

**D&T CONSULTING HOLDINGS LIMITED**

**Report and Financial Statements**

**31 May 2003**



**REPORT AND FINANCIAL STATEMENTS 2003**

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**REPORT AND FINANCIAL STATEMENTS 2003**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J P Connolly  
J E Everett  
P M Shawyer

**SECRETARY**

Stonecutter Limited  
Hill House  
1 Little New Street  
London  
EC4A 3TR

**REGISTERED OFFICE**

Hill House  
1 Little New Street  
London  
EC4A 3TR

**BANKERS**

Bank of Scotland  
38 Threadneedle Street  
London  
EC2P 2HL

Bank of Scotland  
International Services  
Princes House  
PO Box 25044  
50 West Campbell Street  
Glasgow  
G2 6YJ

Barclays Bank Plc  
54 Lombard Street  
London  
EC3P 3AH

National Westminster Bank Plc  
208 Piccadilly  
London  
W1A 2DG

**AUDITORS**

Crouch Chapman  
62 Wilson Street  
London  
EC2A 2BU

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the group for the year ended 31 May 2003.

### **PRINCIPAL ACTIVITIES**

D&T Consulting Holdings Limited is the parent of a group of companies engaged in the provision of management consultancy.

### **REVIEW OF DEVELOPMENTS**

Turnover for the year was £199,144,000 (2002: £217,688,000). The profit for the year before taxation was £116,000 (2002: £16,370,000).

At 31 May 2003 shareholders' funds were £2,142,000 deficit (2002: £18,670,000). The directors believe that the group is soundly based to take advantage of opportunities for growth.

### **DIVIDENDS**

The directors recommend the payment of an interim dividend of £13,750,000 (2002: £12,100,000). An interim dividend of £nil was paid (2002: £4,800,000).

### **POST BALANCE SHEET EVENTS**

On 1 August 2003 the business of the United Kingdom partnership of Deloitte & Touche, the ultimate controlling party, was transferred to Deloitte & Touche LLP, which was incorporated on 10 January 2003.

### **FUTURE PROSPECTS**

The Board remains optimistic about the long term prospects for growth.

### **DIRECTORS AND THEIR INTERESTS**

The names of the directors who served throughout the year are shown on page 1.

No director had any beneficial interest in the share capital of the company or any other group company except as noted below.

J P Connolly and P M Shawyer, as partners in the United Kingdom partnership of Deloitte & Touche at 31 May 2003, had a remote interest in the share capital of the company.

J E Everett, as a partner in the United Kingdom partnership of Deloitte Consulting Partnership at 31 May 2003, had a remote interest in the share capital of the company.

### **DISABLED EMPLOYEES**

The group gives full consideration to applications for employment from disabled persons where the *requirements of the job can be adequately fulfilled by a handicapped or disabled person.*

Where existing employees become disabled, it is the group's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### **EMPLOYEE INVOLVEMENT**

The group seeks regularly to inform and consult with managers and staff by way of in-house publications, informal meetings, training courses and staff development seminars, so as to involve them in the success of the business and to reward their efforts accordingly.

## **DIRECTORS' REPORT**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed; 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 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 group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **AUDITORS**

The company has passed an elective resolution pursuant to Section 386 of the Companies Act 1985 dispensing with the requirement to appoint auditors annually. Crouch Chapman are accordingly deemed to continue in office as auditors.

Approved by the Board of Directors  
and signed by order of the Board



R W Warburton  
Duly authorised, for and on behalf of  
Stonecutter Limited  
Secretary

30 June 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of D&T Consulting Holdings Limited for the year ended 31 May 2003 on pages 5 to 21. These financial statements have been prepared under the accounting policies set out on pages 9 and 10.

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 and 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 in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### 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 affairs of the company and the group at 31 May 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Crouch Chapman  
Chartered Accountants and  
Registered Auditors

62 Wilson Street  
London  
EC2A 2BU

30<sup>th</sup> June 2004

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 May 2003**

	<b>Note</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>TURNOVER</b>	2	199,144	217,688
Cost of sales		(133,143)	(133,708)
<b>Gross profit</b>		66,001	83,980
Administrative expenses		(61,886)	(61,117)
<b>OPERATING PROFIT</b>		4,115	22,863
Exceptional item re liquidation of DC/ICS partnership		-	(3,572)
Interest receivable and similar income	3	1,120	1,003
Interest payable and similar charges	4	(5,119)	(3,924)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	116	16,370
Tax on profit on ordinary activities	7	(2,894)	(6,258)
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(2,778)	10,112
Dividends paid and proposed	9	(13,750)	(16,900)
<b>TRANSFER FROM RESERVES</b>	17	(16,528)	(6,788)

All activities are continuing operations.

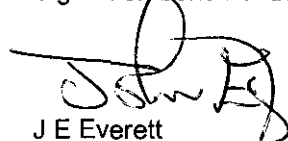
There are no recognised gains or losses for the current or prior year other than as stated above.

**CONSOLIDATED BALANCE SHEET**  
**31 May 2003**

	Note	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Intangible assets	10	8	16
Tangible assets	11	18,481	6,895
		<u>18,489</u>	<u>6,911</u>
<b>CURRENT ASSETS</b>			
Work in progress		12,140	20,581
Debtors	13	36,571	40,411
Cash at bank and in hand		582	7,088
		<u>49,293</u>	<u>68,080</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(64,698)</u>	<u>(56,321)</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(15,405)</u>	<u>11,759</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,084</u>	<u>18,670</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>(942)</u>	<u>-</u>
<b>NET ASSETS</b>		<u><u>2,142</u></u>	<u><u>18,670</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	5,000	5,000
Share premium account	17	10	10
Revaluation reserve	17	274	274
Profit and loss account	17	(3,142)	13,386
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	18	<u><u>2,142</u></u>	<u><u>18,670</u></u>

These financial statements were approved by the Board of Directors on 30 June 2004.

Signed on behalf of the Board of Directors



J E Everett

Director



**BALANCE SHEET**  
**31 May 2003**

	Note	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Investments	12	4,260	4,260
<b>CURRENT ASSETS</b>			
Debtors	13	14,500	12,850
<b>CREDITORS: amounts falling due within one year</b>	14	(13,750)	(12,100)
<b>NET CURRENT ASSETS</b>		750	750
<b>TOTAL ASSETS</b>		<u>5,010</u>	<u>5,010</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	5,000	5,000
Share premium account	17	10	10
Profit and loss account	17	-	-
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>5,010</u>	<u>5,010</u>

These financial statements were approved by the Board of Directors on 30 June 2004.

Signed on behalf of the Board of Directors

  
J E Everett

Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 May 2003**

	Note	2003 £'000	2002 £'000
<b>Net cash inflow from operating activities</b>	19	23,618	18,762
<b>Returns on investments and servicing of finance</b>			
Interest received		95	70
Interest paid		(1,875)	(2,232)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,780)	(2,162)
<b>Taxation</b>			
UK corporation tax paid		(4,617)	(5,934)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(12,859)	(5,206)
Sale of tangible fixed assets		-	3
Purchase of intangible fixed assets		-	(21)
<b>Net cash outflow from capital expenditure and financial investment</b>		(12,859)	(5,224)
<b>Equity dividends paid</b>		(12,100)	(8,800)
<b>Decrease in cash</b>	20	(7,738)	(3,358)

**NOTES TO THE ACCOUNTS****Year ended 31 May 2003****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. Compliance with SSAP 19 'Accounting for Investment Properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the accounting policy note below.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

**Consolidation**

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

**Acquisitions and disposals**

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and, following implementation of FRS 10, is capitalised in the group balance sheet in the year of acquisition.

The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged to the profit and loss account.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

**Intangible fixed assets**

Copyrights and other intellectual property rights are amortised over their estimated useful lives. During the period ended 31 May 1998 the group acquired partially completed computer software. The development of this software has now been completed and is being amortised over its estimated life of three years. Additions are also amortised over three years.

**Tangible fixed assets****Investment properties**

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot be reasonably quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

**NOTES TO THE ACCOUNTS****Year ended 31 May 2003****1. ACCOUNTING POLICIES (continued)****Other fixed assets**

*On other fixed assets depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:*

Computer equipment	–	33% or 50% per annum
Fixtures and fittings	–	10% to 20% per annum
Leasehold improvements	–	period of lease

**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**Work in progress**

Work in progress is stated at the lower of cost and net realisable value. Payments received on account are shown as a deduction from gross work in progress and payments on account in excess of the work in progress are included in creditors.

**Foreign currency**

Transactions undertaken in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Balances outstanding at the period end are translated at the exchange rate ruling at the balance sheet date. All translation differences are dealt with in the profit and loss account.

**Deferred taxation**

Deferred taxation is provided using the full provision method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. It is the company's policy not to discount deferred tax to reflect the time value of money.

**Retirement Benefits**

Deloitte & Touche operates one major pension scheme in which the group participates. This scheme has both a Final Salary Section and a Money Purchase Section.

**Final Salary Section**

The group participates in the Final Salary Section of the pension scheme operated by Deloitte & Touche. The assets of the pension scheme are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. It is not possible to identify the group's share of the underlying assets and liabilities in the scheme and therefore it is accounted for as a multi-employer scheme as defined by FRS 17.

**Money Purchase Section**

The group participates in the Money Purchase Section of the pension scheme operated by Deloitte & Touche. The assets of the pension scheme are held in a separate trustee administered fund. In the Money Purchase Section of the pension scheme the pension costs charged against operating profits are the contributions payable to the scheme in respect of the year. The Money Purchase Section was set up on 1 June 2001.

**NOTES TO THE ACCOUNTS****Year ended 31 May 2003****2. TURNOVER, OPERATING PROFIT AND NET ASSETS**

Turnover comprises fees rendered (exclusive of VAT) in respect of the provision of management consultancy advice and includes amounts invoiced to clients for expenses incurred.

Turnover, operating profit and net assets originate in the United Kingdom.

The geographical analysis of turnover by destination is as follows:

	2003 £'000	2002 £'000
United Kingdom	158,574	173,341
Other EU	27,479	30,038
Other Europe	507	541
Africa	-	11
Asia and Pacific	761	832
North America	11,823	12,925
	<u>199,144</u>	<u>217,688</u>

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2003 £'000	2002 £'000
Bank interest	95	70
Foreign exchange gains	1,025	933
	<u>1,120</u>	<u>1,003</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2003 £'000	2002 £'000
Interest payable on other loans	1,875	2,232
Foreign exchange losses	3,244	1,692
	<u>5,119</u>	<u>3,924</u>

## NOTES TO THE ACCOUNTS

Year ended 31 May 2003

## 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

	2003 £'000	2002 £'000
Depreciation and amortisation on owned assets:		
- intangible fixed assets	8	173
- tangible fixed assets	1,260	159
Auditors' remuneration:		
- audit fees	40	48
Management charge payable to Deloitte & Touche	593	1,530
Service charges payable to:		
Deloitte Consulting Partnership	12,158	-
- D&T Consulting One	-	6,422
- D&T Consulting Two	-	7,069
- D&T Consulting Three	-	6,471
- D&T Consulting Four	-	1,386

The management charge payable to Deloitte & Touche includes a charge for the services of the partners of the United Kingdom partnership of Deloitte & Touche.

The service charges payable to Deloitte Consulting Partnership include a charge for the professional services of the partners in this partnership.

## 6. INFORMATION REGARDING DIRECTORS AND STAFF

## Directors

During the current and preceding year J P Connolly and P M Shawyer were remunerated as partners in Deloitte & Touche and J E Everett was remunerated as a partner in Deloitte Consulting Partnership.

None of the directors received any remuneration (from any source) for their services as directors of the company during the current or preceding year. Therefore, the partnerships made no charge to the company in respect of the directorships during the current or preceding year.

## Employees

The average number of people employed during the year (including directors) was:

	2003 No.	2002 No.
Professional	857	869
Administration, sales and support	120	115
	977	984

Staff costs incurred during the year in respect of these employees were:

Salaries	52,244	51,544
Social security costs	6,017	5,767
Other pension costs	920	161
	59,181	57,472

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2003**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
UK corporation tax charge for the year	1,970	5,893
Adjustment in respect of prior periods	(18)	365
	<hr/>	<hr/>
Total current tax	1,952	6,258
Deferred taxation – timing differences	942	-
	<hr/>	<hr/>
Tax on profits on ordinary activities	<u>2,894</u>	<u>6,258</u>
Profit on ordinary activities before tax	116	16,370
Tax on profit on ordinary activities at 30% (2002: 30%)	35	4,920
Factors affecting charge for the year:		
- income from fixed asset investments	(109)	-
- capital allowances in excess of depreciation	(692)	(47)
- other timing differences	174	-
- disallowable expenditure	2,562	1,020
	<hr/>	<hr/>
Total actual amount of current tax	<u>1,970</u>	<u>5,893</u>

**8. PROFIT OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit after tax for the year amounted to £13,750,000 (2002: £16,900,000).

**9. DIVIDENDS**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Interim dividend paid:		
- £nil (2002: £48,000) per ordinary C share	-	4,800
Interim dividend proposed:		
- £137,500 (2002: £121,000) per ordinary C share	13,750	12,100
	<hr/>	<hr/>
	<u>13,750</u>	<u>16,900</u>

## NOTES TO THE ACCOUNTS

### Year ended 31 May 2003

#### 10. INTANGIBLE FIXED ASSETS

##### Intellectual property rights

Group	£'000
<b>Cost</b>	
At 1 June 2002	1,210
Additions	-
At 31 May 2003	1,210
<b>Amortisation</b>	
At 1 June 2002	1,194
Charge for the year	8
At 31 May 2003	1,202
<b>Net book value</b>	
At 31 May 2003	8
At 31 May 2002	16

The intellectual property rights relate to computer software, the development of which was completed during the year ended 31 May 1999. It is being amortised over its estimated life of three years. Additions are also amortised over three years.

#### 11. TANGIBLE FIXED ASSETS

	Investment property £'000	Computer equipment £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
<b>Cost or valuation</b>					
At 1 June 2002	750	390	848	5,394	7,382
Additions	-	257	1,775	10,827	12,859
Disposals	-	(5)	(60)	-	(65)
At 31 May 2003	750	642	2,563	16,221	20,176
<b>Depreciation</b>					
At 1 June 2002	-	255	232	-	487
Charge for the year	-	80	234	946	1,260
Disposals	-	(4)	(48)	-	(52)
At 31 May 2003	-	331	418	946	1,695
<b>Net book value</b>					
At 31 May 2003	750	311	2,145	15,275	18,481
At 31 May 2002	750	135	616	5,394	6,895

The directors valued the investment property at 31 May 2003 at an open market value of £750,000. Depreciation is not provided in respect of the investment property in accordance with SSAP 19 and the directors consider that this accounting policy results in the financial statements giving a true and fair view. The leasehold improvements were completed during the year ended 31 May 2003 and are being depreciated over the lease period of 10 years from 1 November 2002.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2003**

**12. INVESTMENTS**

<b>Company</b>	<b>Shares in subsidiary undertakings £'000</b>
<b>Cost</b>	
At 1 June 2002 and at 31 May 2003	<u>4,260</u>

At 31 May 2003 the company had an interest in the following subsidiaries; all of which are registered in England and Wales:

	<b>Activity</b>	<b>Holding</b>
<b>Direct</b>		
Deloitte Consulting Limited	Management Consultancy	100%
<b>Indirect</b>		
Praxis Software Engineering Limited	Holding company	100%
ICSD Holdings Limited	Holding company	100%
Praxis Limited	Non trading	100%
Praxis Pension Trustees Limited	Trustee company	100%
Program Validation Limited	Dormant	100%
Praxis Systems Limited	Dormant	100%
Praxis Warwick Limited	Dormant	100%
Praxis South East Limited	Dormant	100%
Praxis Business Systems Limited	Dormant	100%

**13. DEBTORS**

	<b>Group 2003 £'000</b>	<b>Company 2003 £'000</b>	<b>Group 2002 £'000</b>	<b>Company 2002 £'000</b>
Trade debtors	28,160	-	38,695	-
Amounts owed by related undertakings	6,574	-	54	-
Amounts owed by Deloitte Consulting Limited	-	13,750	-	12,100
Other debtors	750	750	750	750
Prepayments	1,087	-	912	-
	<u>36,571</u>	<u>14,500</u>	<u>40,411</u>	<u>12,850</u>

## NOTES TO THE ACCOUNTS

Year ended 31 May 2003

## 14. CREDITORS: amounts falling due within one year

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Overdraft	1,232	-	-	-
Trade creditors	1,613	-	52	-
Amounts owed to Deloitte Consulting partnerships	21,784	-	18,152	-
Amounts owed to Deloitte & Touche	5,137	-	4,636	-
Corporation tax	1,618	-	4,283	-
Social security and other taxes	3,393	-	2,728	-
Accruals and deferred income	16,171	-	14,370	-
Proposed dividends	13,750	13,750	12,100	12,100
	<u>64,698</u>	<u>13,750</u>	<u>56,321</u>	<u>12,100</u>

## 15. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £'000	2002 £'000
<b>Deferred taxation</b>		
At 1 June 2002	-	-
Profit and loss account charge	942	-
At 31 May 2003	<u>942</u>	<u>-</u>
Provision for deferred tax consists of:		
Capital allowances in excess of depreciation	1,098	-
Other timing differences	(156)	-
	<u>942</u>	<u>-</u>

## 16. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
<b>Authorised:</b>		
1,500,000 ordinary A shares of £1 each	1,500	1,500
8,500,000 ordinary B shares of £1 each	8,500	8,500
100 ordinary C shares of £1 each	-	-
	<u>10,000</u>	<u>10,000</u>
<b>Called up, allotted and fully paid:</b>		
750,000 ordinary A shares of £1 each	750	750
4,250,000 ordinary B shares of £1 each	4,250	4,250
100 ordinary C shares of £1 each	-	-
	<u>5,000</u>	<u>5,000</u>

## NOTES TO THE ACCOUNTS

Year ended 31 May 2003

## 16. CALLED UP SHARE CAPITAL (continued)

The C shares entitle the holder to the right on a return of capital on winding up to repayment of a sum equal to but not exceeding the capital paid up or credited as paid up thereon in priority to all other shares in issue.

The A and C shares entitle the holders to participate in the profits or assets of the company as the directors (and, to the extent required by the Act, the shareholders) may from time to time resolve.

The B shares entitle the holder to participate in the profits or assets of the company as the directors (and, to the extent required by the Act, the shareholders) may from time to time resolve provided that no amount shall be declared or paid in respect of any dividend or other distribution on the B shares to the extent that the source of the relevant funds, or the relevant profits or other assets, have been derived, in whole or in part, from income which the company received by virtue of membership of Deloitte Consulting Group (Global) LLC.

The A and B shares entitle the holders to receive notice of and attend and vote at all general meetings of the company; the C shares carry no voting rights except in respect of any resolution affecting the class rights attached to the C shares.

## 17. STATEMENT OF MOVEMENT ON RESERVES

Group	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 June 2002	10	274	13,386	13,670
Transfer from reserves	-	-	(16,528)	(16,528)
At 31 May 2003	10	274	(3,142)	(2,858)

Company	Share Premium Account £'000	Profit and loss account £'000
At 1 June 2002	10	-
Retained profit for the financial year	-	-
At 31 May 2003	10	-

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2003**

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

<b>Group</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Transfer from reserves	(16,528)	(6,788)
Surplus on revaluation of fixed assets	-	274
Opening shareholders' funds	18,670	25,184
Closing shareholders' funds	<u>2,142</u>	<u>18,670</u>
<b>Company</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Retained profit for the financial year	-	-
Opening shareholders' funds	5,010	5,010
Closing shareholders' funds	<u>5,010</u>	<u>5,010</u>

**19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Operating profit	4,115	22,863
Depreciation of tangible fixed assets	1,260	159
Amortisation of intangible fixed assets	8	173
Net foreign exchange losses	(2,219)	(759)
Loss on sale of fixed assets	13	21
Decrease / (increase) in work in progress	8,441	(4,528)
Decrease in debtors	3,840	17,682
Increase / (decrease) in creditors	8,160	(16,849)
Net cash inflow from operating activities	<u>23,618</u>	<u>18,762</u>

**20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Net cash outflow	(7,738)	(3,358)
Opening net funds	7,088	10,446
Closing net (debt) / funds	<u>(650)</u>	<u>7,088</u>

## NOTES TO THE ACCOUNTS

### Year ended 31 May 2003

#### 21. ANALYSIS OF NET DEBT

	1 June 2002 £'000	Cash flow in year £'000	31 May 2003 £'000
Cash at bank and in hand	7,088	(6,506)	582
Overdraft	-	(1,232)	(1,232)
Net (debt) / funds	<u>7,088</u>	<u>(7,738)</u>	<u>(650)</u>

#### 22. LEASING COMMITMENTS

At 31 May 2003, the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2003 £	Other 2003 £	Land and buildings 2003 £	Other 2002 £
Leases which expire:				
Within one year	-	31	-	1,308
Within two to five years	-	-	-	516
In more than five years	<u>942</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 23. PENSION COMMITMENTS

The group is a participating employer in the Deloitte & Touche UK Pension Scheme (the "Scheme") - the principal pension scheme operated by Deloitte & Touche through which benefits are provided to staff. The assets of the Scheme are held separately from those of both the group and Deloitte & Touche in a trustee administered fund. The Scheme comprises two sections.

##### Final Salary Section

The Final Salary Section provides defined benefits based on final salary. The pension cost charged to the profit and loss account is such so as to spread the cost of pensions over the members' working lives with the group and was determined by independent qualified actuaries, Hewitt Bacon & Woodrow. A triennial valuation was carried out as at 30 September 2000, and the resulting advice was that the employers need make no contributions for the year ended 31 May 2003. However, the employers made voluntary contributions during the year of 5% of members' Contributions Salary as well as payments to cover the cost of re-assuring the death in service lump sum benefit. From 1 October 2003 the employers will make contributions of 11% of members' Contributions Salary.

The valuation as at 30 September 2000 used the projected unit method and the most significant assumptions used in determining the pension cost were:

Investment return	6.44% per annum
Pay increases	4.26% per annum
Increases to pensions in payment	2.76% per annum

At the valuation date the Scheme had assets with a total market value of £178,800,000. The market value of the assets represented 127.5% of the value of the liabilities that had accrued to the Scheme's pensioners, deferred pensioners and members based on past service, allowing for the expected future increases in pay and pensions. Under the projected unit method the current service cost will increase as the members of the Final Salary Section approach retirement.

**NOTES TO THE ACCOUNTS**

**Year ended 31 May 2003**

**23. PENSION COMMITMENTS (continued)**

The group's pension cost in respect of the Final Salary Section for the year ended 31 May 2003 was £321,000 (2002: £nil)

The Final Salary Section of the Scheme was closed to new members with effect from 1 June 2001, when all eligible employees aged over 30 were invited to join the new Money Purchase Section.

**Money Purchase Section**

The Money Purchase Section provided benefits based on defined contributions. Employees have the choice of four investment vehicles and are also able to make Additional Voluntary Contributions.

The employee contribution rate is 4% of Basic Salary and the employer's credit is 4% of Basic Salary for all employees aged 30 to 39 and 6% of Basic Salary for all employees aged 40 or over, in both cases the maximum payable is restricted to the Earnings Cap (for the year ended 5 April 2002 £95,400 and 5 April 2003 £97,200). A review takes place annually to determine the future contribution rate.

The group's pension cost in respect of the Money Purchase Section for the year ended 31 May 2003 was £389,000. In the prior year, an employers' credit equal to the above rates for the Money Purchase Section was transferred from the surplus in the Final Salary Section during the year and therefore there was no cost to the group.

The group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost for the year of £210,000 (2002: £161,000) represents the contributions payable by the group under the rules of the arrangements.

**24. CAPITAL COMMITMENTS**

At 31 May 2003 there were no capital commitments contracted for but not provided (2002: £15,100,000 in regard of the leasehold property).

**25. POST BALANCE SHEET EVENTS**

On 1 August 2003 the business of the United Kingdom partnership of Deloitte & Touche, the ultimate controlling party, was transferred to Deloitte & Touche LLP, which was incorporated on 10 January 2003.

**26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent undertaking and controlling party is Deloitte & Touche LLP.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 May 2003**

**27. RELATED PARTY TRANSACTIONS**

The group had the following transactions with related parties:

	2003 £'000	2002 £'000
<b>Deloitte &amp; Touche (D&amp;T)</b>		
Services provided by D&T to the group		(1,530)
Interest charged by D&T to the group		(2,418)
	<u>          </u>	<u>          </u>
<b>Braxton Associates Limited (BAL)</b>		
Management charge to BAL from the group	-	54
Services provided by BAL to the group	-	(619)
	<u>          </u>	<u>          </u>

All transactions were on an 'arm's length' basis and interest was charged at commercial rates.

Braxton Associates Limited is a company under the control of Deloitte & Touche.

In addition, a service charge has been paid by Deloitte Consulting Limited to the United Kingdom partnership of Deloitte Consulting Partnership as disclosed in note 3 of the accounts.

Balances with related parties are disclosed in notes 13 and 14 of the accounts.