COMPANIES HOUSE COPY

# FORENSIC ARCHIVE LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



Registered office and headquarters:
Unit 29
Gravelly Industrial Park
Birmingham
West Midlands
B24 8HZ
England

Company Registration No. 05607780

Now well established, over the last year, the Forensic Archive has continued to play a significant part in assisting our UK and international criminal justice partners with the investigation of cold cases or the review of material for potential appeals. We are seeing increasing numbers of police forces set up cold case projects, looking at more older and 'colder' cases than ever before, with many of these leading to successful prosecutions.

The forensic market place continued to exhibit significant fragility throughout the year, following on from one of the three main providers going into administration the year before and a digital forensic provider, FTS, going into liquidation. As a result, there has been increased scrutiny of the market, with the House of Lords Science and Technology committee undertaking a review and the Home Office, APCC and NPCC also jointly reassessing matters. Some immediate steps to improve robustness have been taken, and contingency planning updated should a significant provider leave the market. As part of those plans, the Home Office has revised the Forensic Archive's status as a closed archive, and it has now been agreed that the Forensic Archive should be viewed as the archive of last resort, available, if required, to house, catalogue and manage on behalf of the criminal justice system, archives of forensic information and material from any exiting provider, subject to appropriate funding being provided to facilitate the additional resources that would be needed.

Discussions with the landlord of FAL's one remaining moth-balled building regarding the potential for an early exit from the long lease suddenly began to bore fruit in March 2019 and an agreement was signed at the end of May 2019, releasing FAL from all liabilities relating to the building. FAL also owns a small car-park nearby, which had been retained should it be useful for the lease exit discussions. As negotiations concluded without it being relevant, it has been decided to sell the land as a potential development opportunity, hopefully within the next 12 months.

As usual, I would like to thank the FAL staff for their hard work and dedication in providing an excellent and timely service to the criminal justice system; I am confident this will continue into the future.

**Alison Fendley OBE**
Executive Director

The directors submit their report and the financial statements for the year ended 31 March 2019.

## PRINCIPAL ACTIVITIES

As detailed in the Strategic Report, the main focus of Forensic Archive Ltd (FAL) over the year to 31 March 2019 has been the continued maintenance of the archive of forensic material built up by the Forensic Science Service (FSS) and additionally FTS (Forensic Telecommunications Service), and the provision of a service to the UK criminal justice system, ensuring appropriate access to the archive. In addition, work has continued on FSS wind-down activities, such as the disposal of mothballed estates.

## RESULTS AND DIVIDENDS

During the year the continuing business of forensic archive recognised revenue of £1,066,000 (2018: £933,000) and an overall loss from continuing activities of £1,999,000 (2018: £3,625,000). No dividends are planned or proposed (2018: £nil).

## GOING CONCERN

As a small entity with the provision of an archive service its main focus in addition to the continuing 'wind-down' activities, 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 main factors supporting this are:

- The Service Level Agreement in place between FAL and the Home Office for the provision of an archive service, which currently runs until the end of 2022;
- The annual running costs and infrastructure of the archive are funded by the Home Office as set out in the SLA;
- The Home Office has repeatedly and regularly confirmed its assurances to the board of directors that it will provide sufficient liquidation aid to meet the company's long term liabilities, including the full wind down costs. Funding is provided in tranches as required, with some provided in May 2019 to facilitate the agreement to exit the long lease of Priory House.

## DIRECTORS

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

| | |
|---|---|
| J L C Stewart | Non-Executive Chair (Home Office) (appointed 18 September 2019) |
| A P Pratt | Non-Executive Chairman (Home Office) (Chair from 16 July 2018 and resigned 18 September 2019) |
| A B Macdonald | Non-Executive Chairman (Home Office) (resigned 16 July 2018) |
| C R I M Prince | Non-Executive Director (Home Office) (appointed 11 July 2018) |
| A D Fendley | Executive Director |

## QUALIFYING 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 the financial statements.

## SHARE CAPITAL

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

## EVENTS AFTER THE REPORTING PERIOD

As detailed elsewhere, an agreement was reached with the landlord of Priory House, FAL's only remaining moth-balled building, enabling FAL to exit the lease and any related liabilities early. The transaction was completed at the end of May 2019 (see note 25).

## 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 cash and liquid resources such as trade receivables and trade payments.

The Board regularly reviews liquidity risk and the status of going concern at meetings, acting appropriately within the zone of insolvency. Grant funding is available to support the wind down of the business and separate funding is also provided to cover the running costs of the archive.

The company is not exposed to price risk as it holds no listed investments. All share capital is held solely by the Shareholder (see note 24).

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.

## 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 as necessary. It is the company's policy that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## MATTERS OF STRATEGIC IMPORTANCE

The company has chosen in accordance with Companies Act 2006, s414C(11) to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments.

## INDEPENDENT AUDITORS

BDO LLP was newly appointed as auditor of the company at the Board meeting on the 15th February 2019, after a thorough selection process. PricewaterhouseCoopers LLP was the previous auditor of the company.

## 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 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.

On behalf of the Board

A D Fendley
Director
5th November 2019

## FAIR REVIEW OF THE BUSINESS

During the year to 31st March 2019, Forensic Archive Ltd (FAL) has continued to focus on the provision and maintenance of an archive service to the criminal justice system pertaining to the records made and work undertaken by the Forensic Science Service (FSS) up until it ceased forensic operational activities in March 2012. This year, that service has also been expanded to include the digital archive of closed digital forensic provider, Forensic Telecommunications Service (FTS) which has now been fully catalogued and added to FAL's existing records.

The archive team continues to work efficiently, regularly exceeding the turn-around times set out in the Service Level Agreement and assisting the numerous cold case projects that have sprung up in police forces throughout the country.

An agreement was reached at the end of the year with the landlord of Priory House, FAL's only remaining mothballed building, allowing FAL to exit the lease and all related liabilities early. The lease had been due to run until the end of 2027 and the deal was finalised at the end of May 2019.

## FUTURE DEVELOPMENTS

With the early release from the Priory House lease finalised, FAL will be looking to sell the small piece of land currently used as a carpark, which the company owns in the centre of Birmingham. Given the current abundance of building work in Birmingham city centre, appropriate marketing material is being drawn up with a view to selling to a developer. It is hoped the transaction could be complete within the next year.

FAL is now considered by the UK criminal justice system (CJS) as the archive of last resort and further discussions are anticipated with the Home Office and CJS partners regarding the longer term requirement, appetite and practicalities of establishing a National Forensic Archive.

## KEY PERFORMANCE INDICATORS

The archive continues to be funded by the Home Office and as mentioned, there is a Service Level Agreement in place between the Home Office and the company setting out timeliness standards to which the archive is expected to work, and an agreed budget within which all operations are expected to be delivered. All of the timeliness standards are consistently achieved or exceeded and the budget managed prudently to ensure no overspend. Feedback from customers is also encouraged and recorded and used to drive improvements where required. Regular meetings are held between the Home Office and Senior Management to review broader operational and financial indicators.

In addition, the Archive Working Group oversees wider issues pertaining to the archive and the criminal justice system, meeting when required. The group is led by the Home Office and includes representatives from other stakeholders and FAL.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for the company's approach to assessing risks and systems of internal control including reviewing financial, operational and compliance controls and risk management procedures. The Board and business leadership team regularly review identified risks and the progress of mitigating actions taken, plus identify any emerging risks within the business.

As it continues to provide a service to the criminal justice service, quality remains of paramount importance to FAL. As such, a comprehensive, fit for purpose quality and audit programme is in place, examining all aspects of the business, including external reviews of both physical and IT security. The company is also BSi accredited.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The principal risks currently identified are:

- Loss of key individuals from the business;
- Reputational and/or scientific risks (potentially leading to litigation) relating to work previously undertaken by the FSS as no scientific staff have been retained.

On behalf of the Board

A D Fendley
Director

5th November 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 the financial statements, the directors are required to:

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

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

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

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.

**Opinion**

We have audited the financial statements of Forensic Archive Limited ("the Company") for the year ended 31 March 2019 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

**Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

**Kyla Bellingall** (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham, UK

5 November 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

| CONTINUING OPERATIONS | Note | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|---|
| REVENUE | 5 | 1,066 | 933 |
| Cost of sales | | (738) | (680) |
| GROSS PROFIT | | 328 | 253 |
| Administrative expenses | | (910) | (929) |
| OPERATING LOSS | 6 | (582) | (676) |
| Finance costs | 9 | (1,417) | (2,949) |
| LOSS BEFORE TAXATION | | (1,999) | (3,625) |
| Income tax | 10 | - | - |
| LOSS FOR THE YEAR FROM CONTINUING OPERATIONS | | (1,999) | (3,625) |
| **Discontinued operations** | | | |
| Profit for year from discontinued operations | 22 | 1,821 | 1,558 |
| LOSS FOR THE YEAR | 18 | (178) | (2,067) |

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| LOSS FOR THE YEAR | | (178) | (2,067) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | | |
| Actuarial (loss)/ profit on defined benefit pension scheme | 21 | (23,442) | 62,022 |
| Deficit funding payments | 21 | 1,763 | 1,750 |
| Movement in reimbursement asset | 21 | 23,114 | (60,865) |
| OTHER COMPREHENSIVE INCOME | | 1,435 | 2,907 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,257 | 840 |

| | Share capital £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---|---|---|
| BALANCE AT 1 APRIL 2017 | 98,000 | (99,752) | (1,752) |
| COMPREHENSIVE (LOSS)/INCOME | | | |
| Loss for the year | - | (2,067) | (2,067) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Actuarial gain on defined benefit pension scheme, net of tax | - | 62,022 | 62,022 |
| Deficit funding payments | - | 1,750 | 1,750 |
| Movement in reimbursement asset | - | (60,865) | (60,865) |
| TOTAL COMPREHENSIVE INCOME | - | 840 | 840 |
| BALANCE AT 31 MARCH 2018 AND 1 APRIL 2018 | 98,000 | (98,912) | (912) |
| COMPREHENSIVE (LOSS)/INCOME | | | |
| Loss for the year | - | (178) | (178) |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | | |
| Actuarial gain on defined benefit pension scheme, net of tax | - | (23,442) | (23,442) |
| Deficit funding payments | - | 1,763 | 1,763 |
| Movement in reimbursement asset | - | 23,114 | 23,114 |
| TOTAL COMPREHENSIVE INCOME | - | 1,257 | 1,257 |
| BALANCE AT 31 MARCH 2019 | 98,000 | (97,655) | 345 |

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 85 | 92 |
| Investments | 12 | - | - |
| | | 85 | 92 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 13 | 685 | 657 |
| Cash and cash equivalents | 13 | 3,479 | 5,827 |
| | | 4,164 | 6,484 |
| TOTAL ASSETS | | 4,249 | 6,576 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | (484) | (1,845) |
| Obligations under finance leases | 14 | (72) | (66) |
| Deferred revenue | 14 | (290) | (290) |
| Provisions for liabilities | 16 | (2,091) | (414) |
| | | (2,937) | (2,615) |
| NON-CURRENT LIABILITIES | | | |
| Obligations under finance leases | 14 | (753) | (826) |
| Provisions for liabilities | 16 | (214) | (4,047) |
| Retirement benefit obligations | 21 | - | - |
| | | (967) | (4,873) |
| TOTAL LIABILITIES | | (3,904) | (7,488) |
| NET LIABILITIES | | 345 | (912) |
| EQUITY | | | |
| Share capital | 17 | 98,000 | 98,000 |
| Accumulated losses | 18 | (97,655) | (98,912) |
| TOTAL EQUITY | | 345 | (912) |

The financial statements on pages 9 to 38 were approved by the Board of directors and authorised for issue and are signed on its behalf by:

A D Fendley
Director
5th November 2019

| | Note | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash (used)/generated in operations | 19 | (2,220) | (360) |
| Interest paid | | (61) | (61) |
| Net cash flow (used in)/generated from operating activities | | (2,281) | (421) |
| **INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment held for sale | | - | 4,385 |
| Net cash generated from investing activities | | - | 4,385 |
| **FINANCING ACTIVITIES** | | | |
| Repayment of capital element of finance leases | | (67) | (61) |
| Net cash used in financing activities | | (67) | (61) |
| MOVEMENT IN CASH AND CASH EQUIVALENTS | | (2,348) | 3,903 |
| Cash and cash equivalents at beginning of year | | 5,827 | 1,924 |
| Cash and cash equivalents at end of year | | 3,479 | 5,827 |

## 1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements for the year ended 31 March 2019 were authorised by the Board on 5th November 2019 and the Statement of Financial Position was signed on the Board's behalf by A D Fendley.

Forensic Archive Ltd is a limited liability company owned by the Home Office. The company is incorporated and domiciled in England and Wales. The registered address is Unit 29, Gravelly Industrial Park, Birmingham, West Midlands, B24 8HZ, England.

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 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 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.

ADOPTION OF NEW AND REVISED STANDARDS
At the date of authorisation of these financial statements, The company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

| | |
|---|---|
| IAS 1 and IAS 8 (amendments) | *Definition of Material* |
| IAS 19 (amendments) | *Plan amendment, curtailment or settlement* |
| IFRIC 23 | *Uncertainty over income tax treatment* |
| IFRS 9 (amendments) | *Prepayment features with negative compensation* |
| IFRS 16 | *Leases* |
| Annual improvements to IFRSs: 2015 – 2017 cycle | *Amendments to: IFRS 3 Business combinations, IFRS 11 Joint arrangements, IAS 12 Income taxes, IAS 23 Borrowing costs.* |

IFRS 16 Leases is effective for Forensic Archive Ltd in the year ended 31 March 2020. The new standard impacts lessee accounting, lessor accounting has not been impacted.

IFRS 16 replaces operating and finance leases for lessees with a new right-of-use asset and lease liability. A 'right-of-use' model replaces the 'risks and rewards' model. Lessees are required to recognise an asset and liability at the inception of a lease. All lease liabilities are to be measured with reference to an estimate of the lease term, which includes operational lease periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Detailed reviews of leases will be performed, however based on initial consideration we have identified one lease commitment that may need to be recognised on the Statement of Financial Position, the expected net present value of the lease commitment is £570,000.

All other amendments and revised standards are not expected to have a material effect.

2 BASIS OF PREPARATION AND ACCOUNTING (continued)

INITIAL APPLICATION OF IFRS 9 'FINANCIAL INSTRUMENTS' (IFRS9) AND IFRS 15 'REVENUE RECOGNITION' (IFRS15)

The company has applied IFRS 9 'Financial Instruments' (IFRS) for the first time in the year ended 31 March 2019. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and measurement'. The significant changes are set out below.

As a result of the adoption of IFRS 9 the company has adopted consequential changes to IAS 1 Presentation of financial statements. In addition the company has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosure to the current period only.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payment or principal and interest, and whether the business model is to collect those contractual cash flows and/ or sell the financial assets.

The only change in measurement of financial assets on application of IFRS 9 arises from impairment of financial assets. IFRS 9 requires impairments of financial assets to be assessed using an 'expected loss' model.

The application of IFRS 9 has not changed the measurement of the company's financial liabilities or the company's accounting policies for the recognition or derecognition of financial instruments.

IFRS 15 Revenue from contracts with customers is being applied for the first time in the year. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The company has considered all contracts in order to determine whether there was an effect on revenue. No transition adjustments have been identified.

3 ACCOUNTING POLICES

GOING CONCERN
The company has made an operating loss for the year of £582,000 (2018: £676,000 loss). The company now has a deficit on the profit and loss reserve of £97,655,000 (2018: £98,912,000 deficit) and a net asset position of £345,000 (2018: net liability of £912,000). Cash and cash equivalents amount to £3,479,000 (2018: £5,827,000).

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 as and when required.

The directors are satisfied that the company has a reasonable expectation of continuing in operation and 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 12 months and beyond will be funded by Liquidation Aid as required;
- the forensic archive is now well established and the annual running costs for this and the necessary supporting infrastructure are funded separately by the Home Office. The commitment towards the archive from the Home Office had been reaffirmed with the issue of a new Service Level Agreement signed in November 2017, which formalises this arrangement, which runs until 2022; and
- the company has an agreement with the Home Office such that they will fund the pension scheme deficit and have provided a guarantee for the pension scheme.

3 ACCOUNTING POLICIES (Continued)

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.

Amounts not yet utilised are recognised within current liabilities as deferred income.

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 Statement of Financial Position 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.

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.

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 year end date. The resulting defined benefit asset or liability is presented separately on the face of the Statement of Financial Position. 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's contributions are charged to operating loss 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 Statement of Financial Position.

The company's defined benefit scheme was 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.

3 ACCOUNTING POLICIES (Continued)

RETIREMENT AND OTHER POST RETIREMENT BENEFITS (continued)

The Home Office has entered into an arrangement to fund the deficit on the pension scheme and provided a guarantee over this liability. This guarantee has been recognised as an asset with the movement in the asset being shown against the expense to which it relates.

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 a 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 reporting date.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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 reporting 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.

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 reporting 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 Statement of Financial Position 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:

| | |
|---|---|
| Land and buildings: | |
| Freehold land | Not depreciated |
| Freehold buildings | 4 to 19 years |
| Plant, equipment and motor vehicles: | |
| Laboratory equipment | 5 to 10 years |

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 the income statement.

IMPAIRMENT OF TANGIBLE ASSETS
At the reporting date, the company reviews the carrying amounts of its tangible 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.

3 ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF TANGIBLE ASSETS (continued)
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.

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.

RECOGNITION OF FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

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.

TRADE AND OTHER RECEIVABLES
Trade receivables are initially measured at their transaction price. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

IMPAIRMENT OF FINANCIAL ASSETS
An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows.

The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

Impairment losses and any subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

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.

FINANCIAL LIABILITIES AND EQUITY
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

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 reporting date, where the effect is material.

3 ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each arrangement with a customer, the company: identifies whether the arrangement meets the definition of a contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

HOME OFFICE INCOME
Revenue from the Home Office is recognised in line with the terms of the Service Level Agreement. Revenue is recognised when the company satisfies its performance obligations under the contract with its customer. The company's trade receivables are all related to the value of revenue receivable from contracts with customers.

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 impairment testing, parameters for measuring pension valuation, provisions, and the likelihood that tax assets can be realised.

5 REVENUE

The following table provides an analysis by geographical market:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| **Continuing operations** | | |
| United Kingdom | 1,066 | 933 |
| | 1,066 | 933 |

Revenue is analysed based on the location of the customer.

The company has one customer. All revenue recognised relates to operating the archive on behalf of the Home Office.

## 6 LOSS FOR THE YEAR

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Continuing: | | |
| Loss for the year has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 7 | 20 |
| Normal operating lease rental costs | 299 | 330 |
| Redundancy costs | - | 11 |
| Staff costs (see note 8a) | 580 | 470 |
| Pension administration cost | 11 | 12 |

Included in discontinued operations is £Nil (2018: £1,722,000) for profit on disposal of held for sale assets.

## 7 AUDITOR'S REMUNERATION

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| The analysis of auditor's remuneration is as follows: | | |
| Fees payable to the company's auditors for: | | |
| - Audit of the company's annual financial statements | 29 | 38 |
| Total audit fees | 29 | 38 |

## 8a PEOPLE COSTS AND DIRECTORS' EMOLUMENTS

| | 2019 Number | 2018 Number |
|---|---|---|
| The average monthly number of employees (including directors) was: | | |
| Management and support staff | 13 | 12 |
| | 13 | 12 |

People costs including directors' emoluments (see note 8b).

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Wages and salaries | 418 | 382 |
| Social security costs | 44 | 42 |
| Other pension costs (see note 21) | 118 | 46 |
| | 580 | 470 |

## 8b DIRECTORS' EMOLUMENTS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Directors' emoluments | 92 | 90 |
| Money purchase pension contributions | 9 | 9 |
| Total | 101 | 99 |

| | 2019 Number | 2018 Number |
|---|---|---|
| The number of directors to whom relevant benefits are accruing under: | | |
| Money purchase pension scheme | 1 | 1 |
| | 1 | 1 |

Key management personnel

The total remuneration of the directors and key management personnel (including employer's national insurance) amounted to £112,764 (2018: £110,520).

## 9 FINANCE COSTS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Interest on obligations under finance leases | 61 | 61 |
| Net pension finance cost (see note 21) | 1,356 | 2,888 |
| Total finance costs | 1,417 | 2,949 |

## 10 INCOME TAX

The income tax payable for the year ended 31 March 2019 was £Nil (2018: £Nil).

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 2019 and 31 March 2018 is as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Loss before taxation: | | |
| Continuing operations | (1,999) | (3,625) |
| Discontinued operations | 1,821 | 1,558 |
| | (178) | (2,067) |
| At UK standard rate of corporation tax of 19% (2018: 19%) | (34) | (393) |
| Non-allowable expenses | 94 | 3 |
| Income not taxable | (334) | (337) |
| Deferred tax not recognised | (26) | 698 |
| Deferred tax – difference in closing tax rates | 574 | 2,332 |
| Deferred tax – difference in opening tax rates | (609) | (2,307) |
| Fixed asset differences | 1 | 4 |
| Tax losses utilised | 334 | - |
| Tax charge in the Income Statement | - | - |

The main rate of corporation tax reduced from 20% to 19% with effect from 1 April 2017. A further reduction from 19% to 17% with effect from 1 April 2020, was substantively enacted on 15 September 2017.

The company has unrecognised deferred tax assets of £4,881,000 (2018: £19,758,000), comprising £1,961,000 (2018: £1,964,000) relating to property, plant and equipment timing differences, £12,000 (2018: £12,000) relating to provisions timing differences and £2,908,000 (2018: £17,782,000) 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.

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plant, equipment and motor vehicles | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Cost: | | | |
| At 1 April 2017 | 10,448 | 215 | 10,663 |
| At 31 March 2018 | 10,448 | 215 | 10,663 |
| At 31 March 2019 | 10,448 | 215 | 10,663 |
| Accumulated depreciation and impairment: | | | |
| At 1 April 2017 | 10,363 | 188 | 10,551 |
| Charged in the year | - | 20 | 20 |
| At 31 March 2018 | 10,363 | 208 | 10,571 |
| Charged in the year | - | 7 | 7 |
| At 31 March 2019 | 10,363 | 215 | 10,578 |
| Net book amount: | | | |
| At 31 March 2019 | 85 | - | 85 |
| At 31 March 2018 | 85 | 7 | 92 |
| At 31 March 2017 | 85 | 27 | 112 |

Depreciation rates are disclosed within note 3 on accounting policies. No depreciation is provided on freehold land which represents £85,000 (2018: £85,000) of the total cost of land and buildings. Of the depreciation charged in the year £7,000 (2018: £20,000) has been included within cost of sales on the Statement of Comprehensive Income and £Nil (2018: £Nil) within administrative expenses.

The net book amount of land and buildings comprises:

| | 2019 | 2018 |
|---|---|---|
| | £'000 | £'000 |
| Freehold | 85 | 85 |
| | 85 | 85 |

## 12 INVESTMENTS

Investments in subsidiaries

| | 2019 £'000 |
|---|---|
| At 1 April and 31 March | - |

| Name | Registered Office | Class of holding | Proportion | Nature of business |
|---|---|---|---|---|
| Forensic Science Service Ltd | 29 Gravelly Industrial Park, Birmingham, West Midlands, B24 8HZ | Ordinary | 100% | Dormant |
| Forensic8 Limited | 29 Gravelly Industrial Park, Birmingham, West Midlands, B24 8HZ | Ordinary | 100% | Dormant |
| JFK Audio Visual & Photographic Services Ltd | 29 Gravelly Industrial Park, Birmingham, West Midlands, B24 8HZ | Ordinary | 100% | Dormant |
| Iforensic Limited | 29 Gravelly Industrial Park, Birmingham, West Midlands, B24 8HZ | Ordinary | 100% | Dormant |

All shares in the above companies are held by Forensic Archive Ltd. All of the subsidiary companies were incorporated in the England and Wales.

SUBSIDIARIES EXCLUDED FROM CONSOLIDATION

In accordance with Companies Act 2006 s402, the dormant subsidiary undertakings listed above are not consolidated as, in the opinion of the directors, the amounts involved are immaterial and would be of no value to the members. As at 31 March 2019 and 2018 these subsidiary companies had capital and reserves ranging from £1 to £3 and have not traded during the year.

## 13 OTHER FINANCIAL ASSETS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Trade and other receivables: | | |
| Trade receivables | 482 | 441 |
| | 482 | 441 |
| Other debtors | 23 | 24 |
| Prepayments and accrued income | 174 | 192 |
| | 197 | 216 |
| Total trade and other receivables | 679 | 657 |
| Other tax and social security receivable | 6 | - |

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. All of the trade receivables are with the Home Office and thus may be regarded as low credit risk.

The ageing of past due but not impaired receivables amounted to £Nil (2018: £Nil).

Cash and cash equivalents:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Bank balances and cash | 3,479 | 5,827 |
| Cash and cash equivalents | 3,479 | 5,827 |

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 therefore no financial assets have been impaired.

All financial assets, excluding prepayments and tax related balances, are classified as loans and receivables.

Refer to note 15 for a review of impairment.

## 14 OTHER FINANCIAL LIABILITIES

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Trade and other payables: | | |
| Accruals | 469 | 966 |
| Other creditors | 4 | 12 |
| Other tax and social security | 11 | 867 |
| | 484 | 1,845 |

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Deferred revenue | 290 | 290 |

Deferred revenue relates to income billed in advance to the Home Office for future periods.

Obligations under finance leases:

| | Minimum lease payments | | Present value of lease payments | |
|---|---|---|---|---|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Within one year | 121 | 121 | 72 | 66 |
| In the second to fifth years inclusive | 485 | 485 | 347 | 323 |
| After five years | 450 | 572 | 406 | 503 |
| | 1,056 | 1,178 | 825 | 892 |
| Less: future finance charges | (231) | (286) | | |
| Present value of lease obligations | 825 | 892 | | |
| Less: amounts due for settlement within 12 months (shown under current liabilities) | | | (72) | (66) |
| Amounts due for settlement after 12 months | | | 753 | 826 |

The property asset included under finance leases relates to a property lease with a lease term of 11 years. The full contractual liability has been shown above. On May 2019, an agreement was reached with the landlord of the property asset under finance leases, enabling them to exit the lease and any related liabilities early.

Maturity of financial liabilities:

The maturity of obligations under finance leases is shown above.

All financial liabilities, excluding deferred income and tax related balances, 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 reporting 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 Statement of Financial Position.

## 14 OTHER FINANCIAL LIABILITIES (Continued)

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **At 31 March 2019** | | | | |
| Finance lease liabilities | 121 | 121 | 364 | 450 |
| Trade and other payables | 484 | - | - | - |
| Provision | 2,091 | - | 236 | - |
| **At 31 March 2018** | | | | |
| Finance lease liabilities | 121 | 121 | 364 | 572 |
| Trade and other payables | 1,845 | - | - | - |
| Provision | 424 | 357 | 1,296 | 3,385 |

## 15 FINANCIAL INSTRUMENTS

| The carrying amounts of the company's financial instruments at the end of year were: | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Financial assets measured at amortised cost | | |
| Trade receivables | 482 | 441 |
| Other debtors | 23 | 24 |
| Accrued income | 1 | 1 |
| Cash and cash equivalents | 3,479 | 5,827 |
| | 3,985 | 6,293 |
| Financial liabilities measured at amortised cost | | |
| Accruals | 469 | 966 |
| Other creditors | 4 | 12 |
| | 473 | 978 |

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 finance leases in note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses as disclosed in notes 17 and 18. 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.

15 FINANCIAL INSTRUMENTS (Continued)

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.

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, 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 obtains 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, 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. The Board secures 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.

The maximum exposure to credit risk will be the gross amounts net of any impairment losses.

Determination of credit-impaired financial assets

When an event has occurred, which has a detrimental impact on the estimated future cash flows, the financial asset becomes 'credit-impaired' and the expected credit losses are measured as the difference between the carrying amount (before any loss allowance) and the present value of estimated future cash flows discounted at the original effective interest rate. In addition, the 'effective interest rate' is applied to the carrying amount of the financial asset net of any loss allowance, rather than the carrying amount before any loss allowance.

15 FINANCIAL INSTRUMENTS (Continued)

*Maximum exposure to credit risk on financial assets*
The company considers the maximum exposure to credit risk ignoring collateral or other credit enhancements) on the financial assets as set out below is negligible.

| Maximum exposure: | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|
| Financial assets measured at amortised cost | | |
| Trade receivables | 482 | 441 |
| Other debtors | 23 | 24 |
| Accrued income | 1 | 1 |
| | 506 | 466 |

*Impairment of financial assets*
The company's credit risk management practices and how they relate to the recognition and measurement of expected credit losses is set out below.

*Definition of default*
The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is more than 75 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

*Determination of credit-impaired financial assets*
The company considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year-end:

- Significant financial difficulty of the counterpart arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external finding and/or group support;
- A breach of contract, including receipts being more than 240 days past due;
- It becoming probable that the counterpart will enter bankruptcy or liquidation

*Write-off policy*
Receivables are written off by the company when there is no reasonable expectation of recovery, such as when the counterpart is known to be going bankrupt. Or into liquidation or administration. Receivables will also be written off when the amount is more than 300 days past due and is not covered by security over the assets of the counterparty or a guarantee.

*Impairment of trade receivables*
The company calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and type of product sold. The probability of default is determined at the year-end based on the aging of the receivables, historical data about default rates on the same basis. The data is adjusted if the company determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external actors such as economic and market conditions.

The company considers that the loss rate on all trade receivables is negligible.

15 FINANCIAL INSTRUMENTS (continued)

*Assessing significant increases in credit risk*
The company undertake the following procedures to determine whether there has been a significant increase in the credit risk of its other receivables, including group balances, since their initial recognition. Where these procedures identify a significant increase in credit risk, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

The company determines that credit risk has increased significantly when:

- A significant downgrade in the credit rating has occurred or is expected;
- Significant declines in revenue or increases in its borrowings, or significant working capital deficiencies have occurred or are expected;
- Market conditions have, or are expected to, significantly affect access to external financing;
- An actual expectation of significant changes in the quality of guarantees or security provided to the company or reductions in financial support.

Foreign currency risk

The company previously undertook work overseas however during the current year all amounts have been invoiced in Sterling. Hence there is no exposure to foreign currency risk.

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

16 PROVISIONS FOR LIABILITIES

| | Reorganisation costs £'000 | Property costs £'000 | Total £'000 |
|---|---|---|---|
| At 1 April 2018 | 68 | 4,393 | 4,461 |
| Utilised | - | (2,156) | (2,156) |
| At 31 March 2019 | 68 | 2,237 | 2,305 |
| Due within 1 year | 68 | 2,023 | 2,091 |
| Due within second to fifth year inclusive | - | 214 | 214 |
| Due after five years | - | - | - |
| | 68 | 2,237 | 2,305 |

The provision for reorganisation costs includes an amount provided for redundancy costs.

The provision for property related costs includes an onerous lease provision for one of the company's leased sites and a provision for dilapidations at another site. 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.

Following the year end date an agreement was reached with the landlord to exit the lease at Priory House (see note 25).

## 17 SHARE CAPITAL

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Authorised: | | |
| 100,000,000 (2018: 100,000,000) ordinary shares of £1 each | 100,000 | 100,000 |
| Allotted, issued and fully paid: | | |
| 98,000,001 (2018: 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.

## 18 ACCUMULATED LOSSES

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Balance 1 April | (98,912) | (99,752) |
| Loss for the year | (178) | (2,067) |
| Other comprehensive income | 1,435 | 2,907 |
| Balance at 31 March | (97,655) | (98,912) |

Accumulated losses consist of the cumulative profit and loss net of distribution to owners.

## 19 NOTES TO THE STATEMENT OF CASH FLOWS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Continuing operations** | | |
| Loss before tax | (1,999) | (3,625) |
| Adjustments for: | | |
| Net finance costs | 1,417 | 2,949 |
| Difference between current service cost and pension contributions | 79 | 7 |
| Pension administration costs | - | 12 |
| Depreciation of property, plant and equipment | 7 | 20 |
| Operating cash flows before movement in working capital | (496) | (637) |
| (Increase) in receivables | (28) | (447) |
| (Decrease)/increase in trade and other payables | (1,361) | 1,060 |
| Cash used in operations – continuing operations | (1,885) | (24) |

19 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Discontinued operations** | | |
| Profit before tax | 1,821 | 1,558 |
| Adjustments for: | | |
| Decrease in provisions | (2,156) | (172) |
| Profit on disposal of property, plant and equipment held for sale | - | (1,722) |
| Operating cash flows before movement in working capital | (335) | (336) |
| Cash (used in)/generated from operations – discontinued operations | (335) | (336) |
| Net cash (used in)/generated from operating activities | (2,220) | (360) |

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

20 OPERATING LEASE ARRANGEMENTS

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| The company as lessee: | | |
| Operating lease payments recognised as an expense in the year | 299 | 330 |

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

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Within one year | 366 | 366 |
| In the second to fifth year inclusive | 935 | 1,162 |
| After five years | 516 | 655 |
| | 1,817 | 2,183 |

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

Following the year end date an agreement was reached with the landlord to exit the lease at Priory House (see note 25).

## 21 RETIREMENT BENEFIT SCHEMES

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

Total pension cost for the year in operating loss

| | 2019 | 2018 |
|---|---|---|
| | £'000 | £'000 |
| Defined contribution pension scheme and GPPP | 39 | 27 |
| Defined benefit pension scheme | 79 | 19 |
| Total pension cost for the year | 118 | 46 |

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 2017, using the projected unit method.

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 2019 | At 31 March 2018 |
|---|---|---|
| | % | % |
| Rate of increase in salaries | 3.2 | 3.1 |
| Rate of increase in pensions in payment: | | |
| on pensions in payment in excess of GMP* (pre April 2010) | 3.2 | 3.1 |
| on pensions in payment in excess of GMP* (post April 2010) | 2.05 | 2.0 |
| Discount rate | 2.5 | 2.7 |
| Inflation assumption | 3.2 | 3.1 |

* Guaranteed Minimum Pension

Mortality assumptions

The specific mortality rates used for both the pre and post retirement liabilities in 2019 are consistent with those used in the prior year. These are based on S1NA 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, 1.5% for females.

The weighted average life expectancy underlying the valuation were:

| | Male 2019 | Female 2019 | Male 2018 | Female 2018 |
|---|---|---|---|---|
| Member age 61 (current life expectancy) | 27.5 | 30.0 | 29.5 | 32.2 |
| Members age 40 (life expectancy at age 61) | 28.7 | 31.5 | 31.2 | 34.2 |

21 RETIREMENT BENEFIT SCHEMES (Continued)

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

| | Weighted average long-term rate of return expected at 31 March 2019 % | Fair value at 31 March 2019 £'000 | Weighted average long-term rate of return expected at 31 March 2018 % | Fair value at 31 March 2018 £'000 |
|---|---|---|---|---|
| Equities, property, commodities and hedge fund | 2.5 | 128,401 | 2.7 | 133,366 |
| Bonds | 2.5 | 63,546 | 2.7 | 51,899 |
| Cash and net current assets | 2.5 | 4,437 | 2.7 | 487 |
| Corporate bonds | 2.5 | 32,506 | 2.7 | 35,926 |
| Total market value of assets | | 228,890 | | 221,678 |
| Present value of scheme liabilities | | (303,088) | | (272,762) |
| Deficit in scheme | | (74,198) | | (51,084) |
| Home office guarantee | | 74,198 | | 51,084 |
| Net pension liability | | - | | - |

The Home Office has provided a guarantee for the pension scheme liability and therefore the company has recognised a financial asset.

The overall expected return on assets assumption of 2.5% (2018: 2.7%) is a weighted average of the long term expectations for each asset class at the reporting 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 reporting 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 reporting date.

Analysis of amount charged to operating loss:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Current service cost | 19 | 19 |
| Past service cost | 60 | - |
| Total operating charge | 79 | 19 |

## 21 RETIREMENT BENEFIT SCHEMES (Continued)

Analysis of amount charged to finance costs

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Expected return on pension scheme assets | 5,975 | 5,484 |
| Interest on pension scheme liabilities | (7,331) | (8,372) |
| Net cost | (1,356) | (2,888) |

The actual return on scheme assets was £7,941,000 (2018: £11,833,000).

Analysis of amount recognised in Statement of Comprehensive Income

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | 1,966 | 6,349 |
| Actuarial gains and losses arising on scheme liabilities | (25,408) | 55,673 |
| Home office guarantee | 23,114 | (60,865) |
| Deficit funding payments | 1,763 | 1,750 |
| Actuarial gain recognised in Statement of Comprehensive Income | 1,435 | 2,907 |

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income since adoption of IFRSs is the loss of £69,353,000 (2018: loss £70,788,000).

Movement in the (deficit)/surplus for the year:

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Deficit in scheme at start of the year | - | - |
| Movement in year: | | |
| Current and past service cost | (79) | (19) |
| Contributions | - | 12 |
| Administration expenses | - | (12) |
| Other finance expenses | (1,356) | (2,888) |
| Actuarial (loss) / gain | (23,442) | 62,022 |
| Deficit funding payments | 1,763 | 1,750 |
| Home office guarantee | 23,114 | (60,865) |
| Deficit in scheme at end of the year | - | - |

## 21 RETIREMENT BENEFIT SCHEMES (Continued)

Asset and liability reconciliation:

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **Reconciliation of assets** | | |
| Assets at start of the year | 221,678 | 211,989 |
| Expected return on assets | 5,975 | 5,484 |
| Actuarial gain | 1,966 | 6,349 |
| Employer contributions | - | 12 |
| Administration expenses paid | - | (12) |
| Benefits paid | (2,494) | (3,896) |
| Employee contributions | 2 | 2 |
| Deficit funding payments | 1,763 | 1,750 |
| Assets at end of the year | 228,890 | 221,678 |
| **Reconciliation of liabilities** | | |
| Liabilities at start of the year | 272,762 | 323,938 |
| Current service cost | 19 | 19 |
| Past service cost | 60 | - |
| Interest cost | 7,331 | 8,372 |
| Employee contributions | 2 | 2 |
| Actuarial loss/(gain) | 25,408 | (55,673) |
| Benefits paid | (2,494) | (3,896) |
| Liabilities at end of the year | 303,088 | 272,762 |

Contributions

During the year the company contributed 30.4% (2018: 21.4%) of pensionable pay to the scheme. This is the rate agreed as part of the valuation of the scheme as at 30 November 2017. In addition, the Home Office has contributed £1,763,000 (2018: £1,750,000) towards recovery of the past service deficit.

History of experience gains and losses

| | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|---|---|---|---|---|---|
| Benefit obligation at end of year | (303,088) | (272,762) | (323,938) | (217,758) | (247,928) |
| Fair value of plan assets at end of year | 228,890 | 221,678 | 211,989 | 182,626 | 187,620 |
| | (74,198) | (51,084) | (111,949) | (35,132) | (60,308) |
| Reimbursement asset | 74,198 | 51,084 | 111,949 | 35,132 | 60,308 |
| (Deficit)/surplus in scheme at end of the year | - | - | - | - | - |

## 21 RETIREMENT BENEFIT SCHEMES (Continued)

| | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|---|---|---|---|---|---|
| Difference between the expected and actual return on scheme assets | 1,966 | 6,349 | 24,849 | (10,348) | 13,774 |
| Experience gains and losses on scheme liabilities | 25,408 | (55,673) | (101,450) | 36,859 | (53,110) |

## 22 DISCONTINUED OPERATIONS

### 22(a) Discontinued income statement

| | Note | 2019 £'000 | 2018 £'000 |
|---|---|---|---|
| OPERATING RESULT BEFORE EXCEPTIONAL ITEM | | - | - |
| Exceptional item | 22 (b) | 1,821 | 1,558 |
| OPERATING PROFIT | | 1,821 | 1,558 |
| PROFIT BEFORE TAXATION | | 1,821 | 1,558 |
| Income tax | | - | - |
| PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS | | 1,821 | 1,558 |

### 22(b) Discontinued exceptional items

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Profit on disposal of assets | - | 1,722 |
| Movements in onerous lease provisions | 1,821 | (164) |
| | 1,821 | 1,558 |

## 23 RELATED PARTY TRANSACTIONS

Forensic Archive 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 (2018: £Nil), following Home Office agreement to waive the loan at the 2012 year end. No new loans were issued in the year. Interest payable during the year was £Nil (2018: £Nil).

Amounts due from The Home Office at the year end was £482,000 (2018: £433,000) and interest receivable during the year was £Nil (2018: £Nil).

No ordinary share capital (2018: £Nil) was issued during the year.

## 24 ULTIMATE CONTROLLING PARTY AND PARENT

The Secretary of State for the Home Office controls the company. The Government Legal Department holds all of the issued share capital of the company on behalf of the Home Office.

## 25 EVENTS AFTER THE REPORTING PERIOD

An agreement was reached with the landlord of Priory House, the company's only remaining moth-balled building, enabling them to exit the lease and any related liabilities early. The transaction was completed at the end of May 2019, with an amount totalling £2,850,000 payable by the company. As an agreement in principle had been reached by the year end date, property cost provisions for liabilities have been adjusted at 31 March 2019 to reflect expected amounts due.

Since the year end, the company has entered into negotiations with a third party and are currently in the process of agreeing heads of terms in relation to a sale of land held within property, plant and equipment as at 31 March 2019.