

CUSTOMER SYSTEMS PLC

**UNAUDITED INTERIM
FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED
31 JULY 2010**

Company no 3509265

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CUSTOMER SYSTEMS PLC

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CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED UNAUDITED GROUP RESULTS

For the half year ended 31 July 2010

I am delighted to be able to announce an outstandingly successful performance for the half-year ending on 31st July 10

This has been our best half-year reporting period ever and points the way to us almost certainly having our best financial year ever, even though, due to resource constraints, we will not do quite as well in the second half of the year as we have done in the first half

RESULTS IN BRIEF

Revenues for the six-month period were 46.17% higher at £3.44m (2009: £2.35m). Profit before tax was 81.20% higher at £1.61m (2009: £0.89m). The pre-tax margin was 47.0% compared with 37.9% for the first half of last year.

Basic earnings per share were 77.29% up at 10.11 pence (2009: 5.70 pence).

Our balance sheet remains strong, in spite of the payment of £1.23m in dividends during the half-year. At 31st July 2010, the cash balance was £1.27m. Net assets at the balance sheet date were £1.13m and net current assets were £1.08m.

DIVIDENDS

An interim dividend of 10.63 pence net per share was paid in March 2010, with the intention of paying out effectively all of the company's distributable profits as per the set of statutory accounts for the end of February 2010 which was filed at Companies House in order to facilitate this. This will be the only dividend this year.

Our intention is to suspend dividends for some time in the hope that the government will eventually reverse the penal marginal tax rates which have been recently introduced. To give an example of how extreme the situation has now become, let us follow the fate of £100 of profit before tax generated within the company. The £100 profit attracts a corporation tax charge of approximately £28. If the remaining £72 were paid out as dividends to shareholders who fall into the category called (incorrectly) "50% tax rate payers", then the £72 would be uplifted to £80 via a tax credit and then subjected to a 42.5% dividend tax, leaving a final receipt of £46. So the real effective tax rate on profits earned under the present regime is not 50% but 54%.

The removing of personal tax allowances from people earning a little over £100,000 per annum produces even more absurd marginal tax rates.

For now, we will accumulate net worth within the company whilst waiting for the tax regime to change and whilst simultaneously searching for an alternative tax efficient way to allow shareholders to benefit from that net worth.

TREASURY

In the past, we have always had a policy of not allowing a treasury function to exist within the company. The reasons for this were a) It can be a distraction from the job of running the business and b) There is a rich history in industry generally of the corporate treasury function tempting people into taking too much speculative risk and eliminating large chunks of corporate net worth and c) When the policy was to pay out nearly all of the distributable profits as dividends, then it just wasn't worthwhile for the amounts remaining, as the bulk of the treasury "problem" had been neatly offloaded onto the shareholders.

Several things have changed, which together require a change of this policy. Firstly, recent events have shown that it is overoptimistic to assume that money in the bank is 100% safe. Whilst it didn't require a great deal of intelligence, awareness and maturity to stay away from the Icelandic banks, the average entrepreneur in the street

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED UNAUDITED GROUP RESULTS

For the half year ended 31 July 2010

could have been forgiven for assuming that HBOS and RBS were a sound place to put money on deposit. In fact, during the recent unpleasantness, each of them came quite close to having to switch their ATM machines off and cease honouring cheques.

Secondly, now that we are not paying out dividends, the funds in the company will build up and the effort of investing it is made more worthwhile by the larger amounts involved.

Thirdly, the extremely low Base Rate which now prevails has led to significantly wider gross margins between what the banks pay for deposits (almost nil) and what they charge borrowers – especially corporate borrowers. This creates a greater incentive for those who possess capital to disintermediate the banks and deal directly with those who need access to capital.

The practical upshot of this is that from early August 2010, we began buying corporate bonds and cumulative preference shares in the market with the cash which was not required for operational purposes. I have taken on myself the function of managing these investments. The ownership of these current asset investments will require us to list a more complex variety of financial instruments in our next annual report but it does not affect the statutory accounts at the half-year end. Some additional accounting standards will also apply from the year-end onwards e.g. to do with recognition of capital gains and losses.

BUSINESS PROGRESS

Our business has been very strong during the period, in both the UK and the USA. We have continued to do business with existing long-standing customers, as well as acquiring one significant new customer and re-acquiring some customers from the past who had gone quiet for a while.

Of our two long-standing public sector customers, one, a regional development agency, have unfortunately been told that they will cease to exist, in their present form. The other, a major non-departmental public body, have been told that they will not only survive the coalition government's cull, but will absorb the functions of other organisations. Our Siebel implementation in that organisation is widely regarded as a good advertisement for efficiency, value for money and responsiveness that can be achieved in public sector IT projects if they are run in the right way. Most of our major customers continue to be in relatively recession-proof market sectors.

During the period, 25.7% of our business came from the US as compared with 39.1% for the equivalent period last year and 33.9% for the whole of last year. This is a good result in spite of the slight decrease. However, we are taking steps to increase the amount of selling effort being applied to the USA. Nearly all of the remaining business was from the UK market, with a little coming from Germany.

Our legal action against three ex-employees for breach of contract is proceeding well and should come to court in February or March 2011. The threatened counterclaims appear to have melted away, as the advice of our QC indicated that they would.

SHARES

I should note for the record that I have bought most of the Customer Systems plc shares that were owned by Duncan Scattergood, Operations Director, in two transactions which took place during the reporting period. My total holding of Customer Systems shares is now 10,699,085 and Duncan's is now 10,000. The total number of issued shares remains 11,541,150 with no options or warrants outstanding.

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED UNAUDITED GROUP RESULTS

For the half year ended 31 July 2010

RECRUITMENT, EDUCATION, IMMIGRATION

This summer has seen some successful recruitment, but we still need to find more recruits in the second half of the year. Since many of our recruits join us straight from university, we tend to see a bulge in our intake during the period June to October each year, and the ease of recruitment is somewhat linked to the education system's ability to generate enough high quality graduates each year.

The coalition government is taking, or talking about taking, some of the right steps to reverse the extraordinary damage done to our education system by David Blunkett in particular and the Labour regime of 1997-2010 in general. However, there is a long way to go to put the machinery back together again and it will require determination and conviction to overcome the temptation of apparently easy options which decidedly do not work.

In case anyone is not aware of the nature of the problem, it is this. People are being granted high scoring bachelor level and master level degrees by nearly all UK universities, including the supposedly reputable ones, without actually knowing anything about anything, and without having learned the art of learning or the art of thinking.

This is achieved in one of two ways. The simplest way is to give someone a degree in a completely non-rigorous subject where nothing but waffle is required. The slightly trickier way is to give them a degree in a subject which would normally be associated with rigorous knowledge and problem-solving ability, but fix the system so that almost everyone gets a first or upper-second regardless of how little they know and how ineffectively they think. (Miraculously, a few students come out of this system well-educated in spite of the system's weaknesses, whereupon we try very hard to hire them. Miraculously, a few faculties in a few universities are still refusing to bend and are doing the job properly.)

The universities complain bitterly that A-Level education has been so diluted and A-Level grades so inflated that their intake is worryingly ill-educated. This is entirely true but they then copy all of the same mistakes into their own education and examination systems.

While the coalition government seems to at least be thinking in the right direction on education, its policy on immigration, however, falls into the unfathomably daft and dangerous category. The coalition agreement says, "We have agreed that there should be an annual limit on the number of non-EU economic migrants admitted into the UK to live and work."

It is not entirely clear that this serves the country's interests, in any way, even as an aim. Many developed countries, including ours, are moving into a demographic phase of having a disproportionately large number of older retired people supported by a correspondingly small proportion of working age people paying taxes. The countries that do best in this coming phase are likely to be the least xenophobic: the countries that allow/encourage a healthy level of immigration from the less developed world and focus that immigration on young, highly-qualified, high-earning individuals who do not expect to be allowed to bring economically inactive dependents in with them.

Customer Systems frequently facilitates the immigration of highly-qualified, high-earning technical graduates and we ease our problems of recruitment by being able to do so. The coalition government's approach to attempting to achieve its misguided aim has been to apply especially misguided tactics. Those tactics in fact utterly fail to establish an annual limit as they leave several categories of non-EU immigration uncapped. However, they have chosen to focus the restrictions, coupled with a healthy dose of uncertainty and confusion, on precisely the category of immigration which we use.

Without any apparent logic, inter-company transfers of staff within multinationals have been left uncapped – so handing a massive advantage to Indian companies with UK subsidiaries who bring tens of thousands of IT workers into the country every year, at the expense of native UK companies like ours.

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED UNAUDITED GROUP RESULTS

For the half year ended 31 July 2010

Though certain types of immigration are now being capped, the number of dependents that immigrants can bring in with them remains uncapped. Can anyone work out why that makes sense?

At the same time, the Home Office has removed the requirement that immigrants using the Tier 2 (General) category must be paid in the UK. Can anyone discern the logic behind this decision? Surely one of things we look for as an upside of immigration is that it creates new taxpayers to help reduce our budget deficit. It is hard to see how this decision helps.

Looking at the communication we have received from the authorities, it says, "The UK Border Agency is introducing an interim limit on applications submitted under Tier 1 (General) and Tier 2 (General) of the Points Based System. The aim of this limit is to achieve an overall reduction of 5% in the number of applicants in these categories compared to the equivalent period of last year. This interim limit will run from 19 July 2010 to 31 March 2011."

That 5% reduction sounds very tame doesn't it? So how do you imagine that has been implemented in the case of a small company like ours? Our allocation of Tier 2 certificates of sponsorship was summarily reduced from 3 to 2, and this was expressed as an overarching limit to endure until 31 March 2011.

Fortunately, there exists another category of permissible immigration that we are currently able to use as an alternative in 95% of cases, but given the government's determination to pursue a bad aim using even worse methods, I wonder how long it will be before that route is messed up as well.

OUTLOOK

The market is never going to be something wholly predictable, and we will always be subjected to ups and downs in demand. However, at present, conditions seem benign and the level of business we will be able to achieve in the second half of the year may be constrained by availability of the right resources, especially senior resources, rather than by sales.

Oracle's stated aim is to replace its entire suite of applications, including Siebel, with a new range of applications built from the ground up and which are referred to as Fusion. When this ultimately happens, we will be presented with the challenge of migrating our business to Fusion and trying to preserve the uniqueness of our skills at the same time. Coupled with this challenge will be the opportunity to broaden our offering into application areas outside CRM.

This prompts the interesting question as to when Fusion will be sufficiently complete that its CRM component will eclipse Siebel and so trigger the business change for us described above. The time when this is likely to occur is uncertain but is certainly some years away.

Consequently, Siebel and the associated applications and tools with which we work, seem likely to represent an exciting and profitable market for us to operate within for some time to come.

Steve Austen
7th September 2010



CUSTOMER SYSTEMS PLC

REPORT OF THE DIRECTORS

Company No 3509265

The directors present their report together with the unaudited interim financial statements for the half year ended 31 July 2010

Principal activities

The principal activity of the group is to provide highly specialised implementation consulting, operating alongside suppliers of leading application software packages

The group also offers training and telephone support services and has developed some software products of its own

Our main focus is in the areas of customer relationship management systems and business intelligence

Business review

There was a profit for the half year after taxation amounting to £1,166,371 (half year to 31 July 2009 £657,876) Interim dividends of £1,226,824 (half year to 31 July 2009 £807,881) have been paid, leaving a transfer from reserves of £60,453 (half year to 31 July 2009 transfer from reserves of £150,005)

For the majority of the business review, please see the chairman's statement on pages 2 - 5 of this document

In addition to the information contained in those sections, the principal risks associated with the business are

- 1 The risk of not selling sufficient business at a sufficient price
- 2 The risk of costs rising so as to exceed the revenues
- 3 The risk of not recruiting sufficient numbers of the right capability of staff
- 4 The risk of failing to deliver what we have promised to our customers
- 5 The risk of our software partners not wishing to retain the same relationship with us
- 6 The risk of losing key personnel
- 7 Risks associated with legal actions
- 8 Risks associated with the acts of governments and their agents

Directors

The present membership of the Board is set out below

The interests of the directors and their families in the shares of the company as at 31 July 2010, 31 July 2009 and 31 January 2010 were as follows

	Unaudited 31 July 2010 1p ordinary shares	Unaudited 31 July 2009 1p ordinary shares	Audited 31 January 2010 1p ordinary shares
Mr S N Austen	10,699,085	10,273,885	10,273,885
Mr D K Scattergood	10,000	435,200	435,200

CUSTOMER SYSTEMS PLC

REPORT OF THE DIRECTORS

Company No 3509265

Supplier payment policy

It is the group's policy to pay all valid supplier invoices promptly upon receipt and within agreed terms of payment. This policy means the group maintains no significant trade creditor balance.

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group 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, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ON BEHALF OF THE BOARD

Mr S N Austen
Director
7th September 2010



CUSTOMER SYSTEMS PLC

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. These interim financial statements are unaudited. The results shown for the year to 31 January 2010 have been taken from the full financial statements for that year, which have been delivered to the Registrar of Companies and on which the auditors' report was unqualified.

The principal accounting policies of the company have remained unchanged from the previous full financial year and are set out below. The directors have reviewed the accounting policies adopted by the group and consider them to be the most appropriate.

BASIS OF CONSOLIDATION

The group interim financial statements consolidate the interim financial statements of the company and of its subsidiary undertakings (see note 5).

REVENUE

Turnover is the total amount receivable by the company for services provided, excluding VAT.

Revenue derived from support contracts is credited to the profit and loss account over the period to which the contract relates.

Revenue recognition relating to the sale of the group's own software products occurs at the point of delivery in the case of production software sold in such a manner that the obligation to supply is discharged simply by this delivery. However, where there is an inseparable obligation to modify this software for the client's specific needs, or to deliver additional services without which the standard product would be of no value to the client, then revenue recognition is phased in stages across the delivery process.

Revenue and costs relating to any unbilled completed consultancy days undertaken on a time and materials basis are recognised in the profit and loss account in the period in which they occur. Such unbilled revenue amounts are shown as accrued income on the balance sheet.

Revenue related to fixed price contracts, which are still in progress, is normally calculated by multiplying the percentage completion of the contract by the contract value, as long as the progress and the likely outcome can be assessed with a reasonable degree of certainty and accuracy. Percentage completion, for this purpose, is calculated as the value of effort expended to date divided by the total value of effort anticipated to be required from start to completion. Value of effort, for this purpose, is calculated using notional daily billing rates which reflect the relative values of the different seniorities of the consultants used and of the consultants anticipated to be needed for future work. This revenue calculation is applied to the contract as a whole, except where different parts of the contract are more accurately seen as operating independently of one another, in which case the calculation is applied separately to each part of the contract.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected economic useful lives. The rates generally applicable are:

Motor vehicles	25%
Plant, fixtures and fittings	The greater of 25% or the rate determined by fully depreciating over the remaining term of the associated building lease
Computer equipment	33% - 50%

CUSTOMER SYSTEMS PLC

PRINCIPAL ACCOUNTING POLICIES

INVESTMENTS

Investments are included at cost

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future have occurred by the balance sheet date. No provision is made for deferred tax assets due to the uncertainty over the timing of their reversal. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profits in the period in which it is incurred.

CONTRIBUTIONS TO PENSION SCHEMES

Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the individual employees' schemes in respect of the accounting period.

LEASED ASSETS

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS

The group has financial instruments comprising cash, debtors and creditors. These financial instruments are recognised in the balance sheet at their net realisable value. Interest receivable is accrued and credited to the profit and loss account in the period to which it relates.

CUSTOMER SYSTEMS PLC

GROUP PROFIT AND LOSS ACCOUNT

For the half year ended 31 July 2010 (Unaudited)

		Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010
	Note	£	£	£
Turnover	1	3,435,638	2,350,418	5,290,403
Administrative expenses		<u>(1,822,868)</u>	<u>(1,461,555)</u>	<u>(3,045,291)</u>
Operating profit		1,612,770	888,863	2,245,112
Interest receivable		<u>1,467</u>	<u>2,002</u>	<u>2,145</u>
Profit on ordinary activities before taxation	1	1,614,237	890,865	2,247,257
Tax on profit on ordinary activities	3	<u>(447,866)</u>	<u>(232,989)</u>	<u>(592,367)</u>
Profit for the period		1,166,371	657,876	1,654,890
 Earnings per share - basic (pence)	4	 <u>10 11</u>	 <u>5 70</u>	 <u>14 34</u>

There were no recognised gains or losses other than the profit for the period

The accompanying accounting policies and notes form an integral part of these interim financial statements

CUSTOMER SYSTEMS PLC

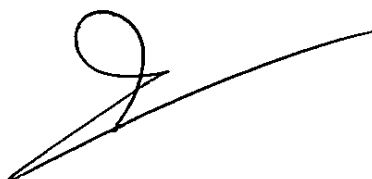
GROUP BALANCE SHEET

At 31 July 2010 (Unaudited)

		Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010
	Note	£	£	£
Fixed assets				
Tangible assets	6	<u>57,188</u>	<u>28,459</u>	<u>69,104</u>
Current assets				
Debtors	7	<u>862,908</u>	<u>767,189</u>	<u>1,047,569</u>
Cash at bank and in hand		<u>1,272,872</u>	<u>808,040</u>	<u>976,978</u>
		<u>2,135,780</u>	<u>1,575,229</u>	<u>2,024,547</u>
Creditors, amounts falling due within one year	8	<u>(1,060,599)</u>	<u>(640,394)</u>	<u>(900,829)</u>
Net current assets		<u>1,075,181</u>	<u>934,835</u>	<u>1,123,718</u>
Total assets less current liabilities		<u>1,132,369</u>	<u>963,294</u>	<u>1,192,822</u>
Capital and reserves				
Called up share capital	9	<u>115,412</u>	<u>115,412</u>	<u>115,412</u>
Share premium account	10	<u>72,718</u>	<u>72,718</u>	<u>72,718</u>
Profit and loss account	10	<u>944,239</u>	<u>775,164</u>	<u>1,004,692</u>
Shareholders' funds	11	<u>1,132,369</u>	<u>963,294</u>	<u>1,192,822</u>

The interim financial statements were approved by the Board of Directors on 7th September 2010

Mr S N Austen



Director

The accompanying accounting policies and notes form an integral part of these interim financial statements

CUSTOMER SYSTEMS PLC

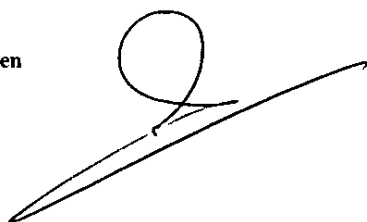
COMPANY BALANCE SHEET

At 31 July 2010 (Unaudited)

		Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010
	Note	£	£	£
Fixed assets				
Tangible assets	6	57,188	28,459	69,104
Investments	5	6,001	6,001	6,001
		<u>63,189</u>	<u>34,460</u>	<u>75,105</u>
Current assets				
Debtors	7	1,104,160	715,625	1,009,431
Cash at bank and in hand		<u>932,448</u>	<u>440,220</u>	<u>731,454</u>
		<u>2,036,608</u>	<u>1,155,845</u>	<u>1,740,885</u>
Creditors amounts falling due within one year	8	<u>(1,021,281)</u>	<u>(230,964)</u>	<u>(1,546,031)</u>
Net current assets		<u>1,015,327</u>	<u>924,881</u>	<u>194,854</u>
Total assets less current liabilities		<u>1,078,516</u>	<u>959,341</u>	<u>269,959</u>
Capital and reserves				
Called up share capital	9	115,412	115,412	115,412
Share premium account	10	72,718	72,718	72,718
Profit and loss account	10	<u>890,386</u>	<u>771,211</u>	<u>81,829</u>
Shareholders' funds		<u>1,078,516</u>	<u>959,341</u>	<u>269,959</u>

The interim financial statements were approved by the Board of Directors on 7th September 2010

Mr S N Austen



Director

The accompanying accounting policies and notes form an integral part of these interim financial statements

CUSTOMER SYSTEMS PLC

GROUP CASH FLOW STATEMENT

For the half year ended 31 July 2010 (Unaudited)

		Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010
	Note	£	£	£
Net cash inflow from operating activities	12	1,774,952	787,928	2,135,128
Returns on investments and servicing of finance				
Interest received		1,467	2,002	2,145
Taxation		(250,206)	(99,053)	(456,488)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(3,495)	(9,334)	(62,818)
Equity dividends paid		(1,226,824)	(807,881)	(1,575,367)
Increase / (decrease) in cash	13	<u>295,894</u>	<u>(126,338)</u>	<u>42,600</u>

The accompanying accounting policies and notes form an integral part of these interim financial statements

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity

A geographical analysis of turnover is given below

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
United Kingdom	2,526,929	1,362,995	3,382,289
Overseas	908,709	987,423	1,908,114
	<u>3,435,638</u>	<u>2,350,418</u>	<u>5,290,403</u>

An analysis of profit before tax by geographical market is given below

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
United Kingdom	1,187,279	516,608	1,436,728
Overseas	426,958	374,257	810,529
	<u>1,614,237</u>	<u>890,865</u>	<u>2,247,257</u>

An analysis of net assets at the balance sheet date by geographical market is set out below

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
United Kingdom	1,094,721	958,433	994,423
Overseas	37,648	4,861	198,399
	<u>1,132,369</u>	<u>963,294</u>	<u>1,192,822</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

The profit on ordinary activities before taxation is stated after

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Auditors' remuneration - audit services	4,375	4,465	8,750
- other services	1,000	910	2,400
Depreciation of tangible fixed assets, owned	15,411	8,550	21,389
Net (profit) / loss on foreign currency translation	(5,271)	46,094	57,479

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these interim financial statements. The parent company's profit before dividends for the period was £2,035,381 (6 months to 31 July 2009 £766,386), year to 31 January 2010 £844,490. This includes a dividend from its subsidiary Customer Systems International Limited of £356,530 (6 months to 31 July 2009 £305,000, year to 31 January 2010 £305,000), and a dividend from its subsidiary Customer Systems UK Limited of £1,648,260 (6 months to 31 July 2009 £405,000, year to 31 January 2010 £405,000).

2 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Wages and salaries	925,982	937,794	1,858,936
Social security costs	112,179	107,649	217,038
Other pension costs	123,082	76,403	149,174
	<u>1,161,243</u>	<u>1,121,846</u>	<u>2,225,148</u>

The average number of employees of the group during the period was 31 (6 months to 31 July 2009 32, year to 31 January 2010 33).

Remuneration in respect of directors was as follows

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Emoluments	129,721	77,078	184,493
Pension contributions	100,827	51,615	103,230
	<u>230,548</u>	<u>128,693</u>	<u>287,723</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

2 DIRECTORS AND EMPLOYEES (continued)

Emoluments in respect of the highest paid director were £33,734 (6 months to 31 July 2009 £53,333 , year to 31 January 2010 £127,859) Pension contributions relating to the highest paid director were £87,300 (6 months to 31 July 2009 £11,239 , year to 31 January 2010 £22,478) During the period two directors (6 months to 31 July 2009 two , year to 31 January 2010 two) participated in a money purchase pension scheme

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge relating to the half year is based on the current estimate of the effective tax rate for the full year

4 EARNINGS PER SHARE

The number of shares used in the calculation is the weighted average number of shares in issue during the period

	Profit after tax (Numerator)			Shares (Denominator)			Per share amount		
	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £	Unaudited 6 months ended 31 July 2010 No	Unaudited 6 months ended 31 July 2009 No	Audited 12 months ended 31 January 2010 No	Unaudited 6 months ended 31 July 2010 pence	Unaudited 6 months ended 31 July 2009 pence	Audited 12 months ended 31 January 2010 pence
Basic EPS	1,166,371	657,876	1,654,890	11,541,150	11,541,150	11,541,150	10 11	5 70	14 34

(Profit attributable to ordinary shareholders)

5 FIXED ASSET INVESTMENTS

The company

	Shares in subsidiaries £
At 1 February 2010	6,001
Additions	-
At 31 July 2010	6,001
At 31 July 2009	6,001

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

5 FIXED ASSET INVESTMENTS (continued)

At 31 July 2010 the company held 20% or more of the allotted share capital of the following

Subsidiaries	Class of share capital held	Proportion held	Country of incorporation	Nature of business
Customer Systems UK Limited	Ordinary shares	100%	England	IT consultancy
Customer Systems International Limited	Ordinary shares	100%	England	IT consultancy
Customer Systems International, Inc	Ordinary shares	100%	USA	IT consultancy

The holding in Customer Systems International, Inc is an indirect holding by virtue of the company's holding in Customer Systems International Limited

6 TANGIBLE FIXED ASSETS

The group and the company	Motor Vehicles £	Plant, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 February 2010	48,690	157,445	118,301	324,436
Additions	-	3,495	-	3,495
Disposals	-	-	(3,393)	(3,393)
At 31 July 2010	48,690	160,940	114,908	324,538
At 31 July 2009	17,271	147,350	107,452	272,073
Depreciation				
At 1 February 2010	16,944	136,074	102,314	255,332
Provided in the period	4,674	4,728	6,009	15,411
Disposals	-	-	(3,393)	(3,393)
At 31 July 2010	21,618	140,802	104,930	267,350
At 31 July 2009	12,939	132,882	97,793	243,614
Net book amount at 31 July 2010	27,072	20,138	9,978	57,188
Net book amount at 31 July 2009	4,332	14,468	9,659	28,459
Net book amount at 31 January 2010	31,746	21,371	15,987	69,104

CUSTOMER SYSTEMS PLC

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For the half year ended 31 July 2010 (Unaudited)

7 DEBTORS

	Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010	Audited 12 months ended 31 January 2010
	Group £	Company £	Group £	Company £	Group £	Company £
Trade debtors	833,526	192,929	738,375	62,948	1,013,084	225,736
Amounts owed by group undertakings	-	887,669	-	630,701	-	755,000
Prepayments and accrued income	29,382	23,562	28,814	21,976	34,485	28,695
	<u>862,908</u>	<u>1,104,160</u>	<u>767,189</u>	<u>715,625</u>	<u>1,047,569</u>	<u>1,009,431</u>

8 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010	Audited 12 months ended 31 January 2010
	Group £	Company £	Group £	Company £	Group £	Company £
Trade creditors	95,612	91,297	7,221	6,364	39,491	32,928
Amounts owed to group undertakings	-	734,565	-	-	-	1,227,615
Corporation tax	444,562	11,048	244,959	16,130	246,902	26,525
Social security and other taxes	228,805	67,942	139,970	46,458	194,492	59,498
Accruals and deferred income	291,620	116,429	248,244	162,012	419,944	199,465
	<u>1,060,599</u>	<u>1,021,281</u>	<u>640,394</u>	<u>230,964</u>	<u>900,829</u>	<u>1,546,031</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

9 SHARE CAPITAL

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Authorised 100 million 1p ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid 11,541,150 1p ordinary shares (31 July 2009 11,541,150 1p ordinary shares, 31 January 2010 11,541,150 1p ordinary shares)	<u>115,412</u>	<u>115,412</u>	<u>115,412</u>
Allotments during the period			
The company made no allotments during the period			

10 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Company Profit and loss account £	Group Profit and loss account £
At 1 February 2010	72,718	81,829	1,004,692
Premium on allotments issued in the period	-	-	-
Profit for the period	-	2,035,381	1,166,371
Dividends	-	(1,226,824)	(1,226,824)
At 31 July 2010	<u>72,718</u>	<u>890,386</u>	<u>944,239</u>
At 31 July 2009	<u>72,718</u>	<u>771,211</u>	<u>775,164</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Profit for the period	1,166,371	657,876	1,654,890
Dividends	(1,226,824)	(807,881)	(1,575,367)
Net increase/(decrease) in shareholders' funds	(60,453)	(150,005)	79,523
Opening shareholders' funds	1,192,822	1,113,299	1,113,299
Closing shareholders' funds	<u>1,132,369</u>	<u>963,294</u>	<u>1,192,822</u>

12 NET CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Operating profit	1,612,770	888,863	2,245,112
Depreciation	15,411	8,550	21,389
(Increase) / decrease in debtors	184,661	(94,865)	(375,245)
Increase / (decrease) in creditors	(37,890)	(14,620)	243,872
Net cash inflow from operating activities	<u>1,774,952</u>	<u>787,928</u>	<u>2,135,128</u>

13 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Unaudited 6 months ended 31 July 2010 £	Unaudited 6 months ended 31 July 2009 £	Audited 12 months ended 31 January 2010 £
Increase / (decrease) in cash in the period	295,894	(126,338)	42,600
Opening net funds	976,978	934,378	934,378
Closing net funds	<u>1,272,872</u>	<u>808,040</u>	<u>976,978</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

14 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 February 2010 £	Cash flow £	At 31 July 2010 £
Cash at bank and in hand	<u>976,978</u>	<u>295,894</u>	<u>1,272,872</u>

15 LEASING COMMITMENTS

The group and the company

Operating lease payments amounting to £47,250 (31 July 2009 £47,250 , 31 January 2010 £47,250) are due within one year. The leases to which these amounts relate expire as follows

	Unaudited 6 months ended 31 July 2010	Unaudited 6 months ended 31 July 2009	Audited 12 months ended 31 January 2010
	Land and buildings £	Land and buildings £	Land and buildings £
Within one year	-	-	-
Between one and five years	<u>47,250</u>	<u>47,250</u>	<u>47,250</u>
	<u>47,250</u>	<u>47,250</u>	<u>47,250</u>

16 ULTIMATE CONTROLLING RELATED PARTY

The ultimate controlling party is Mr S N Austen by virtue of his majority shareholding

17 FINANCIAL INSTRUMENTS

The group has financial instruments comprising cash, debtors and creditors, which arise directly from its operations. The sole purpose of these financial instruments is to provide the working capital of the group. The fair values of the group's financial instruments are considered equal to their book value. Short term debtors and creditors are excluded from the following disclosures except the currency risk disclosures

Interest rate risk

The group holds significant bank balances. The level of interest receivable on these balances is affected by changes in interest rates

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the half year ended 31 July 2010 (Unaudited)

17 FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

Currency risk

The group is exposed to translation and transaction foreign exchange risk by virtue of selling its services in overseas markets and by the maintenance of small cash balances in US dollars. The group chooses not to actively manage this exposure. At 31 July 2010 the group held cash balances in US dollars amounting to £57,994 (31 July 2009 £83,008, 31 January 2010 £49,486), carried trade debtors denominated in US dollars of £140,421 (31 July 2009 £349,373, 31 January 2010 £183,066) and carried trade creditors denominated in US dollars of £4,307 (31 July 2009 £854, 31 January 2010 £6,555). At 31 July 2010 the group also carried trade debtors denominated in euros of £4,975 (31 July 2009 £3,678, 31 January 2010 £15,003). All other financial assets and liabilities are denominated in sterling.

18 RELATED PARTY TRANSACTIONS

The company has taken advantage of exemptions available under FRS 8 not to disclose transactions undertaken with its subsidiary undertakings.

The group's headquarters in Chertsey is owned by Mr S N Austen, a director. During the period rent of £23,625 was paid to Mr Austen for the use of the premises.

19 CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

CUSTOMER SYSTEMS PLC

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