



Methods Consulting Limited

Directors' Report & Financial Statements

For the year ended 30 April 2007

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Company Information

Company Number	2485577
Directors	M E Johnston P J Rowlin M P A Thompson A B StJ Webb
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 2007

The Directors present their report and the financial statements for the year ended 30 April 2007

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 had another successful year, showing strong growth in Health, Criminal Justice and Financial Services areas in spite of a slowing in some markets, and achieving the position of 12th largest consultancy in both the UK Central Government and UK Healthcare markets in 2006. As these markets have grown, we have further strengthened our investment in our business development capability in these areas, placing the company in a strong position to exploit these underlying trends.

Highlights of the past year include expanding the company's framework base, winning several new agreements across a broad range of clients including Ministry of Defence, Houses of Parliament, Department for Constitutional Affairs (now Ministry of Justice), Department of Health, Metropolitan Police Authority, National Police Improvement Agency, and NHS Institute. We have also undertaken a number of high-profile projects, including successful delivery of the complex requirements for the future Police National Database.

Milestone, Methods' subsidiary service to the transport and utilities industry, was established as a separate company to support its continuing growth, and to enable greater market visibility. This change has placed Milestone on a firm platform for continued growth in the coming year.

Operating performance and key performance indicators

<u>Operating performance</u>	2007 £'m	2006 £'m
Revenue	48.5	52.9
Operating profit	1.8	3.7
Profit before tax	1.8	3.7

<u>Key performance indicators</u>	2007	2006
Operating profit margin	3.7%	7.0%
EBITDA ⁽¹⁾	£1.9m	£3.8m
ROCE ⁽²⁾	24.6%	53.3%

(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

Outlook

Methods Consulting is well-placed to achieve further growth across many of its primary markets in 2007-8. According to research reports from Datamonitor and Ovum, annual growth rates in management consultancy, and software and IT services are mostly expected to be in the 5% to 8% range for the coming 3-4 years. Despite the expectation of a slowdown in the growth of UK public sector spending, Methods' core markets of Central Government and Health are forecast by Ovum to experience growth at the high end of this range.

In particular, the Transformational Government agenda has resulted in a marked shift towards outsourcing of service delivery, and in turn this has generated increased demand across the company's core competencies in assisting clients to plan and manage strategic change initiatives, and in obtaining best value from their suppliers throughout the delivery process.

The initial market turmoil following the re-let of the Catalyst frameworks in early 2006 has now calmed, and we are now seeing increased opportunity across the Catalyst framework suite, for which Methods is one of the largest suppliers in the UK.

Following a period of market consolidation, Methods is now also seeing a marked increase in demand from within the financial services sector, deriving mainly from asset management, investment and life & pensions companies with a need for assistance with enhanced web based routes to market, launches of new products and services, organisational mergers and cost reduction exercises. We expect this strength in demand to continue during the coming year.

Environment

The nature of the business and services offered by Methods Consulting, combined with the fact that we only currently service clients within the UK means that as a company we create a very small carbon footprint.

However, we do pro-actively manage and report on our limited carbon footprint and continuously look for ways to reduce it further. Our office environment is in a shared building which is both modern and efficient and centrally controlled by a Building Management System.

Currently over 93% of our full-time staff commute by a combination of public transport and by foot, and the company provides an interest-free travel loan to assist with this choice.

Where possible we source and use suppliers with strong environmental credentials, our marketing literature, for example, is printed on recycled paper using ink derived from a sustainable vegetable oil base

Dividends

Dividends of £932,294 were paid by the Company during the year

Directors

The directors, who served during the year are identified on the Company Information page

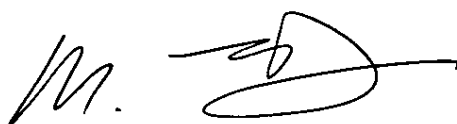
Events since the balance sheet date

Events that have occurred after the balance sheet date are disclosed in note 23 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 11/12/2007, 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 2007

We have audited the financial statements of Methods Consulting Limited for the year ended 30 April 2007 on pages 7 to 16. 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 other transactions 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

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 2007 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



B BLICK
R ROTHENBERG

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

Dated: 11/12/2007

Profit & Loss Account

For the year ended 30 April 2007

	Note	2007 £'000	2006 £'000
Turnover	1 2	48,550	52,900
Net operating costs	2	(46,748)	(49,157)
Operating profit		1,802	3,743
Interest receivable and similar income	3	5	79
Interest payable and similar charges	4	(28)	(141)
Profit on ordinary activities before taxation		1,779	3,681
Taxation on profit on ordinary activities	7	(557)	(1,125)
Profit on ordinary activities after taxation		1,223	2,557
Retained profit brought forward		6,659	4,875
Dividends payable		(960)	(773)
Retained profit carried forward	14	6,922	6,659

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 - 16 form part of these financial statements

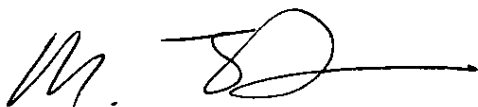
Balance Sheet

As at 30 April 2007

	Note	2007 £'000	2006 £'000	2006 £'000
Fixed Assets				
Tangible assets	8		144	150
Current Assets				
Stock and work in progress	9	1,585	-	-
Debtors	10	16,177	15,931	15,931
Cash at bank and in hand	11	11	613	613
		17,773	16,544	16,544
Creditors - amounts due within one year	11	(10,643)	(9,682)	(9,682)
Net Current Assets			7,130	6,862
Net Assets			7,274	7,012
Capital & Reserves				
Called up share capital	12	-	-	-
Share premium	13	352	352	352
Profit & loss account		6,922	6,659	6,659
Shareholders' Funds	15	7,274	7,274	7,012

The notes on pages 9 - 16 form part of these financial statements

The financial statements were approved by the board on 11/12/2007, and signed on its behalf



M E Johnston
Managing Director

Notes to the Financial Statements

For the year ended 30 April 2007

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 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 Stock, contract provisions and long-term contracts

Stock and work in progress are valued at the lower of cost and net realisable value. Full provision is made for any estimated losses to completion of contracts having regard to the overall substance of the arrangements including, if appropriate, related commitments and undertakings given by customers. Provided that the outcome of long-term contracts can be assessed with reasonable certainty, such contracts are valued at cost plus attributable profit earned to date

Progress payments received, when greater than recorded turnover, are deducted from the value of work in progress except to the extent that payments on account exceed the value of work in progress on any contract where the excess is included in creditors. The amount by which recorded turnover of long-term contracts is in excess of payments on account is classified as 'amounts recoverable on contracts' and is separately disclosed within debtors

1.5 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 6 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 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.

1 8 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. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

2. Net operating costs	2007	2006
Net operating costs comprise	£'000	£'000
Materials and other external charges	42,017	44,932
Staff costs (see Note 5)	3,181	2,622
Depreciation of owned tangible fixed assets	95	104
Auditors' remuneration	17	10
Operating lease charges - land and buildings	237	231
Bank & factoring charges and interest	227	170
Other operating expenses	974	1,088
	46,748	49,157
3. Interest receivable and similar income	2007	2006
	£'000	£'000
Bank interest receivable	3	77
Other income	2	2
	5	79
4. Interest payable and similar charges	2007	2006
	£'000	£'000
Loan interest payable	13	59
Interest payable on late payment of tax	-	22
Other charges	15	60
	28	141

5. Employment costs (including directors)	2007	2006
	£'000	£'000
Salaries	2,775	2,323
Social security cost	327	261
Other pension costs	23	16
Other staff benefits	56	22
	3,181	2,622

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

	2007	2006
	Number	Number
Office and administration	15	14
Sales and marketing	20	21
	35	35

6. Directors' remuneration	2007	2006
	£'000	£'000
Emoluments	880	598
Benefits in kind	20	22
Contributions to money purchase pension schemes	2	5
	902	625

	2007	2006
	£'000	£'000
Emoluments of highest paid director	399	184
Including contributions to a money purchase pension scheme	-	2

The number of directors who were accruing benefits under company money purchase pension schemes was 1 (2006 3)

7. Taxation	2007	2006
	£'000	£'000
UK current year taxation	556	1,144
UK Corporation tax at 30% (2006 30%)	1	(19)
(Over)/ Under provision for previous year	557	1,125

The tax assessed for the year is different from that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007	2006
	£'000	£'000
Profit before tax at 30% (2006 30%)	534	1,105
Depreciation in excess of capital allowances	6	5
Expenses not deductible for tax purposes	16	34
Current tax charge for the year	556	1,144

8 Tangible Fixed Assets	Vehicles £'000	Furniture & fittings £'000	Office equipment £'000	Assets in Production £'000	Total £'000
Cost					
Brought forward at 1 May 2006	68	165	286	-	519
Additions	-	-	21	68	89
Disposals	-	-	-	-	-
Carried forward at 30 April 2007	68	165	307	68	608
Depreciation					
Brought forward at 1 May 2006	34	108	227	-	369
Charge for the year	7	43	45	-	95
Disposals	-	-	-	-	-
Carried forward at 30 April 2007	41	151	272	-	464
Net Book Value At 30 April 2007	27	14	35	68	144
At 30 April 2006	34	57	59	-	150

9. Stock and work in progress	2007 £'000	2006 £'000
Long term contract balances		
Net cost less foreseeable losses	1,693	176
Less applicable payments on account	(108)	(176)
	1,585	-

10. Debtors	2007 £'000	2006 £'000
Trade debtors	5,748	6,303
Amounts owed by group companies	6,551	6,328
Other debtors	27	333
Prepayments and accrued income	3,851	2,967
	16,177	15,931

11. Creditors: Amounts falling due within one year	2007 £'000	2006 £'000
Bank overdraft	2,862	2,284
Other loans	-	583
Trade creditors	3,527	3,795
Corporation tax	206	574
Other taxes and social security costs	444	652
Other creditors	28	17
Accruals and deferred income	3,576	1,753
Payments on account	-	24
	10,643	9,682

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

12. Share capital	2007	2006
Authorised	£'000	£'000
1,000 Ordinary shares of £1 each	1	1

Allotted, called-up and fully paid
400 Ordinary shares of £1 each

- -

13. Share premium	2007	2006
	£'000	£'000
	352	352

14. Retained profit	2007	2006
	£'000	£'000
Balance at beginning of the year	6,659	4,875
Retained profit for the year	263	1,784
Balance at the end of the year	6,922	6,659

15. Reconciliation of movement on shareholders' funds	2007	2006
	£'000	£'000
Profit for the year	263	1,784
Opening shareholders' funds	7,012	5,228
Closing shareholders' funds	<u>7,274</u>	<u>7,012</u>

16. Contingent liabilities

There were no contingent liabilities at the year end

17. Capital and other commitments

At 30 April 2007, the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2007	2006
	£'000	£'000
Operating leases which expire		
Within two to five years	-	-
Over five years	237	237
	<u>237</u>	<u>237</u>

18. Pension commitments

The company operates two defined contribution pension schemes through an independent institution. At the balance sheet date unpaid contributions of £5,898 (2006 £3,686) 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 (2006 nil) The assets of these schemes are held separate from those of the company in an independently administered fund

19. 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

20. 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 9th Floor, 125 Shaftesbury Avenue, London WC2H 8AD

21. Share Options

Due to their employment by Methods Consulting Limited selected employees are granted share options in Methods Holdings Limited, the company's parent company (see Note 20) The exercise price of the granted options is equal to the market price of the shares on the date of the grant The options are only exercisable upon the occurrence of a realisation event and within 10 years of the date of grant There is no legal or constructive obligation on the Company or Group to repurchase or settle the options in cash

Movements in the number of share options outstanding and there related weighted average exercise prices are as follows

	2007		2006	
	Average Exercise Price	Number of Options	Average Exercise Price	Number of Options
At 1 May	0 01	378	-	-
Granted	0 01	325	0 01	390
Forfeited	0 01	(48)	0 01	(12)
Exercised	-	-	-	-
Expired	-	-	-	-
At 30 April	0 01	655	0 01	378

None of the outstanding options were exercisable during the year

Share options outstanding at the end of the year have the following expiry dates and exercise prices

	Exercise Price per share	2007	2006
Expiry date			
21 November 2015	0 01	366	378
25 May 2016	0 01	120	-
26 November 2016	0 01	169	-
		655	378

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was £0 00 per option (2006 £0 00) The significant inputs into the model were weighted average share price of £0 01

(2006 £0 01) at the grant date, exercise price shown above, share price volatility of 1% (2006 1%), dividend yield of 0% (2006 0%), expected option life of 10 years, and an annual risk free interest rate of 5% (2006 5%)

22. Transactions with directors

There were no material transactions with the directors during the year ended 30 April 2007

23. Post balance sheet events

There were no post balance sheet events after the year ended 30 April 2007

24. 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 20)