



**Directors' Report &  
Financial Statements**

**For the year ended 30 April 2006**



## Table of Contents

Company Information.....	1
Directors' Report.....	2
Independent Auditors' Report .....	5
Profit & Loss Account .....	7
Balance Sheet .....	8
Notes to the Financial Statements .....	9

The following pages do not form part of the Statutory Accounts:

Detailed Profit & Loss Account .....	15
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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

## **Directors' Report**

**For the year ended 30 April 2006**

The Directors present their report and the financial statements for the year ended 30 April 2006.

### **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.

### **Statement of disclosure of information to auditors**

The directors serving at the date of this report confirm that (a) so far as they 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.

### **Principal activity and review of the business**

The company's principal activity continues to be that of provision of business and IS consulting services, primarily to the public sector.

Methods Consulting has once again had a successful year, having achieved growth well in excess of the market at 25%, whilst also completing a management buy-in during the year. The breadth of our capabilities, combined with our size, increasingly makes us a strong alternative to the multi-national consulting firms and systems integrators operating in the United Kingdom. This is demonstrated by our continued success in securing high profile assignments and projects such as the Home Office IMPACT programme and the Department of Health Medical Training Application Service.

As a result of our further investment in our business development and delivery capability, we have seen our client base continue to grow. We provided services to about 70 clients last year, ranging from large public sector organisations to well known private sector organisations. Our vertically aligned structure ensures that we have the deep knowledge of markets necessary to provide the wide range of quality and value for money services demanded by our clients.

Some of the highlights of the past year include our successful listing across 13 of the new Catalist framework categories (in addition to our existing specialist supplier status on both the CiPHER and Defence Communications Services Agency frameworks), our success at the Health and Safety Executive, where we are programme managing the Workplace Health Connect initiative, and NHS Jobs, a fully managed online recruitment solution provided as a shared service to over 600 National Health Service organisations, which was awarded the National Online Recruitment Awards award 2005 for best employer recruitment site. Methods Consulting continues to attract quality individuals to join the company and we have recently been awarded Investors in People accreditation.

# Directors' Report

For the year ended 30 April 2006



## Operating performance and key performance indicators

### Operating performance

	2006 £'m	2005 £'m
Revenue	52.9	42.1
Operating profit	3.7	3.0
Profit before tax	3.7	3.1

### Key performance indicators

	2006	2005
Operating profit margin	7.0%	7.1%
EBITDA <sup>(1)</sup>	£3.8m	£3.1m
ROCE <sup>(2)</sup>	53.3%	58.2%

(1) Earnings before interest, tax, depreciation and amortisation.

(2) Return on capital employed is defined as operating profit expressed as a percentage of net assets excluding net debt.

### Financial highlights

- Revenues have increased 25.6%.
- Operating profit for the year has increased by 23%, achieved through continued cost management and consistent profitability on consultant assignments. This figure takes into account the company's move to new, larger offices.
- The Return on Capital Employed is far in excess of any borrowing costs and remains in excess of 50% year on year.

### Outlook

Management Consulting's annual survey now ranks Methods Consulting as the 21st largest consultancy by UK revenue, and the 12th largest consultancy in two of our key markets - UK central government and UK healthcare.

The outlook for Methods Consulting's primary markets remains good. We continue to see potential for further growth across all public sector segments in which we work, namely central government, criminal justice, healthcare, defence and local government. We continue to be heavily involved in delivering large scale public sector efficiency initiatives. While these initiatives may ultimately result in a slowdown in the growth of spend, we believe that our approach to delivering experienced based consulting and services will continue to provide a significant opportunity to expand market share and deliver long term growth.

Recent changes to the structure and legislation surrounding frameworks have the potential to be a short term disruptive influence on public sector clients approach to procuring services from consultancies while these new processes bed down. However, the strength of our relationships, combined with our broad inclusion across numerous frameworks, positions Methods Consulting favourably should this disruption occur.

Although a smaller percentage of our business, the private sector has been an important element of the company's business since it started in 1990. This area remains challenging despite our having achieving 30% growth this year, mainly from financial services. Demand in this sector is driven primarily by regulatory programmes, and the development of new distribution channels for

## Directors' Report

For the year ended 30 April 2006

insurance and re-insurance products. This has resulted in stronger demand for the company's proven strengths in project and programme management, both business and technical, along with analysis work in a range of areas. We also continue to apply the expertise gained in large scale public sector projects to private sector opportunities.

### Environment

We are committed to minimising the impact of our activities on the environment and to the continuous improvement of our environmental performance through application of our environmental policies.

### Dividends

Dividends of £773,390 were paid by the Company during the year.

### 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	
	2006	2005
A B StJ Webb	-	279
P J Rowlin	-	100
M P A Thompson	-	-
M E Johnston	-	-

The shares of the Company are wholly owned by Methods Holdings Limited in which the directors have an interest. These beneficial interests are disclosed in Methods Holdings Limited's accounts.

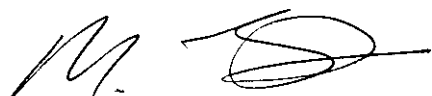
### Events since the balance sheet date

Events that have occurred after the balance sheet date are disclosed in note 21 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 20/10/2006, and signed on its behalf.



**M E Johnston**  
Managing Director

# **Independent Auditors' Report**

**To the shareholders of Methods Consulting Limited  
For the year ended 30 April 2006**



We have audited the financial statements of Methods Consulting Limited for the year ended 30 April 2006 on pages 7 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 and the company's shareholders, 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 in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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.

**Independent Auditors' Report**  
**To the shareholders of Methods Consulting Limited**  
**For the year ended 30 April 2006**



**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 and of its profit for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

A large, handwritten signature in black ink that reads "Blick Rottenberg".



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

Dated: 20/10/2006



**Profit & Loss Account**  
For the year ended 30 April 2006

METHODS  
CONSULTING 

	Note	2006 £'000	2005 £'000
Turnover	1.2	52,900	42,061
Net operating costs	2	(49,157)	(39,016)
<b>Operating profit</b>		<b>3,743</b>	<b>3,045</b>
Interest receivable and similar income	3	79	61
Interest payable and similar charges	4	(141)	-
<b>Profit on ordinary activities before taxation</b>		<b>3,681</b>	<b>3,106</b>
Taxation on profit on ordinary activities	7	(1,125)	(983)
<b>Profit on ordinary activities after taxation</b>		<b>2,557</b>	<b>2,123</b>
Retained profit brought forward		4,875	2,752
Dividends payable		(773)	-
<b>Retained profit carried forward</b>	13	<b>6,659</b>	<b>4,875</b>

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 9 – 14 form part of these financial statements.

**Balance Sheet**  
As at 30 April 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	8		150		150
<b>CURRENT ASSETS</b>					
Debtors	9	16,106		7,967	
Cash at bank and in hand		613		4,986	
		16,719		12,953	
<b>CREDITORS – amounts due within one year</b>	10	(9,857)		(7,874)	
<b>NET CURRENT ASSETS</b>			6,862		5,079
<b>NET ASSETS</b>			7,012		5,228
<b>CAPITAL &amp; RESERVES</b>					
Called up share capital	11		-		-
Share premium	12		352		352
Profit & loss account			6,659		4,875
	14		7,012		5,228

The notes on pages 9 – 14 form part of these financial statements.

The financial statements were approved by the board on 20/10/2006, and signed on its behalf



**M E Johnston**  
Managing Director

# Notes to the Financial Statements

For the year ended 30 April 2006

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation of the accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards 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.

### 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 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 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.

**Notes to the Financial Statements**  
For the year ended 30 April 2006

	2006 £'000	2005 £'000
<b>2. Net operating costs</b>		
Net operating costs comprise:		
Materials and other external charges	44,932	34,887
Staff costs (see Note 5)	2,622	2,979
Depreciation of owned tangible fixed assets	104	89
Auditors' remuneration	10	9
Operating lease charges - land and buildings	231	168
Bank & factoring charges and interest	170	7
Loss on disposal of fixed assets	-	7
Other operating expenses	1,088	870
	<b>49,157</b>	<b>39,016</b>
	2006 £'000	2005 £'000
<b>3. Interest receivable and similar income</b>		
Bank interest receivable	77	60
Other income	2	1
	<b>79</b>	<b>61</b>
	2006 £	2005 £
<b>4. Interest payable and similar charges</b>		
Loan interest payable	59	-
Interest payable on late payment of tax	22	-
Other charges	60	-
	<b>141</b>	<b>-</b>
	2006 £'000	2005 £'000
<b>5. Employment costs (including directors)</b>		
Salaries	2,323	2,593
Social security cost	261	358
Other pension costs	16	11
Other staff benefits	22	17
	<b>2,622</b>	<b>2,979</b>

The average number of employees, including directors, during the year was as follows:

	2006 Number	2005 Number
Office and administration	14	13
Sales and marketing	21	16
	<b>35</b>	<b>29</b>

Due to their employment by Methods Consulting Limited 23 employees were granted share options during the year in Methods Holdings Limited, the company's parent company (see Note 19). The total market value of these options as at 30 April 2006 is £1.98.

# Notes to the Financial Statements

For the year ended 30 April 2006

	2006 £'000	2005 £'000
<b>6. Directors' remuneration</b>		
Emoluments	598	1,056
Benefits in kind	22	12
Contributions to money purchase pension schemes	5	5
	<u>625</u>	<u>1,073</u>

	2006 £'000	2005 £'000
Emoluments of highest paid director	<u>184</u>	<u>441</u>
Including:		
contributions to a money purchase pension scheme	<u>2</u>	<u>2</u>
The number of directors who were accruing benefits under company money purchase pension schemes was 3 (2005: 2).		

	2006 £'000	2005 £'000
<b>7. Taxation</b>		
UK current year taxation:		
UK Corporation tax at 30% (2005: 30%)	1,144	853
(Over)/ Under provision for previous year	(19)	130
	<u>1,125</u>	<u>983</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% (2005: 30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit before tax at 30% (2005: 30%)	1,105	931
Depreciation in excess of capital allowances	5	-
Relief for EBT payments	-	(120)
Expenses not deductible for tax purposes	34	42
Current tax charge for the year	<u>1,144</u>	<u>853</u>

**Notes to the Financial Statements**  
For the year ended 30 April 2006

	Vehicles £'000	Furniture & fittings £'000	Office equipment £'000	Total £'000
<b>8. Tangible Fixed Assets</b>				
<b>Cost</b>				
Brought forward at 1 May 2005	68	124	223	415
Additions	-	41	63	104
Disposals	-	-	-	-
Carried forward at 30 April 2006	<u>68</u>	<u>165</u>	<u>286</u>	<u>519</u>
<b>Depreciation</b>				
Brought forward at 1 May 2005	27	64	174	265
Charge for the year	7	44	53	104
Disposals	-	-	-	-
Carried forward at 30 April 2006	<u>34</u>	<u>108</u>	<u>227</u>	<u>369</u>
<b>Net Book Value</b>				
At 30 April 2006	<u>34</u>	<u>57</u>	<u>59</u>	<u>150</u>
At 30 April 2005	<u>41</u>	<u>61</u>	<u>48</u>	<u>150</u>

# Notes to the Financial Statements

For the year ended 30 April 2006

	2006 £'000	2005 £'000
<b>9. Debtors</b>		
Trade debtors	6,303	4,940
Amounts owed by group companies	6,328	-
Other debtors	333	325
Prepayments and accrued income	3,142	2,702
	<u>16,106</u>	<u>7,967</u>

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

	2006 £'000	2005 £'000
Other debtors	<u>-</u>	<u>309</u>

	2006 £'000	2005 £'000
<b>10. Creditors: Amounts falling due within one year</b>		
Bank overdraft	2,284	-
Other loans	583	-
Trade creditors	3,795	3,753
Corporation tax	574	982
Other taxes and social security costs	652	1,046
Other creditors	17	14
Accruals and deferred income	1,952	2,079
	<u>9,857</u>	<u>7,874</u>

The bank overdraft and loan are secured by a fixed and floating charge over all the property and assets of the company.

	2006 £'000	2005 £'000
<b>11. Share capital</b>		
Authorised: 1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted, called-up and fully paid: 400 Ordinary shares of £1 each	<u>-</u>	<u>-</u>

	2006 £'000	2005 £'000
<b>12. Share premium</b>	<u>352</u>	<u>352</u>

	2006 £'000	2005 £'000
<b>13. Retained profit</b>		
Balance at beginning of the year	4,875	2,752
Retained profit for the year	1,784	2,123
Balance at the end of the year	<u>6,659</u>	<u>4,875</u>

# Notes to the Financial Statements

For the year ended 30 April 2006



	2006 £'000	2005 £'000
<b>14. Reconciliation of movement on shareholders' funds</b>		
Profit for the year	1,784	2,123
Opening shareholders' funds	5,228	3,105
Closing shareholders' funds	<u>7,012</u>	<u>5,228</u>

## 15. Contingent liabilities

There were no contingent liabilities at the year end.

## 16. Capital and other commitments

At 30 April 2006, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2006 £'000	2005 £'000
Operating leases which expire:		
Within two to five years	-	-
Over five years	237	237
	<u>237</u>	<u>237</u>

## 17. Pension commitments

The company operates two defined contribution pension schemes through an independent institution. At the balance sheet date unpaid contributions of £3,686 (2005: £1,158) 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 (2005: nil). The assets of these schemes are held separate from those of the company in an independently administered fund.

## 18. Related party transactions

The Company has taken advantage from the exemptions given in FRS8 for the disclosure of related party transactions between group companies.

During the year there were no other related party transactions.

## 19. Parent undertaking and controlling party

Methods Consulting Ltd is a wholly owned subsidiary of Methods Holdings Limited, the ultimate controlling parties being the directors. The consolidated accounts of Methods Holdings Limited are available from the registered office: 9<sup>th</sup> Floor, 125 Shaftesbury Avenue, London WC2H 8AD.

## 20. Transactions with directors

There were no material transactions with the directors during the year ended 30 April 2006.

## 21. Post balance sheet events

On 16 June 2006 the company's parent undertaking, Methods Holdings Limited, purchased 51% of the issued share capital of Milestone Operations Limited. Under the terms of the related transfer of trade agreement the trade relating to this transaction was transferred with effect from 1 May 2006.

## 22. Cash flow statement

The Company has taken advantage of the exemption to prepare a cash flow statement contained in FRS1 (revised 1996) on the basis that it is a wholly owned subsidiary of Methods Holdings Limited (see Note 19).