

**Frazer-Nash Consultancy Limited**  
**Annual report**  
**for the year ended 31 March 2013**

**Registered Company Number 02562870**

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# Frazer-Nash Consultancy Limited

## Annual report

### for the year ended 31 March 2013

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# **Frazer-Nash Consultancy Limited**

## **Directors and advisors for the year ended 31 March 2013**

### **Directors**

A Bethel  
R R Burge  
F Martinelli  
N M McDougall  
I Urquhart

### **Company secretaries**

R R Burge  
V F A Teller (resigned 27/07/2012)  
N J W Borrett (appointed 27/07/2012, resigned 25/02/2013)  
Babcock Corporate Secretaries Limited (appointed 25/02/2013)

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Princess Court  
23 Princess Street  
Plymouth  
PL1 2EX

### **Bankers**

Royal Bank of Scotland plc  
National Westminster Bank plc

### **Registered office**

c/o Devonport Royal Dockyard Ltd  
Devonport  
Plymouth  
Devon  
PL1 4SG

### **Registered company number**

02562870

# **Frazer-Nash Consultancy Limited**

## **Managing Director's statement and business review**

### **Results**

The results for the financial year ended 31 March 2013 show turnover of £50.1 million (2012: £42.7 million) an increase of 17% reflecting the continued growth of the business via expansion in the markets we operate and our increased capability to provide quality people, demonstrated by the rise in average staff numbers to 473 (2012: 414) which is an increase of 14%. Operating profit before tax increased to £6.9 million (2012: £6.2 million) an increase of 11% driven by turnover growth and maintaining control of overheads costs.

### **Market positioning**

A key feature of the sustainability of the growth of the business over many years has been the strategic imperative to maintain a balanced portfolio of business. Throughout 2012/13 we continued to operate this long-standing strategy.

Budgetary challenges have continued in the UK defence sector in 2012/13, but our strong offering has enabled the business to grow over that achieved in 2011/12. The company has continued to fulfil key, long-term roles in a wide range of programmes, providing support to government agencies, prime contractors and their supply chains. These programmes draw heavily on our broad systems engineering capabilities, which have continued to grow and mature through 2012/13.

Despite well-publicised delays in nuclear new-build, the power and energy sector performed very well in 2012/13. In power generation, we have continued to develop key capabilities that help our clients meet their business goals. We are providing valued support throughout the project lifecycle from helping to define the precise nature of the problem through to providing assurance that the proposed solution is safe to implement. This capability has been shown to be valued by both the generation companies and their regulator. In new build the pace of development has been slower than we expected, but we remain well positioned for 2013/14. Opportunities continue to develop for the company in a range of renewable energy solutions, particularly marine and wind.

The transportation, marine and industrial sectors made good progress in 2012/13 and we seem poised for further growth in 2013/14. Our oil & gas business continues to grow strongly, and the company's rail business has developed well in 2012/13.

### **Staff and management team**

2012/13 represented another good year for the continued growth and development of our engineering, management and support teams. Our intake of new staff (both senior and junior) was complemented by growth and development of our existing staff and support teams. My personal thanks go to the entire team for yet another outstanding performance throughout the year. By the year-end permanent staff numbers had risen from just over 440 at the end of 2011/12 to just over 500.

### **Geographical presence**

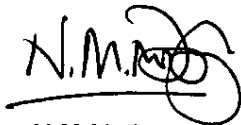
A central element of the company's strategy remains the development of operations close to our main client bases. Our footprint in the UK was extended in 2012/13 with the opening of an office north of Gloucester, which has already proved popular with our local clients and has provided a number of new recruits into the business. Our presence in Adelaide, Australia has developed further with the move to a new permanent office in the central business district. Strong business growth in the region has encouraged us to open a satellite office in Melbourne. The main purpose of this office is to support staff who now frequently visit the city, supporting new projects that are based there. Recruitment in Australia continues strongly, with local recruits now comfortably out-numbering the initial team that was sent out to establish the business.

# Frazer-Nash Consultancy Limited

## Managing Director's statement and business review (continued)

### Business prospects

2012/13 was another successful period during which good progress was made in the majority of our targeted business sectors. 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.



**N M McDougall**  
Managing Director

12<sup>th</sup> JUNE 2013

# Frazer-Nash Consultancy Limited

## Directors' report for the year ended 31 March 2013

The directors present their report and the audited financial statements for the year ended 31 March 2013. For the review of the business and future developments, refer to the Managing Director's statement and business review on pages 2 and 3.

### Principal activities

The company's principal activity continues to be that of the provision of systems and engineering technology services to a wide range of industrial and governmental organisations.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at group level by independent challenge and review by the group risk manager and the Audit and Risk Committee.

The key business risks and uncertainties affecting the company are considered to relate to overexposure to any one of our market sectors, the political and regulatory environment and the ability to recruit and retain quality staff. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 50 to 55 of the annual report of Babcock International Group PLC, which does not form part of this report.

### Key performance indicators

The company key financial and other performance indicators are as follows:

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Turnover  | 50,134        | 42,745        |
| Operating profit                                  | 6,853         | 6,156         |
| Current assets as % of current liabilities        | 242%          | 236%          |
| Average number of employees (including directors) | 473           | 414           |

The growth and performance of Babcock Marine, the marine division of Babcock International Group PLC, which includes the company, is discussed on pages 14 to 19 and 34 to 35 in the group's annual report, which does not form part of this report.

### Financial risk management

Financial instruments, in particular forward currency contracts, are used to manage the financial risks arising from the business activities of the company. All treasury transactions are carried out only with prime rated counterparties as are investments of cash and cash equivalents. The company's customers are mainly from government, government backed institutions or blue chip corporations and as such credit risk is considered small.

Wider group discussion on financial risk management can be found on pages 50 to 55 and note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

### Results and dividends

The profit for the financial year was £5.9 million (2012: £6.1 million). No dividends were paid during the year (2012: £nil) and the profit for the financial year has been transferred to reserves accordingly.

# **Frazer-Nash Consultancy Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

### **Directors**

The directors who served during the year and up to the date of signing the report and financial statements, unless otherwise stated, were as follows

A Bethel  
R R Burge  
F Martinelli  
N M McDougall  
I Urquhart

### **Supplier payment policy**

The company's policy is to pay suppliers in accordance with practices or arrangements agreed with them (based on the timely receipt of an accurate invoice) Trade creditor days of the company for the year to 31 March 2013 were 19 days (2012 13 days), based on the ratio of the average trade creditors during the year to the amount invoiced during the year by the trade creditors

### **Charitable and political donations**

Charitable donations during the year amounted to £13,928 (2012 £12,940) These donations go to our individual staff members' charity of choice by matching an element of what they donate, making them relatively small and encompassing a range of local and national charitable organisations, for example hospices, medical charities and charities intended to benefit children and young adults No contributions to political organisations were made

### **Environment**

We are committed to conducting our business in an ethical and socially responsible manner, and to support this, we are developing and implementing an environmental management system to identify any significant impacts in our activities and manage them effectively Within our operations we aim to promote the concept of sustainable development, prevent pollution and minimise the environmental impact of our office activities including those arising from the provision of our services Our operations, services and products will comply with all applicable environmental legislation

### **Employment of disabled persons**

The policy of the company is to give full consideration to applications for employment from disabled persons who have the aptitudes and abilities to meet the requirements of the job An employee who becomes disabled will continue to be employed where possible under the same terms and conditions Training and career development applies wherever appropriate to all employees including disabled persons

### **Employee involvement**

The company places considerable emphasis on maintaining good communications with all employees Through regular briefings and the company's intranet material, employees have the opportunity to be closely engaged with, and influence, the company's strategic thinking and its operational and trading performance The company has a staff annual bonus scheme that allows them to share in the company's success

# Frazer-Nash Consultancy Limited

## Directors' report for the year ended 31 March 2013 (continued)

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

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

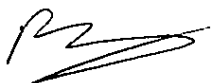
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Provision of information to auditors

In the case of each of the persons who are directors at the time when this report is approved, the following applies:

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

### By order of the board



**R R Burge**  
Company Secretary

18 June 2013



# **Frazer-Nash Consultancy Limited**

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

We have audited the financial statements of Frazer-Nash Consultancy Limited for the year ended 31 March 2013 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Frazer-Nash Consultancy Limited**

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

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

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

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

*Heather Ancient*

**Heather Ancient (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Plymouth

*20 June* 2013

## Frazer-Nash Consultancy Limited

### Profit and loss account for the year ended 31 March 2013

|  | Note | 2013<br>£'000 | 2012<br>£'000 |
|--|------|---------------|---------------|
| <b>Turnover</b>                                      | 2    | <b>50,134</b> | 42,745        |
| Cost of sales  |      | (27,094)      | (21,594)      |
| <b>Gross profit</b>                                  |      | <b>23,040</b> | 21,151        |
| Administrative expenses                              |      | (16,187)      | (14,995)      |
| <b>Operating profit</b>                              | 3    | <b>6,853</b>  | 6,156         |
| Interest receivable and similar income               |      | -             | -             |
| <b>Profit on ordinary activities before taxation</b> |      | <b>6,853</b>  | 6,156         |
| Tax on profit on ordinary activities                 | 6    | (962)         | (26)          |
| <b>Profit for the financial year</b>                 | 14   | <b>5,891</b>  | 6,130         |

All of the above figures, including comparatives, relate to continuing activities

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented. The same applied in the prior year.

There is no difference between either the profit on ordinary activities before tax or the profit for the financial year stated above and their historical cost equivalents. The same applied in the prior year.

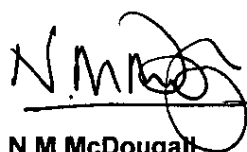
# Frazer-Nash Consultancy Limited

## Balance sheet as at 31 March 2013

|   | Note | 2013<br>£'000   | 2012<br>£'000   |
|---|------|-----------------|-----------------|
| <b>Fixed assets</b>                                   |      |                 |                 |
| Tangible assets                                       | 7    | 2,003           | 1,800           |
|   |      | <b>2,003</b>    | <b>1,800</b>    |
| <b>Current assets</b>                                 |      |                 |                 |
| Debtors   | 8    | 26,643          | 16,990          |
| Cash at bank and in hand                              |      | 6,347           | 6,677           |
|   |      | <b>32,990</b>   | <b>23,667</b>   |
| <b>Creditors: amounts falling due within one year</b> | 9    | <b>(13,656)</b> | <b>(10,021)</b> |
| <b>Net current assets</b>                             |      | <b>19,334</b>   | <b>13,646</b>   |
| <b>Total assets less current liabilities</b>          |      | <b>21,337</b>   | <b>15,446</b>   |
| <b>Capital and reserves</b>                           |      |                 |                 |
| Called up share capital                               | 12   | 216             | 216             |
| Share premium account                                 | 13   | 22              | 22              |
| Profit and loss account                               | 13   | 21,075          | 15,184          |
| Other reserves  | 13   | 24              | 24              |
| <b>Total shareholders' funds</b>                      | 14   | <b>21,337</b>   | <b>15,446</b>   |

The financial statements on pages 9 to 20 were approved by the board of directors on 2013 and were signed on its behalf by

18 JUNE 2013



N M McDougall

Director



R R Burge

Director

Registered company number 02562870

# Frazer-Nash Consultancy Limited

## Notes to the financial statements for the year ended 31 March 2013

### 1 Accounting policies

#### Basis of accounting

The financial statements have been prepared on a going concern basis, in accordance with the historical cost convention and are in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (UK GAAP). The directors have considered the accounting policies and estimation techniques detailed below and consider that they are the most appropriate for the company.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows -

|                  |             |
|------------------|-------------|
| Office equipment | 3 – 5 years |
|------------------|-------------|

#### Long-term contracts

Contracts are deemed to be long-term if contract execution extends for more than three months.

Turnover is recognised by multiplying the contract value (inclusive of variations to workscope when agreed with the customer, but exclusive of contingency which may arise because of uncertain outcome from contractual conditions), by the percentage complete (which is derived from "costs incurred to date" divided by "forecast costs at completion (including contingency)" multiplied by 100).

Profit earned on long term contracts is recognised in line with the percentage of completion when the forecast outcome of the contract can be estimated with reasonable confidence. Losses are taken in full, as soon as they become foreseeable with reasonable certainty.

Work in progress on long term contracts is stated at the value of turnover recognised (which includes, where appropriate, an element of profit) and is shown under "amounts recoverable on contracts" within debtors.

Cash received on account during long term contracts is deducted from the work in progress figure. Receipts in excess of revenue recognised are shown as "payments on account" within creditors. The provision for all known losses is shown as "provision for long term contracts".

#### Short-term contracts

Short-term work in progress is valued at the lower of cost and net realisable value. Cost includes materials, labour and overheads based on normal levels of activity. Net realisable value is based on estimated selling price less additional costs to completion and disposal less progress billings.

Turnover is recognised to the extent that the right to consideration through contract performance has been achieved, except where milestone or trigger events have been agreed and consideration is conditional upon the occurrence of those events.

# **Frazer-Nash Consultancy Limited**

## **Notes to the financial statements for the year ended 31 March 2013 (continued)**

### **1 Accounting policies (continued)**

#### **Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### **Pension contributions**

Company contributions to the defined contribution pension scheme are charged to the profit and loss account in the year they become payable. The assets and liabilities of the scheme are held independently of the group by an insurance company.

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### **Cash flow statement**

Under Financial Reporting Standard 1 (FRS1) (revised 1996) 'Cash Flow Statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and a consolidated cash flow statement is prepared by the ultimate parent undertaking.

#### **Related party transactions**

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Babcock International Group PLC.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Accounting policies (continued)

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments

Forward exchange contracts are treated in accordance with SSAP20. They are used to hedge risk involved in foreign currency operations and therefore no economic gain or loss will arise. Foreign currency transactions held within the balance sheet are held at forward rate and any premium or discount on the contract is taken to the profit and loss account.

### 2 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of Value Added Tax, and is all derived from consultancy services. Further description of turnover for long term contracts is to be found in Note 1.

|                   | 2013<br>£'000 | 2012<br>£'000 |
|-------------------|---------------|---------------|
| United Kingdom    | 46,034        | 40,300        |
| Europe            | 1,002         | 652           |
| Rest of the world | 3,098         | 1,793         |
|                   | 50,134        | 42,745        |

### 3 Operating profit

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| Operating profit is stated after charging |               |               |
| Depreciation                              | 865           | 955           |
| Operating lease rentals                   |               |               |
| - hire of plant and machinery             | 264           | 256           |
| - other                                   | 1,175         | 1,037         |
| Auditors' remuneration – audit services   | 25            | 28            |

# Frazer-Nash Consultancy Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 4 Employees

The average monthly number of persons employed by the company (including directors) during the year analysed by category, was as follows

| By activity | 2013<br>Number | 2012<br>Number |
|-------------|----------------|----------------|
| Direct      | 397            | 344            |
| Non-direct  | 76             | 70             |
|             | <b>473</b>     | <b>414</b>     |

|  |               |               |
|--|---------------|---------------|
| The aggregate payroll costs of employees were as follows | 2013<br>£'000 | 2012<br>£'000 |
| Wages and salaries                                       | 24,142        | 20,865        |
| Social security costs                                    | 2,623         | 2,315         |
| Other pension costs (note 11)                            | 1,594         | 1,157         |
|  | <b>28,359</b> | <b>24,337</b> |

### 5 Directors' emoluments

|  |               |               |
|--|---------------|---------------|
|  | 2013<br>£'000 | 2012<br>£'000 |
| Aggregate emoluments to current directors              | 396           | 341           |
| Company contributions to money purchase pension scheme | 81            | 109           |
|  | <b>477</b>    | <b>450</b>    |

There are two directors (2012 two) accruing benefits under the money purchase pension scheme. The emoluments of the highest paid director in the year were £219k (2012 £175k) and company pension contributions of £50k (2012 £34k) were made on his behalf.



# Frazer-Nash Consultancy Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 6 Tax on profit on ordinary activities

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| <b>Current tax:</b>                            |               |               |
| UK corporation tax on the profit for the year  | 1,088         | -             |
| Group relief surrendered for consideration     | -             | -             |
| Adjustments in respect of prior years          | -             | -             |
| <b>Total current tax</b>                       | <b>1,088</b>  | <b>-</b>      |
| <b>Deferred tax (note 10):</b>                 |               |               |
| Adjustments in respect of prior years          | 8             | -             |
| Origination and reversal of timing differences | (151)         | 3             |
| Impact of change in UK tax rate                | 17            | 23            |
| <b>Total deferred tax</b>                      | <b>(126)</b>  | <b>26</b>     |
| <b>Tax on profit on ordinary activities</b>    | <b>962</b>    | <b>26</b>     |

#### Factors affecting charge for the year

The current tax charge for the year is lower (2012 lower) than the standard rate of corporation tax in the UK 24% (2012 26%). The differences are explained below

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| <b>Profit on ordinary activities before tax</b>                                   | <b>6,853</b>  | <b>6,156</b>  |
| Profit multiplied by standard rate of corporation tax in the UK of 24% (2012 26%) | 1,645         | 1,601         |
| Effects of  |               |               |
| - expenses not deductible for tax purposes  | 118           | 10            |
| - capital allowances less than depreciation                                       | 39            | (2)           |
| - research and development credit   | (714)         | (379)         |
| - adjustments in respect of prior years   | -             | -             |
| - group relief for nil consideration  | -             | (1,230)       |
| <b>Total current tax charge</b>   | <b>1,088</b>  | <b>-</b>      |

A number of changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act and was substantively enacted on 3 July 2012.

# Frazer-Nash Consultancy Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 6 Tax on profit on ordinary activities (continued)

Further reductions to the main rate were proposed in the March 2013 UK Budget Statement to reduce the rate to 21% from 1 April 2014 and then to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. Accordingly, the closing deferred tax balance in these financial statements has been recognised at 23%.

The effect of the changes expected to be enacted following the March 2013 UK Budget Statement would be to reduce the deferred tax asset provided at the balance sheet date by £35,210. This £35,210 decrease in the deferred tax asset would decrease the profit by the £35,210. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 23% to 21% with effect from 1 April 2014.

### 7 Tangible assets

|                                 | Office equipment<br>£'000 |
|---------------------------------|---------------------------|
| <b>Cost</b>                     |                           |
| At 1 April 2012                 | 7,122                     |
| Additions                       | 1,068                     |
| Disposals                       | (1,718)                   |
| <b>At 31 March 2013</b>         | <b>6,472</b>              |
| <b>Accumulated depreciation</b> |                           |
| At 1 April 2012                 | 5,322                     |
| Charge for the year             | 865                       |
| Disposals                       | (1,718)                   |
| <b>At 31 March 2013</b>         | <b>4,469</b>              |
| <b>Net book value</b>           |                           |
| <b>At 31 March 2013</b>         | <b>2,003</b>              |
| At 31 March 2012                | 1,800                     |

Disposals relate to assets no longer in use and/or scrapped with nil net book value

## Frazer-Nash Consultancy Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 8 Debtors

|                                    | 2013<br>£'000 | 2012<br>£'000 |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 6,966         | 5,621         |
| Amounts recoverable on contracts   | 3,963         | 3,307         |
| Amounts owed by group undertakings | 14,127        | 6,637         |
| Deferred tax asset (note 10)       | 405           | 279           |
| Prepayments and accrued income     | 1,182         | 1,145         |
| Financial instruments (note 15)    | -             | 1             |
|                                    | <b>26,643</b> | <b>16,990</b> |

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

#### 9 Creditors: amounts falling due within one year

|                                    | 2013<br>£'000 | 2012<br>£'000 |
|------------------------------------|---------------|---------------|
| Payments on account                | 2,418         | 3,163         |
| Provision on long term contracts   | 28            | -             |
| Trade creditors                    | 280           | 644           |
| Amounts owed to group undertakings | 2,990         | 1,942         |
| Taxation and social security       | 2,104         | -             |
| Corporation tax                    | 1,088         | -             |
| Accruals                           | 4,746         | 4,272         |
| Financial instruments (note 15)    | 2             | -             |
|                                    | <b>13,656</b> | <b>10,021</b> |

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand

# Frazer-Nash Consultancy Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 10 Deferred tax

| Deferred tax asset                              | £'000      |  |
|---|------------|--|
| At 1 April 2012                                 | 279        |  |
| Charged to the profit and loss account (note 6) | 126        |  |
| <b>At 31 March 2013</b>                         | <b>405</b> |  |

| The elements of deferred taxation are as follows | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Depreciation in excess of capital allowances     | 297           | 279           |
| Other timing differences                         | 108           | -             |
| <b>Total deferred tax asset</b>                  | <b>405</b>    | <b>279</b>    |

At 31 March 2013 there was an un-provided deferred tax asset of £nil (2012 £nil) relating to other timing differences

### 11 Pensions

The company operates a defined contribution pension scheme. The pension charges for the year represent contributions payable by the company to the scheme and amounted to £1,594,000 (2012 £1,157,000). Contributions amounting to £221,000 (2012 £nil) were outstanding to the scheme at the year-end.

### 12 Called up share capital

|                                  | 2013<br>Number | £'000      | 2012<br>Number | £'000      |
|----------------------------------|----------------|------------|----------------|------------|
| <b>Allotted and fully paid</b>   |                |            |                |            |
| Ordinary shares of £1 each       | 115,671        | 116        | 115,671        | 116        |
| <b>Allotted and fully paid</b>   |                |            |                |            |
| 'A' preference shares of £1 each | 50,000         | 50         | 50,000         | 50         |
| 'B' preference shares of £1 each | 50,000         | 50         | 50,000         | 50         |
|                                  | <b>100,000</b> | <b>100</b> | <b>100,000</b> | <b>100</b> |

All shares carry equal voting rights

## Frazer-Nash Consultancy Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 13 Reserves

|   | Share premium<br>account<br>£'000 | Profit and loss<br>account<br>£'000 | Other<br>reserves<br>£'000 |
|---|-----------------------------------|-------------------------------------|----------------------------|
| At 1 April 2012                         | 22                                | 15,184                              | 24                         |
| Profit for the financial year (note 14) | -                                 | 5,891                               | -                          |
| <b>At 31 March 2013</b>                 | <b>22</b>                         | <b>21,075</b>                       | <b>24</b>                  |

#### 14 Reconciliation of movements in shareholders' funds

|                                     | 2013<br>£'000 | 2012<br>£'000 |
|-------------------------------------|---------------|---------------|
| Opening shareholders' funds         | 15,446        | 9,316         |
| Profit for the financial year       | 5,891         | 6,130         |
| Net increase in shareholders' funds | 5,891         | 6,130         |
| <b>Closing shareholders' funds</b>  | <b>21,337</b> | <b>15,446</b> |

#### 15 Financial instruments (forward contracts)

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

In Euros, the contracts include sales of €480k (2012 €415k) and purchases of €42k (2012 €nil). These contracts would lead to a net £1k loss (2012 £1k gain) based on the foreign exchange rate at 31 March 2013. These contracts will crystallise between April 2013 and March 2014.

In US Dollars, the contracts include sales of \$309k (2012 \$nil) and purchases of \$nil (2012 \$nil). These contracts would lead to a net £1k loss (2012 £nil) based on the foreign exchange rate at 31 March 2013. These contracts will crystallise between April 2013 and September 2013.

## Frazer-Nash Consultancy Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 16 Operating lease commitments

As at 31 March 2013, the company had the following annual commitments under non-cancellable operating leases due to expire as follows

|                                    | 2013                           |                | 2012                           |                |
|------------------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                                    | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Within one year                    | 276                            | 54             | -                              | 13             |
| In second to fifth years inclusive | 760                            | 173            | 1,064                          | 149            |
| In more than five years            | -                              | -              | -                              | -              |
|                                    | 1,036                          | 227            | 1,064                          | 162            |

#### 17 Contingent liabilities

At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £658.6 million (2012 £731.8 million) provided to certain group companies. In addition, the Company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2012 £nil).

#### 18 Ultimate parent undertaking

The company's immediate parent company is Frazer-Nash Consultancy Group Limited and the ultimate controlling company is Babcock International Group PLC. Both companies are registered in England and Wales. The only group in which the results of the companies are consolidated is that headed by Babcock International Group PLC.

Copies of the Babcock International Group PLC consolidated financial statements are available from the following address:

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