

**Frazer-Nash Consultancy Limited**

**Annual report**

**For the year ended 31 March 2020**

**Company registration number:**

**02562870**

---

## **Frazer-Nash Consultancy Limited**

### **Directors and advisors**

#### **Current directors**

R R Burge  
D M Jones  
N M McDougall  
I S Urquhart  
J W Howie

#### **Company secretaries**

R R Burge  
Babcock Corporate Secretaries Limited

#### **Registered office**

c/o Devonport Royal Dockyard Limited  
Devonport, Plymouth  
PL1 4SG

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Savannah House  
3 Ocean Way  
Southampton  
SO14 3TJ

## Strategic report for the year ended 31 March 2020

The directors present their Strategic report on the Company for the year ended 31 March 2020.

### Principal activities

The principal activity of the Company is the provision of systems and engineering consultancy.

### Review of the business

The results for the financial year ended 31 March 2020 show revenue of £101.9 million (2019: £98.6 million), an increase of 3%. During the first quarter of the year we completed our restructuring process that was described in our last report. In the second half of the year the new delivery model began to deliver results with a return to growth. This is discussed in more detail below. Our average staff numbers were 823 (2019: 831), a decrease of 1%. Profit on ordinary activities before interest and taxation was £17.1 million (2019: £13.3 million), an increase of 29%, driven by good project delivery, an agile response to the pandemic during Period 12 and maintaining control of overhead costs. We maintained a healthy net asset position of £16.5 million, an increase of 16% on prior year.

### Key performance indicators

	2020	2019
Revenue growth	3%	6%
Operating return on revenue	17%	14%
Orderbook (£000s)	30,249	34,600
Current assets as a % of current liabilities	124%	129%
Average number of employees (including directors)	823	831
Debtor days	61	49

The growth and performance of Marine, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 68 to 71 of the annual report of Babcock International Group PLC, which does not form part of this report.

### Development and performance

A key feature of the sustained growth of the business over many years has been the strategic imperative to maintain a balanced portfolio of business activity spanning a number of market sectors. Our new delivery model has enhanced this focus and we are starting to see the benefits across our Defence, Power & Energy and Transport & Industry sectors and our Australian business. This has helped a prompt return to growth in the business following the re-structure that we enacted at the start of the year.

2019/20 saw strong performances from our defence and energy businesses and our programmes business that focuses on larger frameworks and stand alone projects delivered well.

In Defence we are supporting both government in procurement activities and major suppliers as they seek to supply equipment to our armed forces. Our diverse portfolio of services are deployed across all domains (land, ships, submarines and air) and the prospects for 2020/21 look strong as we have secured important positions on several major programmes.

Within our Power & Energy business we have continued to work towards achieving a diverse portfolio of services and markets. Whilst our heartland remains supporting electricity generators and extending the life of their ageing nuclear assets, we have continued to grow our business in other energy related fields: in power transmission and distribution; for government; in nuclear

**Strategic report for the year ended 31 March 2020 (continued)**

**Development and performance (continued)**

new-build; in renewable energy. In oil & gas and nuclear decommissioning the markets have been more difficult due to cost constraints. That said we remain well placed for the future and have sight of a forward pipeline of opportunity that gives us confidence that the long term prospects for 2020/21 and beyond are good. The impact of the COVID-19 virus is considered in 'Principal Risks and Uncertainties' below.

In Transport and Industry we have had a subdued year but the approval of HS2 and other investments in infrastructure give cause for optimism in the medium term.

**Geographical presence**

A central element of the company's strategy remains the development of operations close to our main client bases. We have not opened any significant new offices during 2019/20, and will be reviewing our geographical presence following our successful demonstration of working from home during March.

**Staff and management team**

In our last report we described how we planned to re-structure part of the business to better align with our market-facing strategies. These changes in operating model have now been completed and we are gaining the benefits in terms of agility and dynamism and stronger market focus allowing us to take different approaches specific to different markets. An example of this has been the 'federation' of our project IT systems with an energy client to overcome issues due to remote working following the onset of the COVID-19 pandemic in the UK.

The business has responded well to the new structure and we have introduced a new competency framework to help development and leadership capability throughout the business. My personal thanks go to the entire team for yet another strong performance during the year, especially during the last period following our implementation of the 'work from home' instruction from governments in the UK and Australia. The performance delivered during that period whilst staff were juggling caring responsibilities and moving their working location away from our offices and into their homes was a truly outstanding achievement. The impact that the pandemic has had on staff mental wellbeing cannot be ignored and the business has acknowledged this and given additional focus through our Diversity & Inclusion and Wellbeing strategies. By the year-end permanent staff numbers had risen from 826 at the end of the prior year to 858 at the end of March.

**Business prospects and future developments**

Despite a re-structure during the first quarter and a pandemic during the last period, our resilient business model enabled us to deliver growth in both markets and services. Resilience is delivered through servicing a broad range of markets across Defence, Power & Energy and Transport & Industry, and limiting our exposure to any single client or market. We seek to actively encourage staff to act with entrepreneurial spirit and capitalise on emerging opportunity whilst being continually mindful of the need to control commercial and technical risk. This has allowed staff to transfer skills between sectors and geographies to help other parts of the business develop. The continued growth of the Company is adding to our capabilities and we are able to support clients with a broader range of technical capability on larger projects than would have been possible only three years ago. Our philosophy remains to develop long-term, sustainable relationships with our clients, an approach that is increasingly yielding long-term income streams. The Company will continue to invest in a balanced way to ensure that it is well positioned to develop key opportunities in its chosen markets.

**Strategic report for the year ended 31 March 2020 (continued)**

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through both "bottom up" local review and control and a "top down" governance review process supplemented at Babcock International Group (the 'Group') level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the Company are considered to be related to overexposure to any one of our market sectors, our ability to deliver projects should a large number of staff fall ill with the COVID-19 virus, our ability to win work while staff are working remotely from their normal offices, the political and regulatory environment and the ability to recruit and retain high quality and appropriately experienced staff. The directors manage this risk by meeting on a regular basis to discuss these risks and review the mitigating actions that we have in place.

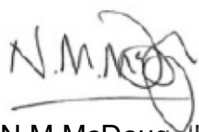
Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19, is provided on pages 80 to 92 of the annual report of Babcock International Group PLC, which does not form part of this report.

**S172(1) statement and Stakeholder engagement**

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 30 and 31 of the annual report of Babcock International Group PLC, which does not form part of this report.

The disclosure in the Group annual report considered all relevant factors for the Company, in particular the Company's engagement with its customers and employees. During the year, the Directors additionally considered the order backlog, customer contracts won in year and the pipeline of further contract opportunities.

On behalf of the board



N M McDougall

**Director**

12 November 2020

### Directors' report for the year ended 31 March 2020

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

#### Dividends

A dividend of £11 million was declared and paid in the year (2019: £nil).

#### Future developments

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

#### Financial risk management

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

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

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 65 to 67 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

##### *Price risk*

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

##### *Credit risk*

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

##### *Liquidity risk*

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

##### *Interest rate cash flow risk*

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

**Directors' report for the year ended 31 March 2020 (continued)**

**Directors**

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

R R Burge  
D M Jones  
N M McDougall  
I S Urquhart  
J W Howie

**Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities 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 the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

**Safety policy**

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

**Research and development**

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

**Environment**

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

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

**Branches outside the UK**

The Company has a branch operation in Australia, with offices in Melbourne, Adelaide, Canberra and Sydney.

**Directors' report for the year ended 31 March 2020 (continued)**

**Statement of directors' responsibilities in respect of the financial statements**

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

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

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

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

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

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

**Qualifying third party indemnity provisions**

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



**Directors' report for the year ended 31 March 2020** *(continued)*

**Going Concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In response to the COVID-19 pandemic, the directors have identified COVID-19 related risks and uncertainties (see 'Principal Risks and Uncertainties' on page 4) and have considered management's updated forecasts incorporating a severe COVID-19 scenario. Following this review and a discussion of the sensitivities, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

On behalf of the board



R R Burge

**Director**

12 November 2020

**Independent auditors' report to the members of Frazer-Nash Consultancy Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion, Frazer-Nash Consultancy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 March 2020; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

**Reporting on other information**

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

**Independent auditors' report to the members of Frazer-Nash Consultancy Limited**  
*(continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Independent auditors' report to the members of Frazer-Nash Consultancy Limited**  
*(continued)*

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Christopher Solomides (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton

12 November 2020

## Frazer-Nash Consultancy Limited

### Income Statement

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
<b>Revenue</b>	4	<b>101,930</b>	98,625
Cost of sales		<b>(69,308)</b>	(69,856)
<b>Gross profit</b>		<b>32,622</b>	28,769
Administrative expenses		<b>(15,551)</b>	(15,428)
<b>Profit on ordinary activities before interest and taxation</b>	6	<b>17,071</b>	13,341
Finance costs	5	<b>(315)</b>	-
<b>Profit on ordinary activities before income tax</b>		<b>16,756</b>	13,341
Income tax expense	10	<b>(3,161)</b>	(2,509)
<b>Profit for the financial year</b>		<b>13,595</b>	10,832

All of the above results derive from continuing operations.

### Statement of Comprehensive Income

for the year ended 31 March 2020

	2020 £000	2019 £000
<b>Profit for the financial year</b>	<b>13,595</b>	10,832
<b>Other comprehensive expense:</b> <i>Items that may be subsequently reclassified to income statement:</i>		
Fair value adjustment of foreign exchange hedges	<b>(14)</b>	(11)
<b>Total comprehensive income for the year</b>	<b>13,581</b>	10,821

# Frazer-Nash Consultancy Limited

## Balance Sheet

as at 31 March 2020

	Note	2020 £000	2019 £000
<b>Non-current assets</b>			
Intangible assets	11	3,848	2,274
Property, plant and equipment	12	1,849	2,191
Right-of-use assets	13	5,293	-
		<b>10,990</b>	<b>4,465</b>
<b>Current assets</b>			
Trade and other receivables	15	35,459	41,521
Cash and cash equivalents		18,402	10,384
		<b>53,861</b>	<b>51,905</b>
<b>Current liabilities</b>			
Trade and other payables – amounts falling due within one year	16	(41,366)	(40,090)
Lease liabilities	17	(2,145)	-
Other financial liabilities	18	(31)	(12)
<b>Net current assets</b>		<b>10,319</b>	<b>11,803</b>
<b>Total assets less current liabilities</b>			
Lease liabilities	17	(4,761)	-
Provisions	19	-	(2,062)
<b>Net assets</b>		<b>16,548</b>	<b>14,206</b>
<b>Equity</b>			
Called up share capital	21	216	216
Share premium		22	22
Other reserves		(1)	13
Retained earnings		16,311	13,955
<b>Total shareholder funds</b>		<b>16,548</b>	<b>14,206</b>

The notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements on pages 12 to 37 were approved by the board of directors and signed on its behalf by:



R R Burge  
Director

12 November 2020

## Frazer-Nash Consultancy Limited

### Statement of Changes in Equity

for the year ended 31 March 2020

	Note	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total sharehol- der funds £000
<b>Balance at 1 April 2018</b>		216	22	24	3,123	3,385
Profit for the year		-	-	-	10,832	10,832
Other comprehensive income		-	-	(11)	-	(11)
Total comprehensive income for the year		-	-	(11)	10,832	10,821
<b>Balance at 31 March 2019</b>		<b>216</b>	<b>22</b>	<b>13</b>	<b>13,955</b>	<b>14,206</b>
Transition to IFRS 16		-	-	-	(239)	(239)
<b>Balance at 1 April 2019</b>		<b>216</b>	<b>22</b>	<b>13</b>	<b>13,716</b>	<b>13,967</b>
Profit for the year		-	-	-	13,595	13,595
Other comprehensive income		-	-	(14)	-	(14)
Total comprehensive income for the year		-	-	(14)	13,595	13,581
Dividends paid	22	-	-	-	(11,000)	(11,000)
<b>Balance at 31 March 2020</b>		<b>216</b>	<b>22</b>	<b>(1)</b>	<b>16,311</b>	<b>16,548</b>

## Notes to the financial statements

### 1 General information

Frazer-Nash Consultancy Limited is a private company limited by shares which is incorporated and domiciled in the UK. The address of the registered Office is c/o Devonport Royal Dockyard Limited, Devonport, Plymouth PL1 4SG.

### 2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has adopted FRS 101 in these financial statements.

#### Basis of preparation

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

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

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

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

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
- b) IFRS 7, 'Financial instruments: Disclosures'
- c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
  - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
  - paragraph 73(e) of IAS 16 Property, plant and equipment; and
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- e) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- g) The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38, 40, 111, and 134-136
- h) IAS 7, 'Statement of cash flows'
- i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'



## Notes to the financial statements

### 2 Summary of significant accounting policies *(continued)*

#### Basis of preparation *(continued)*

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

#### Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In response to the COVID-19 pandemic, the directors have identified COVID-19 related risks and uncertainties (see 'Principal Risks and Uncertainties' on page 4) and have considered management's updated forecasts incorporating a severe COVID-19 scenario. Following this review and a discussion of the sensitivities, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

#### Adoption of new and revised standards

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 16, 'Leases' has been adopted in the year (effective 1 January 2019) and replaces IAS 17 as the definitive accounting standard for the recognition, measurement and disclosure of leases. The Company has adopted the standard from 1 April 2019.

Under the new standard, the Company has now recognised almost all leases, where the Company is a lessee, on the balance sheet as the distinction between finance leases and operating leases has been removed. Both short-term leases and low-value leases are exempt from IFRS 16, and instead their lease payments continue to be recognised as expenses on a straight-line basis.

The Company has adopted the modified retrospective transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for the majority of leases. The lease liability was calculated as the present value of the minimum lease payments on the date of transition. For a number of high value property leases however, the right-of-use asset values have been calculated as the present value of the minimum lease payments at the inception date less accrued depreciation and any impairments. The difference between the right-of-use assets and lease liabilities on the date of transition is taken to retained earnings. Comparative figures have not been restated for the year ended 31 March 2019.

The following practical expedients have been adopted on transition:

- Single discount rates have been applied to portfolios of leases with similar characteristics
- IFRS 16 has only been applied to contracts that were previously classified as leases
- Initial direct costs have been excluded from the measurement of right-of-use assets on the date of transition
- The lease term has been determined with the use of hindsight where the contract contains options to extend the lease.

Right-of-use asset are held at cost less accumulated depreciation and impairment. Any impairments are determined in line with IAS 36, "Impairment of Assets". Depreciation is charged on a straight-line basis over the full length of the lease.

Lease liabilities decrease over time by the net of lease payments made and the interest accrued. Interest is charged to the income statement as the effect of discounting the future lease payments is unwound

## Notes to the financial statements

### 2 Summary of significant accounting policies *(continued)*

#### Revenue

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

#### *(a) Performance obligations*

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

#### *(b) Allocation of contract price to performance obligations*

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

#### *(c) Revenue and profit recognition*

Performance obligations are satisfied, and revenue recognised, as control of services is transferred to the customer. Control can be transferred at a point in time or over time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

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

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

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

## Notes to the financial statements

### 2 Summary of significant accounting policies (*continued*)

#### Revenue (*continued*)

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Company.

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

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

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

Post-contract award but pre-contract operational start-up mobilisation costs are recognised as an asset and amortised over the life of the contract. These mobilisation costs are included within the contract value and relate to ensuring that assets and resources are mobilised as necessary to support delivery of performance obligations in accordance with contract requirements.

#### Intangible assets

##### a) *Computer software*

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

##### b) *Research and development*

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

**Notes to the financial statements**

**2 Summary of significant accounting policies (continued)**

**Property, plant and equipment**

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

- Plant and equipment                      6.6% to 33.3%

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Trade receivables**

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

**Share based payments**

The Group operates equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models. The charge is recognised in the income statement over the vesting period of the award.

**Foreign currencies**

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

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

**Notes to the financial statements**

**2 Summary of significant accounting policies (continued)**

**Taxation**

(a) Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date.

(b) Deferred income tax

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

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

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

**Pensions costs and other post-retirement benefits**

The Company participates in a defined contribution scheme. Obligations for contributions to the defined contribution plan are recognised as an expense in the income statement.

**Lessee Accounting**

For lessees there is no longer a distinction between finance or operating leases as all leases are now recognised on the balance sheet. When a lease commences, a lease liability is recognised that is equal to the present value of the minimum lease payments. A right-of-use asset is also recognised and is equal in value to the lease liability. This represents the right to use the leased asset for the full lease term.

Short-term leases and low-value leases are exempt from recognition on the balance sheet, and the payments are instead recognised on a straight-line basis in the income statement in the same way as they would have been under IAS 17. A lease is considered short-term if the total lease length is less than 12 months, and low-value if the underlying asset would cost less than £5,000 to buy new.

Right-of-use assets are depreciated over the total lease term. As the discounting is unwound, interest is charged in the income statement and increases the lease liabilities. When lease payments are made, the lease liabilities reduce. Therefore both right-of-use assets and lease liabilities have nil value at the end of the lease.

Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

## Notes to the financial statements

### 2 Summary of significant accounting policies *(continued)*

#### Provisions for liabilities

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

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

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

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan to those affected by it. The measurement of the restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

A provision for deferred consideration on acquisitions is recognised when the Company has a realistic expectation of the expense based on the Purchase and Sale Agreement.

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

#### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value. The Company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, gains and losses are deferred in equity until such time as the firm commitment is recognised, at which point any deferred gain or loss is included in the assets' carrying amount. These gains or losses are then realised through the income statement as the asset is sold.

Certain derivatives do not qualify or are not designated as hedging instruments and any movement in their fair values is recognised in the income statement immediately.

#### Dividend distribution

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

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

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

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

**Contract accounting**

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

**Provisions**

Management consider the need for dilapidations provisions on leased properties. These provisions require management's best estimate of the costs that will be incurred based on contractual requirements. The timing of cash flows and discount rates used to establish net present value of these obligations require management's judgement.

The provision for restructuring represents management's best estimate of the costs that will be incurred based on the contractual requirements of those staff identified at risk. The restructuring was completed by June 2019.

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

The annual depreciation charge for the property, plant and equipment and intangibles is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment, and note 2 for the useful economic lives of for each class of assets.

**Development of intangible assets**

The capitalisation of internally developed intangible assets has been carried out on the basis the assets will generate future economic benefits for the Company. The value capitalised requires management's best estimate of costs. These are formed by accurate recording of staff time and an appropriate percentage is used as a basis to allocate costs thereon.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements

### 4 Revenue

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

	<b>2020</b>	2019
	<b>£000</b>	£000
By area of activity:		
Rendering of services	<b>101,930</b>	98,625

	<b>2020</b>	2019
	<b>£000</b>	£000
By geographical area:		
United Kingdom	<b>87,766</b>	83,906
Europe	<b>2,676</b>	3,105
Rest of the world	<b>11,488</b>	11,614
	<b>101,930</b>	98,625

### 5 Finance income and costs

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Finance income:</b>		
Bank interest	<b>49</b>	-
	<b>49</b>	-
<b>Finance costs:</b>		
IFRS 16 interest	<b>(364)</b>	-
<b>Net finance costs</b>	<b>(315)</b>	-



**Notes to the financial statements**

**6 Profit on ordinary activities before interest and taxation**

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

	<b>2020</b>	2019
	<b>£000</b>	£000
Depreciation of property, plant & equipment	712	739
Right of use depreciation (note 13)	2,505	-
Amortisation of intangible assets	231	229
Reversal of trade receivables	-	-
Operating lease charges		
- Hire of plant and machinery	-	238
- Other	-	2,135
Operating lease charges – short term and low value leases	219	-
Foreign exchange losses	372	59
Audit fees payable to the Company's auditors	24	20

Cost of sales for the year ended 31 March 2020 also includes research and development tax credits of £2,040k (2019: £1,920k)

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

**7 Staff costs**

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

<b>By activity:</b>	<b>2020</b>	2019
	<b>Number</b>	Number
Direct	703	712
Indirect	120	119
	<b>823</b>	831

Their aggregate remuneration comprised:

	<b>2020</b>	2019
	<b>£000</b>	£000
Wages and salaries	48,011	48,838
Social security costs	4,964	5,286
Other pension costs (note 25)	2,895	2,784
	<b>55,870</b>	56,908

Included in wages and salaries is a total expense of share-based payments of £56k (2019: £50k) all of which related to equity-settled share-based payment transactions (note 9).

## Frazer-Nash Consultancy Limited

### Notes to the financial statements

#### 8 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by the Company in respect of services provided to this Company were as follows:

	<b>2020</b>	2019
	<b>£000</b>	£000
Emoluments (including benefits in-kind)	<b>569</b>	403
Gains on share options exercised	<b>78</b>	81
	<hr/> <b>647</b>	<hr/> 484

During the year one (2019: one) director remunerated by Frazer-Nash Consultancy Limited exercised share options under long term incentive plans and one (2019: one) director was entitled to receive share options under long term incentive plans.

Except for two (2019: two) directors, all of the directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

The above amounts for remuneration include the following in respect of the highest paid director:

	<b>2020</b>	2019
	<b>£000</b>	£000
Emoluments (including benefits in-kind)	<b>323</b>	262
Gains on share options exercised	<b>78</b>	81
	<hr/> <b>401</b>	<hr/> 343

The highest paid director exercised shares under long term incentive plans (2019: the highest paid director exercised shares under long term incentive plans).

Notes to the financial statements

9 Share based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion which relates to Frazer-Nash Consultancy Limited. The total charge has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report in the annual report of Babcock International Group PLC.

During the year the total charge relating to employee share-based payment plans was £56k (2019: £50k) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £45k (2019: £40k).

The fair value per option granted and the assumptions used in the calculation are as follows:

DBMP, PSPs and DBP<sup>1</sup>

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – EPS/ROCE %	Fair value per option – TSR Pence	Fair value per option – EPS/ROCE Pence	Correlation %	Grant or modification date
2019 PSP	1,370,671	472.8	11.0%	6.0	–	70.9	472.8	45%	13/06/19
2019 PSP	3,019,033	472.8	11.0%	4.0	–	70.9	472.8	45%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100%	–	472.8	45%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100%	–	472.8	45%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56%	13/06/18
2018 PSP	1,699,323	856.0	14.0%	4.0	–	370.9	856.0	56%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100%	–	856.0	56%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100%	–	856.0	56%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46%	14/06/17
2017 PSP	1,769,338	905.5	15.0%	4.0	–	131.2	905.5	46%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100%	–	905.5	46%	14/06/17
2017 DBP	103,246	905.5	15.0%	3.0	100%	–	905.5	46%	14/06/17

Both the vesting period and the expected life of all DBMP and PSP awards is three years, but for the DBP it is two years. The holders of all awards receive dividends. The PSP awards are split evenly between the performance criteria of TSR, EPS and ROCE. There are no performance conditions attached to the DBP. The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

1. DBMP = 2012 Deferred Bonus Matching Plan, PSP = 2009 Performance Share Plan, DBP = 2012 Deferred Bonus Plan.

## Frazer-Nash Consultancy Limited

### Notes to the financial statements

#### 10 Income tax expense

##### Tax expense included in income statement

	2020 £000	2019 £000
<b>Current tax:</b>		
UK Corporation tax on profits for the year	3,488	2,535
Adjustment in respect of prior year	-	-
<b>Current tax charge for the year</b>	<b>3,488</b>	<b>2,535</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(284)	6
Adjustment in respect of prior years	(8)	(31)
Impact of change in UK tax rate	(35)	(1)
<b>Total deferred tax credit (note 20)</b>	<b>(327)</b>	<b>(26)</b>
<b>Tax on profit on ordinary activities</b>	<b>3,161</b>	<b>2,509</b>

Tax expense for the year is lower (2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
<b>Profit on ordinary activities before taxation</b>	<b>16,756</b>	<b>13,341</b>
Profit on ordinary activities multiplied by standard UK corporation tax rate of 19% (2019: 19%)	3,183	2,535
Effects of:		
Expenses not deductible for tax purposes	21	6
Adjustments in respect of deferred tax for prior years	(8)	(31)
Impact of change in UK tax rate	(35)	(1)
<b>Total tax charge for the year</b>	<b>3,161</b>	<b>2,509</b>

In the UK 2019 Budget it was announced that the UK corporation tax rate would not reduce to 17% but would remain at 19% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 19% as this is the tax rate that will apply on reversal.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements

### 11 Intangible assets

	Internally generated software	Other software	Total £000
<b>Cost</b>			
At 1 April 2019	1,667	2,346	4,013
Additions	1,780	46	1,826
Disposals	-	(243)	(243)
At 31 March 2020	<b>3,447</b>	<b>2,149</b>	<b>5,596</b>
<b>Accumulated amortisation and impairment</b>			
At 1 April 2019	-	1,739	1,739
Charge for the year	26	205	231
Disposals	-	(222)	(222)
At 31 March 2020	<b>26</b>	<b>1,722</b>	<b>1,748</b>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<b>3,421</b>	<b>427</b>	<b>3,848</b>
At 31 March 2019	1,667	607	2,274

Intangible assets amortisation is recorded in administrative expenses in the income statement.

### 12 Property, plant & equipment

	Plant and equipment £000
<b>Cost</b>	
At 1 April 2019	7,174
Additions	676
Disposals	(1,817)
At 31 March 2020	<b>6,033</b>
<b>Accumulated depreciation</b>	
At 1 April 2019	4,983
Charge for the year	712
Disposals	(1,511)
At 31 March 2020	<b>4,184</b>
<b>Net book value</b>	
<b>At 31 March 2020</b>	<b>1,849</b>
At 31 March 2019	2,191

Notes to the financial statements

13 Right of use assets

	Property £000	Plant & Equipment £000	Total £000
<b>Cost</b>			
At 1 April 2019	-	-	-
Transition to IFRS 16	9,386	392	9,778
Additions	43	112	155
Disposals	(16)	(45)	(61)
At 31 March 2020	<b>9,413</b>	<b>459</b>	<b>9,872</b>
<b>Accumulated depreciation</b>			
At 1 April 2019	-	-	-
Transition to IFRS 16	2,135	-	2,135
Charge for the year	2,271	234	2,505
Disposals	(16)	(45)	(61)
At 31 March 2020	<b>4,390</b>	<b>189</b>	<b>4,579</b>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<b>5,023</b>	<b>270</b>	<b>5,293</b>
At 31 March 2019	7,251	392	7,643

Right of use assets (above) and lease liabilities (note 17) arise following adoption of IFRS 16 on 1 April 2019. See note 2 to the financial statements for further detail.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements

### 14 Investments in subsidiaries

	2020 £	2019 £
<b>Shares in group undertakings</b>		
<b>Cost</b>	<u>3</u>	<u>1</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Company Name	Registered Office	Interest	Direct %	Ultimate%
FNC Limited	c/o Devonport Royal Dockyard Limited, Devonport, Plymouth, PL1 4SG	100% Ordinary A shares	100%	100%
Frazer-Nash Consultancy (Australia) PTY LTD	Level 8 99 Gawler Place Adelaide SA 5000	100% Ordinary A shares	100%	100%
Frazer-Nash Consultancy LLC	c/o Corporation Service Company, 251 Little Falls Dr., Wilmington, DE 19808	100% Class A shares and 100% Class B shares	100%	100%

# Frazer-Nash Consultancy Limited

## Notes to the financial statements

### 15 Trade and other receivables

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Trade receivables	<b>17,142</b>	13,348
Amounts due from customers for contract work	<b>7,520</b>	8,198
Amounts owed by group undertakings	<b>8,059</b>	17,685
Deferred tax asset (note 20)	<b>614</b>	287
Prepayments and accrued income	<b>2,124</b>	2,003
	<b>35,459</b>	41,521

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

There are two major loans (2019: three) to group companies totalling £3,356k (2019: £13,145k) which are repayable on demand, with no interest charge.

Trade receivables are stated after provisions for impairment of £nil (2019: £nil).

	<b>Amounts due from customers for contract work £000</b>	<b>Total £000</b>
<b>At 1 April 2019</b>	<b>8,198</b>	<b>8,198</b>
Transfers from contract assets recognised at the beginning of the year to receivables	(8,198)	(8,198)
Increase due to work done not transferred from contract assets	7,520	7,520
<b>At 31 March 2020</b>	<b>7,520</b>	<b>7,520</b>



## Frazer-Nash Consultancy Limited

### Notes to the financial statements

#### 16 Trade and other payables – amounts falling due within one year

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Trade creditors	<b>2,182</b>	3,112
Amounts owed to parent and group undertakings	<b>13,542</b>	13,580
Taxation and social security	<b>5,581</b>	4,916
Corporation tax payable	<b>7,916</b>	6,467
Payments received on account	<b>3,602</b>	4,444
Accruals and deferred income	<b>8,543</b>	7,571
	<b>41,366</b>	40,090

Amounts owed to parent and group undertakings are unsecured, interest free, and repayable on demand. Corporation tax payable is due to another Babcock group company rather than HMRC, as the Group makes payment to HMRC under a Group Payment Arrangement.

The Company has access to the Babcock International Group PLC overdraft facility.

	<b>Contract cost accrual</b>	<b>Advance payments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 31 March 2019</b>	1,639	4,444	<b>6,083</b>
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(4,444)	(4,444)
Increase due to cash received, excluding amounts recognised as revenue	-	3,602	3,602
Amounts utilised	(1,639)	-	(1,639)
Amounts accrued	2,254	-	2,254
<b>At 31 March 2020</b>	<b>2,254</b>	<b>3,602</b>	<b>5,856</b>

## Frazer-Nash Consultancy Limited

### Notes to the financial statements

#### 17 Lease liabilities

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

Discounted future minimum lease payments are as follows:

	<b>2020</b>	2019
	<b>£000</b>	£000
		On
		transition
Within one year	<b>2,145</b>	2,157
In more than one year, but not more than five years	<b>3,769</b>	5,112
After five years	<b>992</b>	1,677
Carrying value of liability	<b>6,906</b>	8,946

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.716%.

The total cash outflow for leases in the year was £2,538k.

The table below explains the difference between the total operating lease commitments recognised under IAS 17 as at 31 March 2019 and the total lease liability recognised on transition to IFRS 16 as at 1 April 2019.

	<b>Total</b>
	<b>£000</b>
Operating lease commitments at 31 March 2019	8,717
Dilapidation provision now included in IFRS 16 lease liability	662
Effect of discounting and change in assessment of lease term	(433)
<b>IFRS 16 lease liability at 1 April 2019</b>	<b>8,946</b>

## Frazer-Nash Consultancy Limited

### Notes to the financial statements

#### 18 Other financial liabilities

Included in other financial liabilities are the following derivative financial instruments at fair value:

	31 March 2020		31 March 2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward FX contracts – fair value hedges	-	(31)	-	(12)
<b>Total</b>	-	(31)	-	(12)
<b>Current portion</b>	-	(31)	-	(12)

The company uses forward foreign exchange contracts denominated in Euros and US Dollars to manage exposure to fluctuations in foreign currency exchange rates.

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available with compliance to IFRS.

#### 19 Provisions

	Restructure £000	Dilapidations £000
At 1 April 2019	1,400	662
Charged to the Income Statement	(1,400)	(662)
<b>At 31 March 2020</b>	-	-

The restructure provision relate to the restructuring of the Company. The Company announced the intended restructure to the business and commenced implementing the plan on 30 January 2019. The provision was fully utilised during June 2019.

Dilapidations provisions relate to office buildings leased by the Company, where there is a requirement to reinstate the property to its prior condition. In prior years the Company has provided for these reinstatement costs. Due to the application of IFRS 16 for the year ending 31 March 2020, dilapidations costs are now factored into the finance lease liability, so a separate dilapidations provision is no longer required.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements

### 20 Deferred taxation

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

<b>Deferred tax asset</b>	<b>Accelerated capital allowances £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
At 1 April 2018:	<b>261</b>	-	<b>261</b>
- Charged to the income statement	<b>26</b>	-	<b>26</b>
	<b>287</b>	-	<b>287</b>
At 1 April 2019:	<b>327</b>	-	<b>327</b>
- Charged to the income statement	<b>327</b>	-	<b>327</b>
	<b>614</b>	-	<b>614</b>
At 31 March 2020:	<b>614</b>	-	<b>614</b>

### 21 Share capital

	<b>2020 £000</b>	2019 £000
<b>Allotted, called up and fully paid</b>		
115,671 ordinary shares of £1 each (2019: 115,671)	<b>116</b>	116
50,000 'A' preference shares of £1 each (2019: 50,000)	<b>50</b>	50
50,000 'B' preference shares of £1 each (2019: 50,000)	<b>50</b>	50
	<b>216</b>	216

Out of the profits available for distribution, A preference shareholders are entitled to a dividend equal in amount to the amount of loan principal (if any) repaid by Babcock (UK) Holdings Limited to the Company under the 2009 loan agreement, and B preference shareholders are entitled to a dividend equal in amount to the amount of loan principal (if any) repaid by Babcock (UK) Holdings Limited to the Company under the 2010 loan agreement. The order of capital rights is: A preference share dividends due, then B preference share dividends due, then ordinary, A and B in relation to amounts paid up on shares.

### 22 Dividends

Dividends declared and paid were £11 million (2019: £Nil), this is equivalent to £95.10 per ordinary share (2019: £Nil per ordinary share). There are no plans for a final dividend.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements

### 23 Guarantees and financial commitments

#### a) Contingent liabilities

At the year-end date the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2019: £nil).

#### b) Bank guarantees

A guarantee is in place with Australia and New Zealand Bank group Limited for an amount up to \$AUD 182,243 concerning rental payments due to Dexus CPA PTY Ltd.

A guarantee is in place with Australia and New Zealand Bank group Limited for an amount up to \$AUD 209,809.88 concerning rental payments due to Gawler Investment Holdings Pty Ltd. This guarantee transferred, due to change in ownership of the premises, from the previous owner MAC Australian Sub TC Pty Ltd.

### 24 Related party disclosures

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

Transactions entered into and trading balances outstanding at 31 March 2020 are as follows:

	<b>Sales to related party £000</b>	<b>Amounts owed by related party £000</b>
Dounreay Site Restoration Limited (joint venture of Babcock International Group PLC)	1	-

Transactions entered into and trading balances outstanding at 31 March 2019 are as follows:

	<b>Sales to related party £000</b>	<b>Amounts owed by related party £000</b>
Dounreay Site Restoration Limited (joint venture of Babcock International Group PLC)	12	2

### 25 Pension commitments

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

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

**Notes to the financial statements**

**26 Ultimate parent undertaking**

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

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

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