,003)
Reclassified as held for sale	(17,543)	(4,487)	(22,030)
At 31 March 2012	19,703	5,319	25,022
Accumulated depreciation and impairment			
At 1 April 2011	32,105	28,360	60,465
Charged in the year	2,856	2,462	5,318
Disposals	(4,983)	(21,988)	(26,971)
Impairment (reversal)/ charge	(1,401)	688	(713)
On assets reclassified as held for sale	(9,595)	(4,213)	(13,808)
At 31 March 2012	18,982	5,309	24,291
Net book amount			
At 31 March 2012	721	10	731

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Included within the net book amount for plant, equipment and motor vehicles is £nil (2011 £1,093k) relating to equipment held under finance leases

Depreciation rates are disclosed within note 3 on accounting policies. No depreciation is provided on freehold land which represents £3,541k (2011 £3,541k) of the total cost of land and buildings. Of the depreciation charged in the year, £2,430k has been included within cost of sales on the Income Statement, £16k within administrative expenses and £2,873k in exceptional items. The impairment charge and reversal has also been included within exceptional items. The company has no assets in the course of construction (2011 £nil).

The reversal in impairment charges for land and buildings relates to the reversal of accumulated impairment following the receipt of initial bids for some of the freehold properties.

At 31 March 2012 the company had entered into contractual commitments not provided for, relating to the acquisition of property, plant and equipment amounting to £31k (2011 £207k).

The net book amount of land and buildings comprises

	2012 £'000	2011 £'000
Freehold	85	4,335
Short leasehold	636	2,586
	<u>721</u>	<u>6,921</u>

Assets held for sale

As part of the wind down of operational activities the Board has agreed to dispose of all freehold properties held by the company. Three of the properties were already identified for sale at the prior year end following restructuring initiatives. An additional two properties have been included at this Balance Sheet date. All of these properties are being actively marketed. Some of the properties have received initial bids and discussions with interested parties are taking place. These properties, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the Balance Sheet.

A reversal of previously recognised impairment losses of £1,401k have been recognised on the classification of these assets held for sale, within the Exceptional item – restructuring costs on the Income Statement.

Equipment which was no longer required at the closing laboratories but which had not yet been sold at the Balance Sheet date has also been included in the assets held for sale.

The intangible asset relates to development costs for a project which will now be sold in its current stage of completion. This project will require further external investment to bring it to fruition, in a declining market place where there is little incentive for development. This is reflected in the carrying value below.

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows

	2012 £'000	2011 £'000
Property, plant and equipment	8,222	2,466
Other intangible assets	82	-
Total assets classified as held for sale	8,304	2,466
Total liabilities associated with assets classified as held for sale	-	-
Net assets of disposal group	8,304	2,466

For the year ended 31 March 2011

	Land and buildings £'000	Plant, equipment and motor vehicles £'000	Total £'000
Cost			
At 1 April 2010	40,915	33,061	73,976
Additions	577	1,760	2,337
Disposals	-	(3,161)	(3,161)
Reclassified as held for sale	(9,575)	-	(9,575)
At 31 March 2011	31,917	31,660	63,577
Accumulated depreciation and impairment			
At 1 April 2010	28,521	27,719	56,240
Charged in the year	1,272	2,875	4,147
Disposals	-	(3,067)	(3,067)
Impairment	2,312	835	3,147
On assets reclassified as held for sale	(7,109)	-	(7,109)
At 31 March 2011	24,996	28,362	53,358
Net book amount			
At 31 March 2011	6,921	3,298	10,219

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

16 SUBSIDIARIES

The company holds 100% of the equity of the following subsidiary undertakings

Name	Class of holding	Proportion	Nature of business
Forensic Archive Ltd	Ordinary	100%	Dormant
Forensic 8 Limited	Ordinary	100%	Dormant
Scenesafe Limited	Ordinary	100%	Dormant
JFK Audio Visual & Photographic Services Ltd	Ordinary	100%	Dormant
Iforensic Limited	Ordinary	100%	Dormant

All shares in the above companies are held by Forensic Science Service Ltd. All of the subsidiary companies were incorporated in the UK.

SUBSIDIARIES EXCLUDED FROM CONSOLIDATION

All of the above subsidiary undertakings are not consolidated as, in the opinion of the directors, the amounts involved are immaterial and would be of no value to the members. At 31 March 2012 and 2011 the subsidiary companies had capital and reserves ranging from £1 to £3, and have not traded during either year.

None of the subsidiary undertakings had intra-group balances at 31 March 2012 or 31 March 2011.

17 INVENTORIES	2012 £'000	2011 £'000
Raw materials and consumables	475	2,431
Work in progress	-	565
	<u>475</u>	<u>2,996</u>

Inventories are carried at cost. All work in progress had been completed by the Balance Sheet date as part of the cessation of the company's casework activities.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

18	OTHER FINANCIAL ASSETS	2012 £'000	2011 £'000
	Trade and other receivables		
	Amounts receivable for the sale of goods	3,033	10,163
	Allowance for doubtful debts	(630)	(139)
		<u>2,403</u>	<u>10,024</u>
	Other debtors	66	169
	Prepayments and accrued income	814	3,224
		<u>880</u>	<u>3,393</u>
	Total trade and other receivables	<u>3,283</u>	<u>13,417</u>
	Other tax and social security receivable	<u>1,133</u>	<u>-</u>

Trade receivables

The average credit period taken on sale of goods and services is 42 days (2011 40 days) No interest is charged on late receivables Before accepting any new customer the company assesses the customer's credit quality and defines an appropriate credit limit by customer

Ageing of past due but not impaired receivables

	2012 £'000	2011 £'000
30 – 60 days	712	1,765
60 – 90 days	503	723
90 – 120 days	161	220
Over 120 days	-	181
	<u>1,376</u>	<u>2,889</u>

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2012

18 OTHER FINANCIAL ASSETS (continued)

Movement in the allowance for doubtful debts

	2012 £'000	2011 £'000
Balance at 1 April	139	373
Impairment losses recognised	603	2
Amounts recovered during the year	(112)	(236)
Balance at 31 March	630	139

In considering the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Approximately 99.9% of the company's sales revenue is generated from customers who are predominantly financed through public funds and thus may be regarded as a low credit risk. Other trade receivables are largely independent customers with small debit balances, other than those for a limited number of international contracts. These are regularly reviewed on an individual basis for any sign that impairment may be required and a more detailed review has been undertaken given the company's current status. Impairment losses and any subsequent reversals are recognised within administrative expenses on the Income Statement.

Ageing of impaired trade receivables

	2012 £'000	2011 £'000
90 – 120 days	176	-
Over 120 days	454	139
	630	139

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Cash and cash equivalents

	2012 £'000	2011 £'000
Bank balances and cash	13,401	16,341
Short term bank deposits	-	16,000
Cash and cash equivalents	13,401	32,341

Cash and cash equivalents comprise cash and short term deposits with an original maturity of three months or less. Commercial deposits are held with leading UK clearing banks. Such deposits are not guaranteed under any Government scheme.

Bank balances earn interest at floating rates depending on daily bank deposit rates. Short term deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the company and earn interest at the respective short term deposit rates.

The carrying amount of these assets is approximately equal to their fair value.

All financial assets are classified as loans and receivables.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

19	BORROWINGS	2012 £'000	2011 £'000
	Unsecured borrowings at amortised cost		
	Loans from related parties	-	18,066
	Ageing of total borrowings	2012 £'000	2011 £'000
	Amounts due for settlement within 2 years	-	18,066
		-	18,066

The Home Office has agreed to write-off the Government loan of £18 1m at 31 March 2012, in exchange for the transfer of certain elements of intellectual property to the Home Office

The fair value of the loan at 31 March 2011 was £17,867k based on the overnight libor rate of 0.56% at the Balance Sheet date

20 FINANCIAL RISK MANAGEMENT

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity investment are disclosed in note 3 to the financial statements

Financial risk management objectives

The company manages its capital to ensure the company will be able to continue as a going concern. The capital structure of the company consists of debt, which includes the borrowings in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses as disclosed in notes 23 and 24. The main purpose of these financial instruments is to manage the liquidity needs of the business operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from operations.

It is the company's policy that no speculative trading in financial instruments shall be undertaken. The company by dint of its memorandum and articles can only invest through its bankers on the money market.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

20 FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to support the Home Office objective of an orderly solvent wind down of the company's scientific activities whilst maintaining the provision of Scenesafe's services, to provide an ongoing forensic archive service to the benefit of the Home Office and other key stakeholders and to minimise the cost of capital through maintaining an optimal capital structure

In order to maintain or adjust the capital structure, the company may issue new shares to the Shareholder (the Home Office) or arrange further loan funding from the Shareholder

The company has obtained grant funding from the Home Office to support delivery of the above objectives, which has negated the requirement to change either the loan funding or shares issued during the financial year

The main risks arising from the company's financial instruments are liquidity risk, credit risk, foreign currency risk and interest rate risk

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which regularly reviews the status of going concern at each meeting, acting appropriately within the zone of insolvency. The Board has secured grant funding for the purposes of financing ongoing trading losses for so long as this is required and to fund the wind down of the business

Credit risk management

The company has a robust approval and monitoring process in place for credit allocation to ensure a fair and equitable platform for customers to do business with. The level of credit granted is based on the customer's risk profile. Given the company's customer base, credit risk is generally low

Foreign currency risk

The company undertakes work overseas and therefore there are risks in terms of exchange rate differences. The total value of sales in foreign currencies is £228k of which the largest foreign transactions are in UAE dirhams. The value of purchases made in foreign currencies is £426k. Regarding the net position the company believes that, having examined the hedging benefits and costs and the level of other foreign transactions, the net exposure to foreign exchange risk is minimal

A variance of 5% in the rates of foreign exchange would have an impact on the Income Statement of approximately £10k

Interest rate risk management

The loan which the company has with its stakeholder is at a fixed interest rate of 6% to maturity (31 March 2013). This loan was written off in full on 31 March 2012. The company invests money on the money market over periods of 3 months or less and is dependent upon prevailing deposit rates

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

20 FINANCIAL RISK MANAGEMENT (continued)

The carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values

21 OTHER FINANCIAL LIABILITIES

	2012 £'000	2011 £'000
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Current liabilities

Trade and other payables

Trade payables	-	3,158
Accruals	1,940	6,015
Other creditors	9,697	22,586
	11,637	31,759

Other tax and social security payable	-	3,670
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Trade payables comprise amounts outstanding for trade purchases

Other creditors primarily comprise grant funding received from the Home Office but not yet utilised

Obligations under finance leases

	2012 £'000	2011 £'000	2012 £'000	2011 £'000
			Minimum lease payments	Present value of lease payments
Within one year	121	404	31	203
In the second to fifth years inclusive	485	1,619	183	1,047
After five years	1,300	1,817	954	1,383
			1,168	2,633
Less future finance charges	(738)	(1,207)		
Present value of lease obligations	1,168	2,633		
Less amounts due for settlement within 12 months (shown under current liabilities)			(31)	(203)
Amount due for settlement after 12 months			1,137	2,430

The property asset included under finance leases relates to a property lease with a lease term of 21 years. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The full contractual liability has been shown above.

All equipment assets held under finance leases were terminated during the year.

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

21 OTHER FINANCIAL LIABILITIES (continued)

	Current		Non-current	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Deferred revenue	-	559	-	443

Due to recent legislation which requires samples to be destroyed it no longer apt to carry forward deferred revenue

The effect of this change has been recognised in the Income Statement

Maturity of financial liabilities

The maturity of obligations under finance leases is shown in note 21 above

All financial liabilities are included in other financial liabilities at amortised cost

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, which are therefore not stated on the same basis as the amounts included on the Balance Sheet

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2012				
Borrowings (ex finance lease liabilities)	-	-	-	-
Finance lease liabilities	121	121	364	1,300
Trade and other payables	11,501	-	-	-
Provisions	10,877	2,356	6,172	3,809
At 31 March 2011				
Borrowings (ex finance lease liabilities)	-	18,066	-	-
Finance lease liabilities	404	405	1,214	1,817
Trade and other payables	30,790	-	-	-
Provisions	59,342	38,578	-	-

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

22 PROVISIONS FOR LIABILITIES

	Reorganisation costs £'000	Property costs £'000	Other £'000	Total £'000
At 1 April 2011	59,389	37,249	1,282	97,920
Utilised during the year	(43,673)	(12,503)	(971)	(57,147)
Unused amounts reversed during the year	(6,297)	(11,717)	(311)	(18,325)
Additional amounts provided	46	(484)	33	(405)
At 31 March 2012	9,465	12,545	33	22,043
Due within 1 year	9,465	1,379	33	10,877
Due within second to fifth year inclusive	-	8,154	-	8,154
Due after five years	-	3,012	-	3,012
	9,465	12,545	33	22,043

The reorganisation costs provided for relate to the remaining planned redundancies as the company continues with the wind down of the business. The unused amounts reversed during the year arose from arrangements to transfer staff under TUPE to other organisations and the decision for the company to continue to manage the forensic archive and Scenesafe. The provision continues to be based on the redundancy terms, funding for which has been agreed with the Home Office and is supported by EU approved Liquidation Aid. The company expects that this provision will be utilised within six months of the Balance Sheet date.

The provision for property related costs includes an onerous lease provision for two of the company's leased sites and a provision for dilapidations at three other sites. These are based on estimated costs over the remaining lease term discounted using the Government bond rate for the remaining term. The company expects that this provision will be utilised over the life of the leases.

Other provisions include an amount of £33k which relates to employment matters. The company expects this provision to be utilised in the next 12 months.

23 SHARE CAPITAL

	2012 £'000	2011 £'000
Authorised 100,000,000 (2011: 100,000,000) ordinary shares of £1 each	100,000	100,000
Allotted, issued and fully paid 98,000,001 (2011: 98,000,001) ordinary shares of £1 each	98,000	98,000

No shares were issued during the year.

The company has one class of ordinary share which carry no rights to fixed income.

During the prior year the company issued 10m ordinary shares to provide financing for the restructure of the business.

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

24	ACCUMULATED LOSSES	2012 £'000	2011 £'000
	Balance at 1 April	(169,199)	(68,704)
	Profit/ (loss) for the year	85,789	(103,966)
	Other comprehensive income	(22,941)	3,471
	Balance at 31 March	<u>(106,351)</u>	<u>(169,199)</u>

25	NOTES TO THE STATEMENT OF CASH FLOWS	2012 £'000	2011 £'000
	Operating profit/ (loss) for the year	68,082	(98,126)
	Adjustments for		
	Difference between current service cost and pension contributions	(1,216)	(2,448)
	Pension curtailment	-	(17,394)
	Depreciation of property, plant and equipment	5,318	4,147
	Impairment of property, plant and equipment	688	3,147
	Reversal of prior year impairment loss	(1,401)	-
	Amortisation of intangible assets	1,096	923
	Impairment of intangible assets	3,289	-
	(Profit)/ loss on disposal of property, plant and equipment	(1,408)	81
	Loss on disposal of intangible assets	223	1096
	(Decrease)/ increase in provisions	(75,877)	68,495
	Operating cash flows before movement in working capital	<u>(1,206)</u>	<u>(40,079)</u>
	Decrease/ (increase) in inventories	2,521	(389)
	Decrease in receivables	9,001	945
	(Decrease)/ increase in payables	(23,792)	20,559
	Decrease in deferred revenue	(1,002)	(792)
	Cash generated by operations	<u>(13,272)</u>	<u>20,323</u>
	Net cash from operating activities	<u>(14,478)</u>	<u>(19,756)</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the Balance Sheet) comprise cash at bank and other short term highly liquid investments with a maturity of 3 months or less

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

26	OPERATING LEASE ARRANGEMENTS	2012 £'000	2011 £'000
	The company as lessee		
	Operating lease payments recognised as an expense in the year	(12,038)	40,538

The expenses in the year include the release of a prior year provision of £24,746k for the estimated costs of surrendering the company's property leases and the associated dilapidation costs. This has been replaced with onerous lease provisions amounting to £12,545k (2011 included a provision of £36,796k for the estimated costs of surrendering the company's property leases and the associated dilapidation costs).

At the Balance Sheet date, the company has outstanding total commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012 £'000	2011 £'000
Within one year	1,737	4,326
In the second to fifth year inclusive	5,389	14,266
After five years	2,553	4,267
	<u>9,679</u>	<u>22,859</u>

Operating lease payments represent rentals payable for certain properties and motor vehicles. In relation to properties, these costs are the total amounts due for the full contractual period of the lease.

27 RETIREMENT BENEFIT SCHEMES

The company's employees belong to a defined contribution pension scheme, a defined benefit pension scheme, or a contract based Group Personal Pension Plan (GPPP).

Total pension cost for the year	2012 £'000	2011 £'000
Defined contribution pension scheme and GPPP		
Contributions paid	164	243
Defined benefit pension scheme		
Contributions paid	3,778	7,927
IAS19 credit	(1,216)	(19,842)
Total pension cost/ (income) for the year	<u>2,726</u>	<u>(11,672)</u>

The IAS19 credit comprises the difference between the actual contribution rate and the service cost of £2,562k.

Forensic Science Service Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

27 RETIREMENT BENEFIT SCHEMES (continued)

Defined benefit scheme

The company operates a defined benefit scheme in the UK, funded by the payment of contributions to a separate Trustee administered fund. The latest full actuarial valuation was carried out as at November 2008, using the projected unit method. A triennial valuation as at 30 November 2011 is in the process of being undertaken.

It is intended that the scheme will continue to operate in the long term and funding will be supported by the Home Office.

For the IAS19 valuation, the major assumptions used by the actuary were

	At 31 March 2012 %	At 31 March 2011 %
Rate of increase in salaries	-	-
Rate of increase in pensions in payment on pre 88 GMP* in payment	-	-
on post 88 GMP* in payment	2.2	3.0
on pensions in payment in excess of GMP* (pre April 2010)	3.3	3.5
on pensions in payment in excess of GMP* (post April 2010)	2.2	2.3
Discount rate	4.9	5.7
Inflation assumption	3.3	3.5

** Guaranteed Minimum Pension

Mortality assumptions

The specific mortality rates used for both the pre and post retirement liabilities in 2012 are consistent with those used in the prior year. These are based on SINA Light Tables published in 2003 using year of birth with an adjustment down of 1 year for males and 2 years for females. Future improvements are based on the medium cohort with a 1.5% minimum improvement per annum for males, 1% for females.

The weighted average life expectancy underlying the valuation were

	Male 2012	Female 2012	Male 2011	Female 2011
Member age 61 (current life expectancy)	28.6	30.2	28.5	30.1
Member age 40 (life expectancy at age 61)	31.8	32.3	31.6	32.2

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

27 RETIREMENT BENEFIT SCHEMES (continued)

The assets in the scheme and the expected rate of return were

	Long-term rate of return expected at 31 March 2012 %	Fair value at 31 March 2012 £'000	Long-term rate of return expected at 31 March 2011 %	Fair value at 31 March 2011 £'000
Equities	6.5	96,145	6.9	91,820
Bonds	2.8	21,749	4.2	17,554
Cash and net current assets	0.5	6,514	0.5	5,401
Corporate bonds	4.8	21,424	5.4	20,254
Total market value of assets		145,832		135,029
Present value of scheme liabilities		(147,378)		(111,611)
(Deficit)/ surplus in scheme		(1,546)		23,418
Related deferred tax liability		-		(6,089)
Net pension (liability)/ asset		(1,546)		17,329

The overall expected return on assets assumption of 5.4% is a weighted average of the long term expectations for each asset class at the Balance Sheet date. The basis used to determine the expected rate of return for the major categories of scheme assets is as follows:

Equities this is based on the expected return on government bonds plus an additional equity risk premium.

Government bonds this is based on the yield for 15 year fixed interest medium coupon gilts at the Balance Sheet date.

Corporate bonds the basis for assessing the expected return on corporate bonds is the yield on the iBoxx sterling non-gilts (all stocks) index at the Balance Sheet date.

Analysis of amount charged to operating loss	2012 £'000	2011 £'000
Current service cost	2,562	5,479
Total operating charge	2,562	5,479

The service cost has reduced as a result of changes made to the scheme benefits for future accrual from 1 April 2010 and the significant changes in employee headcount which have reduced pensionable payroll. Of the total pension charge for the year £1,500k (2011: £3,180k) has been included in cost of sales, £1,062k (2011: £2,240k) has been included in administrative expenses, £nil (2011: £48k) in distribution costs and £nil (2011: £11k) in exceptional costs.

Analysis of amount charged to exceptional item	2012 £'000	2011 £'000
Curtailment gain	-	(17,596)
Settlement loss	-	202
Net income	-	(17,394)

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

27 RETIREMENT BENEFIT SCHEMES (continued)

Analysis of amount credited to finance income	2012 £'000	2011 £'000
Expected return on pension scheme assets	8,318	7,504
Interest on pension scheme liabilities	(6,412)	(7,126)
Net income	1,906	378

The actual return on scheme assets was £5,743k (2011 £9,896k)

Analysis of amount recognised in Statement of Comprehensive Income	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(2,575)	2,392
Actuarial gains and losses arising on scheme liabilities	(27,611)	2,299
Actuarial (loss)/ gain recognised in Statement of Comprehensive Income	(30,186)	4,691

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income since adoption of IFRSs is the loss of £17,817k (2011 gain of £12,369k)

Movement in deficit during the year	2012 £'000	2011 £'000
Surplus/ (deficit) in scheme at start of the year	23,418	(1,493)
Movement in year		
Current service cost	(2,562)	(5,479)
Contributions	5,878	7,927
Other finance income	1,906	378
Actuarial (loss)/ gain	(30,186)	4,691
Curtailment gain recognised	-	17,596
Settlement loss recognised	-	(202)
(Deficit)/ surplus in scheme at end of the year	(1,546)	23,418

Asset and liability reconciliation

Reconciliation of assets	2012 £'000	2011 £'000
Assets at start of the year	135,029	118,675
Expected return on assets	8,318	7,504
Actuarial (loss)/ gain	(2,575)	2,392
Employer contribution	5,878	7,927
Benefits paid	(1,521)	(1,220)
Employee contributions	703	1,146
Plan settlements	-	(1,395)
Assets at end of the year	145,832	135,029

Forensic Science Service Ltd
NOTES TO THE FINANCIAL STATEMENTS
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27 RETIREMENT BENEFIT SCHEMES (continued)

Reconciliation of liabilities	2012 £'000	2011 £'000
Liabilities at start of the year	111,611	120,168
Current service cost	2,562	5,479
Interest cost	6,412	7,126
Employee contributions	703	1,146
Actuarial loss/ (gain)	27,611	(2,299)
Benefits paid	(1,521)	(1,220)
Plan curtailments	-	(17,596)
Plan settlements	-	(1,193)
Liabilities at end of the year	147,378	111,611

Contributions

During the year the company contributed 14.6% of pensionable pay to the scheme, in addition to which the company has contributed £2.1m towards recovery of the past service deficit. This is the rate agreed as part of the valuation of the scheme as at 30 November 2008. This rate will remain at 14.6% in the financial year from 1 April 2012 equating to estimated contributions of £0.4m, with £2.2m due in past service deficit contributions. A triennial valuation of the scheme as at 30 November 2011 is due to be completed over the next 6-12 months and may result in a revised contribution schedule from the date at which the valuation is agreed.

History of experience gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Benefit obligation at end of year	(147,378)	(111,611)	(120,168)	(98,949)	(96,489)
Fair value of plan assets at end of year	145,832	135,029	118,675	80,186	86,979
(Deficit)/ surplus	(1,546)	23,418	(1,493)	(18,763)	(9,510)

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Difference between the expected and actual return on scheme assets	(2,575)	2,392	20,672	(26,307)	(10,085)
Experience gains and losses on scheme liabilities	-	-	5,558	2,282	-

Pension scheme amounts relating to 2009 and prior years are stated in accordance with the requirements of FRS17 "Retirement Benefits"

Forensic Science Service Ltd

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27 RETIREMENT BENEFIT SCHEMES (continued)

Defined contribution scheme

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in a Trustee administered fund. The total cost charged to income of £115k represents contributions payable by the company at rates specified in the rules of the plan. At 31 March 2012 all contributions due in respect of the current reporting period had been paid over to the scheme. This scheme is closed to new entrants.

A Group Personal Pension Plan is offered to new employees. The total cost charged to income for contributions payable was £49k, all of which was paid over to the scheme at 31 March 2012.

28 EMPLOYEE BENEFITS – ANNUAL LEAVE

Under IAS19 “Employee benefits” businesses are required to recognise all short term accumulating compensated absences earned but not taken at the Balance Sheet date. The company’s holiday entitlement coincides with the financial year. Employees are allowed to carry forward untaken annual leave outstanding if this is approved by the business. There has been a significant reduction in staff numbers over the year, with a consistent reduction in the overall number of days annual leave not taken at the year end. The impact on these financial statements is to recognise a reduction in the salaries and wages costs of £685k and in the holiday pay accrual in the Balance Sheet at 31 March 2012.

Employees are also able to accumulate additional leave through the company’s flexitime arrangements. The impact of this on these financial statements is to recognise a reduction in the salaries and wages costs of £148k and in the accrual at the Balance Sheet date.

29 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant post Balance Sheet events.

30 RELATED PARTY TRANSACTIONS

Forensic Science Service Ltd is a wholly Government Owned Company, the Home Office being the Shareholder. The Home Office is regarded as a related party. The balance remaining on loans from the Home Office at the year end was £nil (2011 £18,066k), following Home Office agreement to waive the loan at the year end. No new loans were issued in the year. Interest payable during the year was £1,084k (2011 £1,084k).

No ordinary share capital (2011 £10,000k) was issued during the year.

31 ULTIMATE CONTROLLING PARTY

The Secretary of State for the Home Office controls the company. The Treasury Solicitor holds all of the issued share capital of the company on behalf of the Home Office.

Forensic Science Service Ltd

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32 CONTINGENT LIABILITIES

The company has transferred approximately 110 members of staff to other organisations under which a liability arises to put in place pension bulk transfer arrangements, in accordance with the rules of the defined benefit section of the FSS Pension Scheme. Members will be offered an option to transfer their accrued pension benefits into the Principal Civil Service Pension Scheme on agreed terms. Since the FSS Pension Scheme is under funded on a funding basis the company will be liable to meet the shortfall between the amount the scheme is willing to transfer and the actual bulk transfer value. At this stage it is not known how many members will take up this option and therefore it has not been possible to provide for this liability. It is estimated that the maximum amount will be £2.1m.