

FORENSIC ARCHIVE LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



Registered office and headquarters:

Unit 29
Gravelly Industrial Park
Birmingham
West Midlands
B24 8HZ
England

Company Registration No. 05607780

FORENSIC ARCHIVE LTD
EXECUTIVE DIRECTOR'S STATEMENT

Over the last year, the Forensic Archive has been as busy as ever assisting our UK and international criminal justice partners with the investigation of cold cases and the review of material for potential appeals. In fact, over the course of the year, we have seen more large Cold Case projects set up within UK police forces than ever before.

Having said that, as a result of the Covid-19 crisis and following on from the Government's instructions, it was decided to temporarily close the archive at the end of March 2020. However, given the number of urgent requests received whilst shut and after consulting with staff, the archive re-opened before the end of April, but at the time of writing, was still closed to visitors. Fortunately, Forensic Archive Limited (FAL) has relatively few staff and roughly 40,000 ft² in which to social distance and everyone is remaining vigilant to ensure a safe working environment is maintained.

FAL is funded directly by the Home Office and so the pandemic has not affected the company's current financial position or outlook, nor has it seemed to have affected the number of customer requests being received daily. During this period, FAL has been assisting the NPCC's Gold Group response to Covid-19, ensuring the forensic science market continues to operate smoothly and has also been asked to contribute to a longer-term review of retention and archiving of forensic material and information.

Following on from the negotiated early exit of FAL's one remaining moth-balled laboratory in May 2019, it was decided to sell the nearby carpark owned by the company. Significant interest was shown by a number of developers in acquiring the land for a mixture of residential and commercial purposes and contracts were exchanged with the preferred buyer at the end of January 2020. Despite the obvious hurdles thrown up by the Covid-19 situation, the developers are keen to press on and have already submitted a detailed pre-planning application submission to the council. It remains to be seen how quickly the council are to respond as they are no doubt, justifiably, concentrating their efforts elsewhere currently.

As always, 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, especially in current circumstances. I have no doubt this will continue as long as is required.

Alison Fendley OBE
Executive Director

FORENSIC ARCHIVE LTD DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

As detailed in the Strategic Report, the main focus of Forensic Archive Ltd (FAL) over the year to March 2020 has been the continued maintenance of the archive of forensic material built up by the Forensic Science Service (FSS) and 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 £1,088,000 (2019: £1,066,000) and an overall loss from continuing activities of £2,251,000 (2019: £1,999,000). No dividends are planned or proposed (2019: £nil).

GOING CONCERN

As a small entity with the provision of an archive service its main focus, in addition to the now diminishing '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 and are also confident that the current Covid-19 pandemic will not affect this funding. 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; and
- 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, although none was required in the year to March 2020.

DIRECTORS

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

A Pratt	Non-Executive Chair (Home Office) (resigned September 2019)
J L C Stewart	Non-Executive Chair (Home Office) (appointed September 2019)
C R I M Prince	Non-Executive Director (Home Office)
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.

FORENSIC ARCHIVE LTD
DIRECTORS' REPORT (CONTINUED)

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 and 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 the 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 AUDITOR

BDO LLP was re-appointed as auditor of the company at the Board meeting on the 12 June 2020.

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

30th November 2020

FORENSIC ARCHIVE LTD STRATEGIC REPORT

FAIR REVIEW OF THE BUSINESS

During the year to 31 March 2020, 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, plus the digital archive of closed digital forensic provider, Forensic Telecommunications Service (FTS). Further work will be undertaken this year looking at future-proofing the storage of the digital FTS records.

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

A sale has been agreed for FAL's last remaining freehold property, a carpark in Birmingham. The carpark is currently rented out, providing modest revenue for FAL, but the agreed sale to a developer could bring in a significant windfall.

FUTURE DEVELOPMENTS

As mentioned previously, FAL has now secured a buyer for the Kent Street carpark in the Digbeth area of Birmingham and contracts have been exchanged. There is significant development in the area and the buyers have ambitious plans for the site and are keen to make progress. However, completion of the sale is dependent on planning permission being granted, so the rate-determining factor may well be how much attention the council has to give to such matters during the current Covid-19 situation.

Following on from a number of issues within the forensic marketplace during the last few years, the Home Office and NPCC are looking at drawing up a new strategic forensic marketplace plan. FAL has been asked to contribute to the retention and archiving work-package, with options being considered including the formation of a national archive. No doubt, funding will be a key consideration when evaluating any proposals.

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. All of these are consistently achieved or exceeded. 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.

FORENSIC ARCHIVE LTD
STRATEGIC REPORT (CONTINUED)

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; and
- Significant Covid-19 outbreak within FAL, preventing provision of service to the UK criminal justice system.

As it continues to provide a service to the criminal justice service, quality remains of paramount importance to FAL and 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 and maintains an HTA licence.

On behalf of the Board



A D Fendley
Director

30th November 2020

FORENSIC ARCHIVE LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

FORENSIC ARCHIVE LTD
INDEPENDENT AUDITOR'S REPORT
Year ended 31 March 2020

Opinion

We have audited the financial statements of Forensic Archive Limited ("the Company") for the year ended 31 March 2020 which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and 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 2020 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.

FORENSIC ARCHIVE LTD
INDEPENDENT AUDITOR'S REPORT
Year ended 31 March 2020

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 on 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

30 November 2020

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

FORENSIC ARCHIVE LTD
INCOME STATEMENT
Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
CONTINUING OPERATIONS			
REVENUE	5	1,088	1,066
Cost of sales		(598)	(738)
GROSS PROFIT		<u>490</u>	<u>328</u>
Administrative expenses		(893)	(910)
Other operating income		6	-
OPERATING LOSS	6	<u>(397)</u>	<u>(582)</u>
Finance costs	9	(1,854)	(1,417)
LOSS BEFORE TAXATION		<u>(2,251)</u>	<u>(1,999)</u>
Income tax	10	-	-
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		<u>(2,251)</u>	<u>(1,999)</u>
Discontinued operations			
Profit for year from discontinued operations	22	1,927	1,821
LOSS FOR THE YEAR	19	<u>(324)</u>	<u>(178)</u>

FORENSIC ARCHIVE LTD
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
LOSS FOR THE YEAR		(324)	(178)
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Actuarial profit/(loss) on defined benefit pension scheme	21	18,550	(23,442)
Deficit funding payments	21	1,770	1,763
Movement in reimbursement asset	21	(18,466)	23,114
OTHER COMPREHENSIVE INCOME		<u>1,854</u>	<u>1,435</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,530</u>	<u>1,257</u>

FORENSIC ARCHIVE LTD
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2020


	Share capital £'000	Accumulated losses £'000	Total equity £'000
BALANCE AT 1 APRIL 2018	98,000	(98,912)	(912)
Loss for the year	-	(178)	(178)
OTHER COMPREHENSIVE INCOME			
Actuarial loss 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 AND 1 APRIL 2019	98,000	(97,655)	345
Effect of change in accounting policy for initial application of IFRS 16 transition adjustment	-	40	40
Loss for the year	-	(324)	(324)
OTHER COMPREHENSIVE INCOME			
Actuarial gain on defined benefit pension scheme, net of tax	-	18,550	18,550
Deficit funding payments	-	1,770	1,770
Movement in reimbursement asset	-	(18,466)	(18,466)
TOTAL COMPREHENSIVE INCOME	-	1,530	1,530
BALANCE AT 31 MARCH 2020	98,000	(96,085)	1,915

FORENSIC ARCHIVE LTD
STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

Company registration number: 05607780

	Note	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	-	85
Right-of-use assets	12	366	-
Investments	13	-	-
		<u>366</u>	<u>85</u>
CURRENT ASSETS			
Assets held for sale	22	140	-
Trade and other receivables	14	389	685
Cash and cash equivalents	14	2,363	3,479
		<u>2,892</u>	<u>4,164</u>
TOTAL ASSETS		<u>3,258</u>	<u>4,249</u>
CURRENT LIABILITIES			
Trade and other payables	15	(286)	(484)
Lease liability	15	(220)	(72)
Deferred revenue	15	(308)	(290)
Provisions for liabilities	17	(92)	(2,091)
		<u>(906)</u>	<u>(2,937)</u>
NON-CURRENT LIABILITIES			
Lease liability	15	(149)	(753)
Provisions for liabilities	17	(288)	(214)
Retirement benefit obligations	21	-	-
		<u>(437)</u>	<u>(967)</u>
TOTAL LIABILITIES		<u>(1,343)</u>	<u>(3,904)</u>
NET ASSETS		<u>1,915</u>	<u>345</u>
EQUITY			
Share capital	18	98,000	98,000
Accumulated losses	19	(96,085)	(97,655)
TOTAL EQUITY		<u>1,915</u>	<u>345</u>

The financial statements on pages 9 to 40 were approved by the Board of directors and authorised for issue and are signed on its behalf by:


A D Fendley
Director

30th November 2020

FORENSIC ARCHIVE LTD
STATEMENT OF CASH FLOWS
Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
OPERATING ACTIVITIES			
Cash (used in)/generated in operations	20	(54)	(2,220)
Interest paid		(21)	(61)
Net cash flow (used in)/generated from operating activities		(75)	(2,281)
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment held for sale		-	-
Net cash generated from investing activities		-	-
FINANCING ACTIVITIES			
Repayment of capital element of finance leases		(1,041)	(67)
Net cash used in financing activities		(1,041)	(67)
MOVEMENT IN CASH AND CASH EQUIVALENTS		(1,116)	(2,348)
Cash and cash equivalents at beginning of year		3,479	5,827
Cash and cash equivalents at end of year		<u>2,363</u>	<u>3,479</u>

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements for the year ended 31 March 2020 were authorised by the Board on 23 November 2020 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)	<i>Definition of Material</i>
IAS 1 (amendments)	<i>Classification of Liabilities as Current or Non-current</i>
IFRS 17	<i>Insurance Contracts</i>
IFRS 9, IAS 39 and IFRS 7 (amendments)	<i>Interest Rate Benchmark Reform</i>
IFRS 3 (amendments)	<i>Business Combinations</i>
Conceptual Framework (amendments)	<i>References to the Conceptual Framework in IFRS Standards</i>

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

2. BASIS OF PREPARATION AND ACCOUNTING (continued)

FIRST-TIME ADOPTION OF IFRS 16 LEASES

During the year, the company adopted IFRS 16 'Leases' (IFRS 16) for the first time. IFRS 16 replaces IAS 17 'Leases'.

The company previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the group, and 'operating leases'.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term.

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The accounting for leases previously accounted for as finance leases under IAS 17 has not changed substantially, except that residual value guarantees are recognised under IFRS 16 at amounts expected to be payable rather than the maximum amount guaranteed, as required by IAS 17.

The company has applied IFRS 16 retrospectively to all leases but has elected to recognise the cumulative effect against opening reserves at 1 April 2019 (the modified retrospective approach). Therefore, the comparative figures are as previously reported under IAS 17. The company has applied this approach subject to the transition provisions set out below.

- For all contracts that existed prior to 1 April 2019, the company has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- The right-of-use assets have not been assessed for impairment at 1 April 2019 but have been reduced by the amount of any onerous lease provisions at that date.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

On transition, the company's incremental borrowing rate was 1.99%. The adoption of IFRS 16 results in the recognition of a lease liability and right-of-use asset of £585,113, relating to property leases, at 1 April 2019. The finance lease liability of £825,124 recognised in the financial statements at the year ending 31 March 2019 relating to property leases is re-classified as a lease liability under IFRS 16. Rent-free accruals held on the balance sheet at 1 April 2019 of £40,481 were treated as a transition adjustment to opening equity (accumulated losses) at date of transition. There is a decrease in operating loss of £216,087 in the year ending 31 March 2020, and subsequent periods, due to property lease rentals being deducted from the lease liability under IFRS 16, compared to being charged as an expense to the consolidated income statement under IAS 17.

3. ACCOUNTING POLICIES

GOING CONCERN

The company has made an operating loss for the year of £397,000 (2019: £582,000 loss). The company now has a deficit on the profit and loss reserve of £96,085,000 (2019: £97,655,000 deficit) and a net asset position of £1,915,000 (2019: net asset of £345,000). Cash and cash equivalents amount to £2,363,000 (2019: £3,479,000).

The directors have carried out a review of the company's ability to continue in operation for the foreseeable future, being a period of at least 12 months from signing these accounts. 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. As the company is funded directly by the Home Office the pandemic has not affected the company's current financial position or forecasts.

3 ACCOUNTING POLICIES (Continued)

GOING CONCERN (continued)

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.

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

Initial and subsequent measurement of the right-of-use asset

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the company.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leased property On a straight-line basis over the shorter of the lease term and the useful life years

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

Leases – the company as a lessee

On commencement of a contract (or part of a contract) which gives the company the right to use an asset for a period of time in exchange for consideration, the company recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the company is reasonably certain to exercise and termination periods that the company is reasonably certain not to exercise.

The incremental borrowing rate is the rate of interest the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3 ACCOUNTING POLICIES (Continued)

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss. Variable lease payments not included in the measurement of the lease liability, as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Re-measurement of lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term or the lease payments. The change in the amounts payable under the lease are recognised when the change takes effect and are discounted at the original discount rate.

Lease modification

A lease modification is a change that was not part of the original terms and conditions of the lease. It is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

4 USE OF ESTIMATES AND ASSUMPTIONS (Continued)

Lease make-good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

5 REVENUE

The following table provides an analysis by geographical market:

	2020 £'000	2019 £'000
Continuing operations		
United Kingdom	1,088	1,066
	<u>1,088</u>	<u>1,066</u>

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

	2020 £'000	2019 £'000
Continuing:		
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	-	7
Depreciation of right-of-use asset	219	-
Impairment adjustment on property and equipment	(55)	-
Normal operating lease rental costs	1	299
Redundancy costs	24	-
Staff costs (see note 8a)	523	580
Pension administration cost	<u>26</u>	<u>11</u>

7 AUDITOR'S REMUNERATION

	2020 £'000	2019 £'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	35	29
Total audit fees	<u>35</u>	<u>29</u>

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

8a PEOPLE COSTS AND DIRECTORS' EMOLUMENTS

	2020 Number	2019 Number
The average monthly number of employees (including directors) was:		
Management and support staff	13	13
	<u>13</u>	<u>13</u>
People costs including directors' emoluments (see note 8b)		
	2020 £'000	2019 £'000
Wages and salaries	414	418
Social security costs	42	44
Other pension costs (see note 21)	67	118
	<u>523</u>	<u>580</u>

8b DIRECTORS' EMOLUMENTS

	2020 £'000	2019 £'000
Directors' emoluments	94	92
Money purchase pension contributions	9	9
Total	<u>103</u>	<u>101</u>
	2020 Number	2019 Number
The number of directors to whom relevant benefits are accruing under:		
Money purchase pension scheme	1	1
	<u>1</u>	<u>1</u>

Key management personnel

The total remuneration of the directors and key management personnel (including employer's national insurance) amounted to £115,015 (2019: £112,764).

9. FINANCE COSTS

	2020 £'000	2019 £'000
Interest expense on lease liabilities	21	61
Net pension finance cost (see note 21)	1,833	1,356
Total finance costs	<u>1,854</u>	<u>1,417</u>

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

10 INCOME TAX

The income tax payable for the year ended 31 March 2020 was £Nil (2019: £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 2020 and 31 March 2019 is as follows:

	2020 £'000	2019 £'000
Loss before taxation:		
Continuing operations	(2,251)	(1,999)
Discontinued operations	1,927	1,821
	<u>(324)</u>	<u>(178)</u>
At UK standard rate of corporation tax of 19% (2019: 19%)	(62)	(34)
Non-allowable expenses	67	94
Income not taxable	(360)	(334)
Deferred tax not recognised	579	(26)
Deferred tax – difference in closing tax rates	-	574
Deferred tax – difference in opening tax rates	(574)	(609)
Fixed asset differences	-	1
Tax losses utilised	350	334
Tax charge in the Income Statement	<u>-</u>	<u>-</u>

The company has unrecognised deferred tax assets of £5,109,000 (2019: £4,881,000), comprising £2,191,000 (2019: £1,961,000) relating to property, plant and equipment timing differences, £17,000 (2019: £12,000) relating to provisions timing differences and £2,901,000 (2019: £2,908,000) 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.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant, equipment and motor vehicles	Total
	£'000	£'000	£'000
Cost:			
At 1 April 2018	10,448	215	10,663
At 31 March 2019	10,448	215	10,663
Disposals	(9,753)	-	(9,753)
Reclassified as held for sale (note 22)	(140)	-	(140)
At 31 March 2020	555	215	770
Accumulated depreciation and impairment:			
At 1 April 2018	10,363	208	10,571
Charged in the year	-	7	7
At 31 March 2019	10,363	215	10,578
Disposals	(9,753)	-	(9,753)
Impairment adjustment	(55)	-	(55)
At 31 March 2020	555	215	770
Net book amount:			
At 31 March 2020	-	-	-
At 31 March 2019	85	-	85
At 31 March 2018	85	7	92

Depreciation rates are disclosed within note 3 on accounting policies. No depreciation is provided on freehold land which represents £Nil (2019: £85,000) of the total cost of land and buildings. Of the depreciation charged in the year £Nil (2019: £7,000) has been included within cost of sales on the Statement of Comprehensive Income and £Nil (2019: £Nil) within administrative expenses.

The net book amount of land and buildings comprises:

	2020 £'000	2019 £'000
Freehold	-	85
	<u>-</u>	<u>85</u>

12 RIGHT-OF-USE ASSETS

	2020 £'000	2019 £'000
Land and buildings – right-of-use	585	-
Less: accumulated depreciation	(219)	-
	<u>366</u>	<u>-</u>

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

13 INVESTMENTS

Investments in subsidiaries

2020
£'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 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 2020 and 2019 these subsidiary companies had capital and reserves ranging from £1 to £3 and have not traded during the year.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

14 OTHER FINANCIAL ASSETS

	2020 £'000	2019 £'000
Trade and other receivables:		
Trade receivables	24	482
	<u>24</u>	<u>482</u>
Other debtors	227	23
Prepayments and accrued income	115	174
	<u>342</u>	<u>197</u>
Total trade and other receivables	<u>366</u>	<u>679</u>
Other tax and social security receivable	<u>23</u>	<u>6</u>

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 (2019: £Nil).

Cash and cash equivalents:

	2020 £'000	2019 £'000
Bank balances and cash	2,363	3,479
Cash and cash equivalents	<u>2,363</u>	<u>3,479</u>

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 16 for a review of impairment.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

15 OTHER FINANCIAL LIABILITIES

	2020 £'000	2019 £'000
Trade and other payables:		
Trade creditors	145	-
Accruals	124	469
Other creditors	6	4
Other tax and social security	11	11
	<u>286</u>	<u>484</u>
	2020 £'000	2019 £'000
Deferred revenue	<u>308</u>	<u>290</u>

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

LEASE LIABILITIES

	2020 £'000	2019 £'000
Analysed as:		
Non-current	149	753
Current	220	72
	<u>369</u>	<u>825</u>

The company leases land for its offices under an agreement of up to three years with options to extend.

The company leases office equipment under agreements of less than three years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets. The company's finance lease arrangements do not include variable payments.

At 31 March 2019, the company had outstanding total commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000
Within one year	366
In the second to fifth year inclusive	935
After five years	<u>516</u>
	<u>1,817</u>

During the year, 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.

The aggregate lease liability recognised in the statement of financial position at 1 April 2019 and the company's operating lease commitment at 31 March 2019 can be reconciled as follows:

	£'000
Lease commitment at transition	1,817
Effect of electing to account for short-term leases off balance sheet - Priory House lease	<u>(1,210)</u>
	607
Effect of discounting those lease commitments at rate of 1.99%	<u>(22)</u>
	<u>585</u>

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

15 OTHER FINANCIAL LIABILITIES (Continued)

Effect of leases on financial performance:	2020
	£'000
Expense relating to leases of low value assets included in 'administrative expenses'	1
Interest expenses during the year included in 'finance costs'	11

Effect of leases on cash flow:	
Cash outflow for leases during the year	227

Obligations under finance leases:

Finance lease obligations at 31 March 2019 were:

	Minimum lease payments 2019 £'000	Present value of lease payments 2019 £'000
Within one year	121	72
In the second to fifth years inclusive	485	347
After five years	450	406
	<u>1,056</u>	<u>825</u>
Less: future finance charges	(231)	
Present value of lease obligations	<u>825</u>	
Less: amounts due for settlement within 12 months (shown under current liabilities)		(72)
Amounts due for settlement after 12 months		<u>753</u>

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.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

15 OTHER FINANCIAL LIABILITIES (Continued)

Maturity of financial liabilities:

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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
At 31 March 2020				
Lease liabilities	228	153	-	-
Finance lease liabilities	-	-	-	-
Trade and other payables	238	-	-	-
Provision	92	304	-	-
At 31 March 2019				
Finance lease liabilities	121	121	364	450
Trade and other payables	484	-	-	-
Provision	2,091	-	236	-

16 FINANCIAL INSTRUMENTS

The carrying amounts of the company's financial instruments at the end of year were:

	31 March 2020 £'000	31 March 2019 £'000
Financial assets measured at amortised cost		
Trade receivables	24	482
Other debtors	227	23
Accrued income	2	1
Cash and cash equivalents	2,363	3,479
	<u>2,616</u>	<u>3,985</u>
Financial liabilities measured at amortised cost		
Trade creditors	145	-
Accruals	124	469
Other creditors	6	4
	<u>275</u>	<u>473</u>

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.

16 FINANCIAL INSTRUMENTS (Continued)

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 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses as disclosed in notes 18 and 19. 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 as per 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.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

16 FINANCIAL INSTRUMENTS (Continued)

Maximum exposure to credit risk on financial assets

The company considers that 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 2020 £'000	31 March 2019 £'000
Financial assets measured at amortised cost		
Trade receivables	24	482
Other debtors	227	23
Accrued income	2	1
	<u>253</u>	<u>506</u>

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 funding and/or group support;
- A breach of contract, including receipts being more than 240 days past due; and
- It becomes 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 ageing 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 factors such as economic and market conditions.

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

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

16 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; or
- Significant declines in revenue or increases in its borrowings, or significant working capital deficiencies have occurred or are expected; or
- Market conditions have, or are expected to, significantly affect access to external financing; or
- 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.

17 PROVISIONS FOR LIABILITIES

	Reorganisation costs £'000	Property costs £'000	Total £'000
At 1 April 2019	68	2,237	2,305
Additions	24	64	88
Utilised	-	(2,013)	(2,013)
At 31 March 2020	92	288	380
Due within 1 year	92	-	92
Due within second to fifth year inclusive	-	288	288
Due after five years	-	-	-
	92	288	380

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.

During the year an agreement was reached with the landlord to exit the lease at Priory House.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

18 SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised:		
100,000,000 (2019: 100,000,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:		
98,000,001 (2019: 98,000,001) ordinary shares of £1 each	<u>98,000</u>	<u>98,000</u>

No shares were issued during the year.

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

19 ACCUMULATED LOSSES

	2020 £'000	2019 £'000
Balance 1 April	(97,655)	(98,912)
Effect of change in accounting policy for initial application of IFRS 16 transition adjustment	40	-
Loss for the year	(324)	(178)
Other comprehensive income	1,854	1,435
Balance at 31 March	<u>(96,085)</u>	<u>(97,655)</u>

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

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

20 NOTES TO THE STATEMENT OF CASH FLOWS

	2020 £'000	2019 £'000
Continuing operations		
Loss before tax	(2,251)	(1,999)
Adjustments for:		
Net finance costs	1,854	1,417
Difference between current service cost and pension contributions	21	79
Depreciation of property, plant and equipment	-	7
Depreciation of right-of-use asset	219	-
Effect of change in accounting policy - IFRS 16 Transition Adjustment	40	-
Operating cash flows before movement in working capital	(117)	(496)
Decrease/(increase) in receivables	296	(28)
(Decrease) in trade and other payables	(180)	(1,361)
Cash generated by/(used in) operations – continuing operations	(1)	(1,885)
	2020 £'000	2019 £'000
Discontinued operations		
Profit before tax	1,927	1,821
Adjustments for:		
Decrease in provisions	(1,925)	(2,156)
(Loss)/profit on disposal of property, plant and equipment	(55)	-
Operating cash flows before movement in working capital	(53)	(335)
Cash (used in)/generated from operations – discontinued operations	(53)	(335)
Net cash (used in)/generated from operating activities	(54)	(2,220)

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.

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

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

	2020 £'000	2019 £'000
Defined contribution pension scheme and GPPP	46	39
Defined benefit pension scheme	21	79
Total pension cost for the year	<u>67</u>	<u>118</u>

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 IAS 19 valuation, the major assumptions used by the actuary were:

	At 31 March 2020 %	At 31 March 2019 %
Rate of increase in salaries	2.5	3.2
Rate of increase in pensions in payment: on pensions in payment in excess of GMP* (pre-April 2010)	2.5	3.2
on pensions in payment in excess of GMP* (post April 2010)	1.8	2.05
Discount rate	2.3	2.5
Inflation assumption	2.5	3.2

* Guaranteed Minimum Pension

Mortality assumptions

The specific mortality rates used for both the pre and post retirement liabilities in 2020 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, 1.5% for females.

The weighted average life expectancy underlying the valuation were:

	Male 2020	Female 2020	Male 2019	Female 2019
Member age 61 (current life expectancy)	27.7	30.2	27.5	30.0
Members age 40 (life expectancy at age 61)	29.0	31.7	28.7	31.5

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

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 2020 %	Fair value at 31 March 2020 £'000	Weighted average long-term rate of return expected at 31 March 2019 %	Fair value at 31 March 2019 £'000
Equities, property, commodities and hedge fund	2.3	119,262	2.5	128,401
Bonds	2.3	67,394	2.5	63,546
Cash and net current assets	2.3	858	2.5	4,437
Corporate bonds	2.3	30,826	2.5	32,506
Total market value of assets		218,340		228,890
Present value of scheme liabilities		(274,072)		(303,088)
Deficit in scheme		(55,732)		(74,198)
Home office guarantee		55,732		74,198
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 2.3 % (2019: 2.5%) 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:

	2020 £'000	2019 £'000
Current service cost	21	19
Past service cost	-	60
Total operating charge	21	79

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

21 RETIREMENT BENEFIT SCHEMES (Continued)

Analysis of amount charged to finance costs

	2020 £'000	2019 £'000
Expected return on pension scheme assets	5,712	5,975
Interest on pension scheme liabilities	(7,545)	(7,331)
Net cost	<u>(1,833)</u>	<u>(1,356)</u>

The actual return on scheme assets was (£9,741,000) (2019: £7,941,000).

Analysis of amount recognised in Statement of Comprehensive Income

	2020 £'000	2019 £'000
Actual return less expected return on pension scheme assets	(15,453)	1,966
Actuarial gains and losses arising on scheme liabilities	34,003	(25,408)
Home office guarantee	(18,466)	23,114
Deficit funding payments	1,770	1,763
Actuarial gain recognised in Statement of Comprehensive Income	<u>1,854</u>	<u>1,435</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income since adoption of IFRSs is the loss of £67,499,000 (2019: loss £69,353,000).

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

	2020 £'000	2019 £'000
Deficit in scheme at start of the year	-	-
Movement in year:		
Current and past service cost	(21)	(79)
Contributions	-	-
Administration expenses	-	-
Other finance expenses	(1,833)	(1,356)
Actuarial (loss) / gain	18,550	(23,442)
Deficit funding payments	1,770	1,763
Home office guarantee	(18,466)	23,114
Deficit in scheme at end of the year	<u>-</u>	<u>-</u>

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

21 RETIREMENT BENEFIT SCHEMES (Continued)

Asset and liability reconciliation:

	2020 £'000	2019 £'000
Reconciliation of assets		
Assets at start of the year	228,890	221,678
Expected return on assets	5,712	5,975
Actuarial (loss)/gain	(15,453)	1,966
Employer contributions	-	-
Administration expenses paid	-	-
Benefits paid	(2,581)	(2,494)
Employee contributions	2	2
Deficit funding payments	1,770	1,763
Assets at end of the year	218,340	228,890
Reconciliation of liabilities		
Liabilities at start of the year	303,088	272,762
Current service cost	21	19
Past service cost	-	60
Interest cost	7,545	7,331
Employee contributions	2	2
Actuarial loss/(gain)	(34,003)	25,408
Benefits paid	(2,581)	(2,494)
Liabilities at end of the year	274,072	303,088

Contributions

During the year the company contributed 30.4% (2019: 30.4%) 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 £1,770,000 (2019: £1,763,000) towards recovery of the past service deficit.

History of experience gains and losses

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Benefit obligation at end of year	(274,072)	(303,088)	(272,762)	(323,938)	(217,758)
Fair value of plan assets at end of year	218,340	228,890	221,678	211,989	182,626
Reimbursement asset	(55,732)	(74,198)	(51,084)	(111,949)	(35,132)
(Deficit)/surplus in scheme at end of the year	-	-	-	-	-

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

21 RETIREMENT BENEFIT SCHEMES (Continued)

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Difference between the expected and actual return on scheme assets	(15,453)	1,966	6,349	24,849	(10,348)
Experience gains and losses on scheme liabilities	(34,003)	25,408	(55,673)	(101,450)	36,859

22 DISCONTINUED OPERATIONS

22(a) Assets held for sale

	2020 £'000	2019 £'000
Property, plant and equipment	140	-
Total	140	-

Assets held for sale

As part of the wind-down of operational activities the Board has agreed to dispose of the freehold land held by the company. The land was identified as held for sale following an agreement made on 31 January 2020 to sell the land to a third party for a sum totalling £2,600,000. The transaction had taken place post year end. The land has been classified as held for sale and presented separately in the Statement of Financial Position.

22(b) Discontinued income statement

	Note	2020 £'000	2019 £'000
OPERATING RESULT BEFORE EXCEPTIONAL ITEM			
Exceptional item	22 (c)	1,927	1,821
OPERATING PROFIT		1,927	1,821
PROFIT BEFORE TAXATION		1,927	1,821
Income tax		-	-
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		1,927	1,821

FORENSIC ARCHIVE LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 March 2020

22 DISCONTINUED OPERATIONS (Continued)

22(c) Discontinued exceptional items

	2020 £'000	2019 £'000
Reimbursement of lease exit	2,000	-
Movements in onerous lease provisions	(73)	1,821
	<u>1,927</u>	<u>1,821</u>

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 (2019: £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 (2019: £Nil).

Amounts due from The Home Office at the year-end were £217,000 (2019: £482,000) and interest receivable during the year was £Nil (2019: £Nil).

No ordinary share capital (2019: £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.