

METHODS

CONSULTING



Directors' report & Financial statements

For the year ended 30 April 2005



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Company information

Company Number	2485577
Directors	A B StJ Webb P J Rowlin M P A Thompson M E Johnston
Company Secretary	A B StJ Webb
Registered Office	125 Shaftesbury Avenue London WC2H 8AD
Auditors	Blick Rothenberg Chartered Accountants and Registered Auditors 12 York Gate Regent's Park London NW1 4QS

The Directors present their report and the financial statements for the year ended 30 April 2005.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Principal activity and review of the business

The company's principal activity continues to be that of provision of business and IT consultancy services. The results for the year are set out on page 5.

As directors of the leading associate based consultancy, we are pleased to report another year of substantial growth in revenue and profits in a competitive market. Over the last year, Methods Consulting again assisted public and private organisations on some of the largest, high profile projects and initiatives in the UK. The company continued to broaden its client base and experienced the early stages of a strengthening in the private sector. Successful delivery of significant fixed price projects and transactional services further strengthened its standing as an alternative to large systems integrators.

February 2005 saw Methods move into new open plan offices in Shaftesbury Avenue, a facility which allows the company to service better the needs of its clients while allowing for future growth. To provide steady growth going forward, the company is looking to further strengthen its business development capability across its existing markets while continuing to look into new market areas that compliment existing activities. In addition, further investment in support systems is being undertaken to ensure the business model continues to be scalable and quality is maintained.

One post year-end event worthy of note is the partial management buy-out completed in June 2005, which places the Company on a firm foundation going forward, providing increased incentivisation for management and staff. Adequate and manageable finance has been obtained to enable this transaction which has been structured to the company can continue to take advantage of business opportunities as they arise.

Dividends

The directors do not recommend the payment of a final dividend.

Directors' report

For the year ended 30 April 2005

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Directors

The directors, who served during the year and their beneficial interests in the Company's shares at the beginning and end of the year or date of appointment, were as follows:

	Ordinary shares of £1 each	
	2005	2004
A B StJ Webb	279	279
P J Rowllins	100	100
M P A Thompson	-	-
M E Johnston	-	-

Additionally, at 30 April 2005, A B StJ Webb held 21 shares as joint trustee of a family trust (30 April 2004: 21 shares).

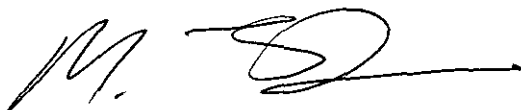
Events since the balance sheet date

Events that have occurred after the balance sheet date are disclosed in note 20 of the financial statements.

Auditors

Blick Rothenberg will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on 23 September 2005, and signed on its behalf.



M E Johnston
Managing Director

Independent auditors' report

For the year ended 30 April 2005

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We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company or the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2005 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



B BLACK
R ROTHENBERG

Chartered Accountants and Registered Auditors
12 York Gate, Regent's Park, London NW1 4QS

Dated: 27 September 2005

Profit & loss account
For the year ended 30 April 2005

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	Note	2005 £	2004 £
Turnover	1.2	42,060,741	34,006,236
Net operating costs	2	(39,016,119)	(32,734,026)
Operating profit		3,044,622	1,272,210
Interest receivable and similar income	3	61,403	6,398
Profit on ordinary activities before taxation		3,106,025	1,278,608
Taxation on profit on ordinary activities	6	(982,607)	(430,198)
Profit on ordinary activities after taxation		2,123,418	848,410
Retained profit brought forward		2,752,260	1,903,850
Retained profit carried forward	12	4,875,678	2,752,260

None of the company's activities were acquired or discontinued during the year and there were no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 8 – 14 form part of these financial statements.

Balance sheet
As at 30 April 2005

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	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		149,746		106,602
CURRENT ASSETS					
Debtors	8	7,966,905		5,993,628	
Cash at bank and in hand		4,985,683		1,368,146	
		<u>12,952,588</u>		<u>7,361,774</u>	
CREDITORS – amounts due within one year	9	(7,874,072)		(4,363,532)	
NET CURRENT ASSETS			5,078,516		2,998,242
NET ASSETS			<u>5,228,262</u>		<u>3,104,844</u>
CAPITAL & RESERVES					
Called up share capital	10		400		400
Share premium	11		352,184		352,184
Profit & loss account			4,875,678		2,752,260
	13		<u>5,228,262</u>		<u>3,104,844</u>

The notes on pages 8 – 14 form part of these financial statements.

The financial statements were approved by the board on 23 September 2005, and signed on its behalf

M E Johnston
Managing Director

Cash flow statement
For the year ended 30 April 2005

	Note	2005 £	2004 £
Net cash flow from operating activities	14	4,095,453	1,395,124
Returns on investments & servicing of finance			
Interest received		59,509	5,380
Taxation		(397,775)	(238,576)
Capital expenditure			
Payments to acquire tangible fixed assets		(139,650)	(53,311)
Increase in cash		3,617,537	1,108,617

The notes on pages 8 – 14 form part of these financial statements.

Notes to the financial statements

For the year ended 30 April 2005

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1. ACCOUNTING POLICIES

1.1 Basis of preparation of the accounts

The financial statements are prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The financial statements were prepared adopting format 2 for the Profit & Loss Account as prescribed in Schedule 4 of the Companies Act in line with the company's new parent company *Methods Holdings Limited*. This is a departure from format 1 previously adopted. All comparative data has been restated accordingly.

1.2 Turnover

Turnover comprises the invoiced value of services supplied by the company, net of Value Added Tax. The turnover is attributable to the one principal activity of the company, business and IT consultancy.

1.3 Revenue recognition

Time and materials revenue is recognised to the extent that time has been completed and materials expensed in the period.

Fixed price contract revenues are recognised as contract activity progresses to reflect the partial performance of the Company's contractual obligations. Where this right to consideration arises at the occurrence of a critical event (stage of deliverables or contract milestone) the revenue is recognised when that event occurs. Where it is considered that the outcome of the contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised. Foreseeable losses on contracts are recognised immediately.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off their cost by equal instalments over their expected useful economic lives, on the following bases:

Vehicles	10% straight line
Furniture and fittings	33% straight line
Office equipment	33% straight line

1.5 Pensions

The company operates a defined, money purchase pension scheme and a Small Self Administered Pension Scheme. Additionally, the company contributes to two money-purchase schemes operated by independent financial institutions. The pension charge represents the amounts payable by the company to the funds in respect of the year.

1.6 Employee Benefit Trust

In accordance with UITF abstract 32, Employee Benefit Trusts ("EBT"s) and other intermediate payment arrangements, the Company does not include the assets and liabilities of its EBT on its Balance Sheet. It considers that it will not retain any present economic benefit from the assets of the EBT, nor will it have control of the rights or other access to those present economic benefits. All contributions made to the EBT vest unconditionally in identified beneficiaries.

1.7 Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term, net of any rent free periods.

For the year ended 30 April 2005



	2005 £	2004 £
4. Employment costs (including directors)		
Salaries	2,593,443	2,457,338
Social security cost	357,700	300,529
Other pension costs	10,684	14,521
Other staff benefits	16,803	11,131
	<u>2,978,630</u>	<u>2,783,519</u>

	2005 £	2004 £
5. Directors' remuneration		
Emoluments	1,055,900	1,526,737
Contributions to money purchase pension schemes	5,018	7,245
	<u>1,060,918</u>	<u>1,533,982</u>

The number of directors who were accruing benefits under company money purchase pension schemes was 2 (2004: 3).

Notes to the financial statements
For the year ended 30 April 2005

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	2005 £	2004 £
6. Taxation		
UK current year taxation:		
UK Corporation tax at 30% (2004: 30%)	852,190	397,448
Underprovision for previous year	130,417	32,750
	<u>982,607</u>	<u>430,198</u>

The tax assessed for the year is different from that resulting from applying the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £	2004 £
Profit before tax at 30% (2004: 30%)	930,103	383,582
Depreciation in excess of capital allowances	729	2,399
Relief for EBT payments	(120,203)	-
Expenses not deductible for tax purposes	41,561	15,880
Effect of marginal tax relief	-	(4,413)
Current tax charge for the year	<u>852,190</u>	<u>397,448</u>

Notes to the financial statements

For the year ended 30 April 2005

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	Vehicles £	Furniture & fittings £	Office equipment £	Total £
7. Tangible Fixed Assets				
Cost				
Brought forward at 1 May 2004	68,000	85,243	193,723	346,966
Additions	-	90,267	49,383	139,650
Disposals	-	(51,311)	(20,597)	(71,908)
Carried forward at 30 April 2005	<u>68,000</u>	<u>124,199</u>	<u>222,509</u>	<u>414,708</u>
Depreciation				
Brought forward at 1 May 2004	20,400	80,024	139,940	240,364
Charge for the year	6,800	31,067	51,459	89,326
Disposals	-	(47,711)	(17,017)	(64,728)
Carried forward at 30 April 2005	<u>27,200</u>	<u>63,380</u>	<u>174,382</u>	<u>264,962</u>
Net Book Value				
At 30 April 2005	<u>40,800</u>	<u>60,819</u>	<u>48,127</u>	<u>149,746</u>
At 30 April 2004	<u>47,600</u>	<u>5,219</u>	<u>53,783</u>	<u>106,602</u>

Notes to the financial statements

For the year ended 30 April 2005

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	2005 £	2004 £
8. Debtors		
Trade debtors	4,939,744	3,610,096
Other debtors	325,270	10,422
Prepayments and accrued income	2,701,891	2,373,110
	<u>7,966,905</u>	<u>5,993,628</u>

Included in the above are debtors due in more than one year as follows:

	2005 £	2004 £
Other debtors	<u>309,318</u>	<u>-</u>

	2005 £	2004 £
9. Creditors: Amounts falling due within one year		
Trade creditors	3,753,470	1,613,813
Corporation tax	982,280	397,448
Other taxes and social security costs	1,046,223	456,910
Other creditors	12,708	7,956
Accruals and deferred income	2,079,391	1,887,405
	<u>7,874,072</u>	<u>4,363,532</u>

	2005 £	2004 £
10. Share capital		
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully paid:		
400 Ordinary shares of £1 each	<u>400</u>	<u>400</u>

	2005 £	2004 £
11. Share premium	<u>352,184</u>	<u>352,184</u>

	2005 £	2004 £
12. Retained profit		
Balance at beginning of the year	2,752,260	1,903,850
Retained profit for the year	2,123,418	848,410
Balance at the end of the year	<u>4,875,678</u>	<u>2,752,260</u>

Notes to the financial statements

For the year ended 30 April 2005

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	2005 £	2004 £
13. Reconciliation of movement on shareholders' funds		
Profit for the year	2,123,418	848,410
Opening shareholders' funds	3,104,844	2,256,434
Closing shareholders' funds	<u>5,228,262</u>	<u>3,104,844</u>

	2005 £	2004 £
14. Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	3,044,622	1,272,210
Sundry income	1,894	1,018
Depreciation of tangible fixed assets	89,326	60,038
Loss on disposal of tangible fixed assets	7,180	250
Increase in debtors	(1,973,277)	(1,007,619)
Increase in creditors	2,925,708	1,069,227
Net cash flow from operating activities	<u>4,095,453</u>	<u>1,395,124</u>

	At 1 May 2004 £	Cash Flow £	At 30 April 2005 £
15. Analysis of changes in net debt			
Cash at bank and in hand	<u>1,368,146</u>	<u>3,617,537</u>	<u>4,985,683</u>

16. Contingent liabilities
There were no contingent liabilities during the period.

17. Capital and other commitments
At 30 April 2005, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2005 £	2004 £
Operating leases which expire:		
Within two to five years	-	71,000
Over five years	236,925	-
	<u>236,925</u>	<u>71,000</u>

18. Pension commitments
The company operates two defined contribution pension scheme through an independent institution. At the balance sheet date unpaid contributions of £1,158 (2004: £1,253) were due to the fund. These are included in Other Creditors. Additionally, the company operates a defined contribution Small Self-administered Pension Scheme. At the balance sheet date, no unpaid contributions were due to the fund (2004: nil). The assets of these schemes are held separate from those of the company in an independently administered fund.

Notes to the financial statements

For the year ended 30 April 2005

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19. Transactions with directors

There were no material transactions with the directors during the year ended 30 April 2005.

20. Post Balance Sheet Events

On 24 June 2005 the entire issued share capital of Methods Consulting Ltd was acquired by Methods Holdings Ltd. Each of the four directors identified on page 1 of these financial statements owns 25% of the issued share capital of Methods Holdings Ltd.

21. Related parties

Prior to the acquisition on the 24th June 2005 (see Note 20) the controlling party was Mr A B StJ Webb by virtue of his control of 75% of the issued share capital.

After this transaction, Methods Consulting Ltd is a wholly owned subsidiary of Methods Holdings Limited, the ultimate controlling parties being the directors.

During the year there were no other related party transactions.