



**CUSTOMER SYSTEMS PLC**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 JANUARY 2011**

**CUSTOMER SYSTEMS GROUP  
RESULTS SUMMARY TABLE**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Turnover</b>	£ 343,741	1,516,055	3,316,133	5,136,166	5,213,752	4,476,879	5,187,766	5,558,813	5,282,401	6,004,655	5,488,385	5,290,403	6,358,087
<b>% growth</b>		341.0%	118.7%	54.9%	1.5%	-14.1%	15.9%	7.2%	-5.0%	13.7%	-8.6%	-3.61%	20.18%
<b>Profit before tax</b>	£ 37,262	587,252	1,455,984	2,066,282	1,878,909	1,492,433	2,046,506	2,314,379	2,316,749	2,670,122	2,449,217	2,247,257	2,729,935
<b>% growth</b>		1476.0%	147.9%	41.9%	-9.1%	-20.6%	37.1%	13.1%	0.1%	15.3%	-8.3%	-8.2%	21.48%
<b>Pre-tax margin</b>	10.8%	38.7%	43.9%	40.2%	36.0%	33.3%	39.4%	41.6%	43.9%	44.5%	44.6%	42.5%	42.9%
<b>Profit after tax</b>	£ 29,253	431,624	1,032,784	1,434,884	1,315,236	1,043,278	1,425,244	1,608,932	1,624,472	1,864,503	1,771,490	1,654,890	1,966,207
<b>Dividends per share (pence)</b>	0	0	5.4	9	11.2	9.25	12.5	12.5	18.25	17	15.9	13.65	10.63
<b>Earnings per share (pence)</b>	0.30	4.18	9.46	12.75	11.61	9.18	12.53	14.10	14.20	16.25	15.40	14.34	17.04

The weighted average number of shares used in the calculations of earnings per share and dividends per share has been re-based for the years 1999 to 2002 to account for a bonus issue and share split in April 2002

## **CUSTOMER SYSTEMS PLC**

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## CUSTOMER SYSTEMS PLC

### BUSINESS PROFILE

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Customer Systems plc was founded in February 1998 and our core business is as a high-quality, specialised supplier of IT consulting services. Our major focus is on the implementation of the market-leading Siebel CRM software now available from Oracle Corporation subsequent to their acquisition of Siebel Systems.

CRM or Customer Relationship Management refers to a style of packaged software which started to become very popular around the 1998 period in Europe and, perhaps, a year earlier in the USA, having been little heard of before that.

This style of software deals with the interactions that organisations have with their customers and prospects, and is sometimes alternatively known as "front-office" software. It embraces the software used by operatives in a call-centre, systems designed to optimise and automate the marketing process, and systems by which large organisations achieve enterprise-wide control of their sales operations. It can also encompass field service and other areas of customer support. It is increasingly used by government organisations as well as private sector firms. In the context of a government user of Siebel, concepts such as customers and prospects translate into parallel concepts such as citizens contacting the relevant government organisation via a call-centre or via the internet.

The Siebel software suite has been the most successful and is the gold-standard by which other CRM packages are judged.

Our role is to implement this software and to customise it to fit the needs of individual clients. We can handle full implementation projects or smaller sub-projects involving the application of very intense technical expertise to particular areas, or rescue missions where other consultancies' attempts to implement Siebel have gone wrong. Additionally, we have extended this to the provision of our own training courses which embody the highly advanced techniques we have developed. For some clients, we provide a support service whereby a copy of their customised software is kept in our office, and they can call us for telephone response and bug-fixing for any problems that arise.

Our second major area of focus is on business intelligence, data warehousing and reporting software where we have developed rare skills in advanced tools such as Oracle Business Intelligence Enterprise Edition. This product is manifested in the Siebel world as a product called Siebel Analytics, but we do not confine ourselves purely to working with Siebel-based data. Business intelligence can be tackled on an enterprise-wide multi-source basis using these tools. We have also developed skills and techniques in the use of Oracle BI Publisher and the Actuate information delivery tool.

We have always aimed to be at the high-quality end of the market, providing successful results to clients who place a high value on guaranteed success. Our customers generally include nearly all of the largest players in each market sector.

We have made it a speciality to take in new employees with no experience of the software products with which we work, selecting instead for intelligence, determination and the ability to learn new software products and tools very fast.

What we do is not easy. We have made a significant differentiator out of bringing truly effective skills to bear on the missions we tackle.

Our offices are in Chertsey in the UK and Iselin, New Jersey in the USA. We have delivered our services to customers in 30 countries across Europe, North America, Asia, Africa and Australasia.

## **CUSTOMER SYSTEMS PLC**

### **BUSINESS PROFILE**

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For some years our shares were quoted on the Plus/OFEX market but on the 9<sup>th</sup> September 08, we left the market due to inadequate liquidity and so trading in our shares is now only by private arrangement between shareholders, though the directors are happy to endeavour to put people in touch with each other

Siebel and Oracle are trademarks of Oracle Corporation

Actuate is a trademark of Actuate Corporation

**CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED GROUP RESULTS**

For the year ended 31 January 2011

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I am delighted to be able to announce our results for the year ended 31<sup>st</sup> January 2011, which are the company's best ever results. We have achieved record revenues and record profit before tax.

I would like to thank everyone in Customer Systems, and our associate consultants, and the relevant people in our primary business partner, Oracle, for their contributions to this excellent result.

**RESULTS IN BRIEF**

Revenues for the period were 20.18% higher at £6.36m (previous year £5.29m). Profit before tax for the period increased 21.48% to £2.73m (previous year £2.25m) giving a pre-tax margin of 42.9% (previous year 42.5%). Earnings per share were 18.8% higher at 17.04 pence (previous year 14.34 pence).

The highest revenue we ever achieved previously was £6.00m in the year ended 31<sup>st</sup> January 2008. The highest profit before tax we ever achieved previously was £2.67m in the same financial year.

Our balance sheet remains very strong with a balance of cash and liquid resources at the end of the period of £2.00m after the payment of significant dividends, and with net assets of £1.93m and a surplus of current assets over current liabilities of £1.88m.

**DIVIDENDS**

As reported previously, we have changed our dividend policy and dividends are now suspended.

We continue to look for ways in which funds in the company can be used for the shareholders' benefit. We have looked at a share buy back which could be a way of returning funds to shareholders in a more tax efficient fashion. The rules around this are a lot more complex than people realise and we have not made a decision on this yet. We also keep an eye out for any companies we might like to acquire, using funds accumulated in the company.

**BUSINESS PROGRESS**

We continue to do business with household name companies and government organisations. Once we have done one project for a client, we are often called back repeatedly to do other work for that client, often over a period of very many years.

We have also won 2 new clients in recent weeks, and we are having some significant success in undertaking joint bids with Oracle, who seem to be calling us with opportunities more frequently than they used to.

The first half of the year just closed was more lucrative than the second, but the new financial year has started very well and so we do not see much of a demand problem at the moment. Having said that, the level of demand is always prone to fickleness and we went into the second half of the year just finished expecting to be resource-constrained, whereas the second half was much more of a mixed picture than we expected.

## CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED GROUP RESULTS

For the year ended 31 January 2011

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Fortunately, our business is designed to tolerate fluctuating demand and we have still been profitable in every individual month from the second month of trading onwards

Our US revenues represented 21.85% of the total as compared with 33.9% in the previous year. Most of the remainder came from the UK with a small amount from mainland Europe.

Our legal action against a group of ex-employees for breaching their contracts with us is proceeding very well. Further information has emerged which has caused us to add a fourth defendant and add additional claims against some of the original three defendants. The complexity which this adds to the case has meant that the trial window has had to be moved to near the end of 2011, with the likelihood of a separate damages trial in 2012. Since we gather even more evidence in support of our case as time goes by, we are not inclined to be in an obscene rush.

Our legal costs for the year were approximately £270,000 and this speaks volumes when you consider that our record profit before tax figure of £2.73m was after subtraction of those costs.

While it would be nice not to have to spend all that money (and more to come) on legal costs, our fear is that the resulting damage to our business would be greater if we did not put a stake in the ground and prevent further similar problems.

Recruitment becomes a hot topic at about this time of year as the pace of CVs from students graduating in 2011 steps up. We will need to stay on top of this to ensure that we can meet the demand which we hope to generate. However, we have been fortunate recently in building a very strong group of associate consultants to help us deal with the peaks – and, indeed, there are times when the peak seems to be without end.

### OUTLOOK

Demand is presently healthy and we look forward to the new year with enthusiasm.

Oracle's new suite of "Fusion" applications, embracing ERP as much as CRM, are beginning to emerge and we will be beginning to look at them to see whether there is something which we can get involved in the implementation of. Whilst Siebel is likely to remain functionally richer than Fusion CRM for a long term, we may find people wanting to use it for particular application areas, potentially in a joint implementation with Siebel. The non-CRM parts of Fusion could also present intriguing opportunities.

  
STEVE AUSTEN

8th March 2011

## **CUSTOMER SYSTEMS PLC**

### **REPORT OF THE DIRECTORS**

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The directors present their report together with the audited financial statements for the year ended 31 January 2011

#### **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

The group's main focus is in the areas of customer relationship management systems and business intelligence

#### **BUSINESS REVIEW**

There was a profit for the year after taxation amounting to £1,966,207 (2010 £1,654,890) Dividends of £1,226,825 (2010 £1,575,367) have been paid, resulting in a transfer to reserves of £739,382 (2010 transfer to reserves of £79,523)

For the majority of the business review, please see the business profile on pages 2 - 3 and the chairman's statement on pages 4 - 5 of this document and the results summary table on the inside front cover 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 January 2011 and 1 February 2010 were as follows



## CUSTOMER SYSTEMS PLC

### REPORT OF THE DIRECTORS

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#### DIRECTORS (CONTINUED)

	31 January 2011	1 February 2010
	1p ordinary shares	1p ordinary shares
Mr S N Austen	10,699,085	10,273,885
Mr D K Scattergood	10,000	435,200

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#### 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 year 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.

**CUSTOMER SYSTEMS PLC**

**REPORT OF THE DIRECTORS**

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**DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS (CONTINUED)**

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

**AUDITORS**

Bishop Fleming have offered themselves for reappointment as auditors in accordance with Section 489 of the Companies Act 2006

**ON BEHALF OF THE BOARD**

**Mr S N Austen**  
**Director**  
**8th March 2011**



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CUSTOMER SYSTEMS PLC**

Company registration number 3509265

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We have audited the group and parent company financial statements (the "financial statements") of Customer Systems plc for the year ended 31 January 2011 set out on pages 11 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 THE DIRECTORS AND AUDITORS**

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**CUSTOMER SYSTEMS PLC**

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CUSTOMER SYSTEMS PLC**

Company registration number 3509265

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**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Matthew Lee FCA (Senior Statutory Auditor)**  
for and on behalf of  
**BISHOP FLEMING**  
Chartered Accountants  
Statutory Auditors  
16 Queen Square  
Bristol  
BS1 4NT

**8th March 2011**

## **CUSTOMER SYSTEMS PLC**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **BASIS OF PREPARATION**

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

The principal accounting policies of the company have been changed from the previous year by the adoption of fair value accounting for current asset investments. All other accounting policies remain unchanged, 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 financial statements consolidate the financial statements of the company and of its subsidiary undertakings (see note 5). The financial statements of each undertaking in the group have been prepared to 31 January 2011.

#### **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.

## **CUSTOMER SYSTEMS PLC**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **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%

#### **FIXED ASSET INVESTMENTS**

Fixed asset 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.

**PRINCIPAL ACCOUNTING POLICIES**

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**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**

Financial instruments are recognised in the group's balance sheet when it becomes a party to the contractual provisions of the financial instrument

**Trade debtors**

Trade debtors are non interest bearing and are stated at original invoiced amount less an appropriate allowance for irrecoverable amounts. Such allowances are based on known customer exposures

**Cash**

Cash comprises cash at bank and in hand

**Current asset investments**

The group has a portfolio of investments in securities traded on active markets which are stated at fair value and are classified as being as at fair value through profit and loss

This portfolio of investments is managed by the managing director and its performance is regularly reviewed by the board of directors, on a fair value basis in accordance with the company's documented investment strategy. The overall objective of this strategy is to maintain and, where possible, increase the real value of the portfolio by maximising its total return, whether from interest, dividends or changes in fair value

The fair values of these securities are based on the quoted bid price as at the balance sheet date. Gains or losses arising from changes in fair value are recognised directly in the profit and loss account in the period in which they occur, and exclude dividend and interest income which are recognised separately

**Trade creditors**

Trade creditors are non interest bearing and are stated at the original invoiced amount

**Income from financial instruments**

Interest is accrued and credited to the profit and loss account in the period to which it relates

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

## CUSTOMER SYSTEMS PLC

### GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 January 2011

	Note	2011 £	2010 £
Turnover	1	6,358,087	5,290,403
Administrative expenses		(3,615,288)	(3,045,291)
Operating profit		2,742,799	2,245,112
Interest receivable		13,279	2,145
Other finance income / (charges)	1	(26,143)	-
Profit on ordinary activities before taxation	1	2,729,935	2,247,257
Tax on profit on ordinary activities	3	(763,728)	(592,367)
Profit for the financial year		1,966,207	1,654,890
Earnings per share – basic (pence)	4	17.04	14.34

There were no recognised gains or losses other than the profit for the financial year. The group has taken advantage of the exemption provided by FRS 3 from preparing a reconciliation to historical cost profits arising from the effects of adopting fair value accounting under FRS 26.

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



# CUSTOMER SYSTEMS PLC

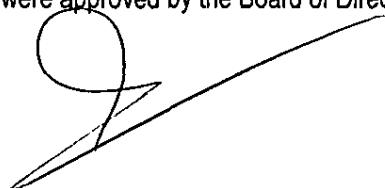
## GROUP BALANCE SHEET

At 31 January 2011

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	6	54,457	69,104
<b>Current assets</b>			
Debtors	7	805,845	1,047,569
Current asset investments	8	877,387	-
Cash at bank and in hand		1,118,469	976,978
		2,801,701	2,024,547
Creditors: amounts falling due within one year	9	(923,954)	(900,829)
<b>Net current assets</b>		1,877,747	1,123,718
<b>Total assets less current liabilities</b>		1,932,204	1,192,822
<b>Capital and reserves</b>			
Called up share capital	10	115,412	115,412
Share premium account	11	72,718	72,718
Profit and loss account	11	1,744,074	1,004,692
<b>Shareholders' funds</b>	12	1,932,204	1,192,822

The financial statements were approved by the Board of Directors and authorised for issue on 8th March 2011

Mr S N Austen  
Director



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

# CUSTOMER SYSTEMS PLC

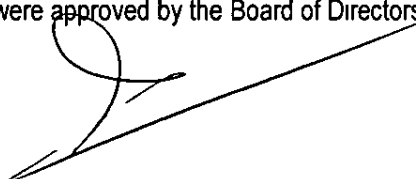
## COMPANY BALANCE SHEET

At 31 January 2011

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	6	54,457	69,104
Investments	5	6,001	6,001
		<b>60,458</b>	<b>75,105</b>
<b>Current assets</b>			
Debtors	7	1,162,210	1,009,431
Current asset investments	8	877,387	-
Cash at bank and in hand		668,614	731,454
		<b>2,708,211</b>	<b>1,740,885</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(1,671,568)</b>	<b>(1,546,031)</b>
		<b>1,036,643</b>	<b>194,854</b>
<b>Net current assets</b>			
		<b>1,036,643</b>	<b>194,854</b>
<b>Total assets less current liabilities</b>			
		<b>1,097,101</b>	<b>269,959</b>
<b>Capital and reserves</b>			
Called up share capital	10	115,412	115,412
Share premium account	11	72,718	72,718
Profit and loss account	11	908,971	81,829
		<b>1,097,101</b>	<b>269,959</b>
<b>Shareholders' funds</b>			
		<b>1,097,101</b>	<b>269,959</b>

The financial statements were approved by the Board of Directors and authorised for issue on 8th March 2011

Mr S N Austen  
Director



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

# CUSTOMER SYSTEMS PLC

## GROUP CASH FLOW STATEMENT

For the year ended 31 January 2011

	Note	2011 £	2010 £
<b>Net cash inflow from operating activities</b>	13	<b>2,962,061</b>	<b>2,135,128</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		6,464	2,145
Other finance income received / charges paid		8,184	-
<b>Taxation</b>		<b>(679,291)</b>	<b>(456,488)</b>
<b>Management of liquid resources</b>	14		
Purchase of current asset investments		(911,714)	-
Sale of current asset investments		-	-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(17,388)	(62,818)
Sale of tangible fixed assets		-	-
<b>Equity dividends paid</b>		<b>(1,226,825)</b>	<b>(1,575,367)</b>
<b>Financing</b>			
Issue of shares		-	-
<b>Increase / (decrease) in cash</b>	14	<b>141,491</b>	<b>42,600</b>

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

# CUSTOMER SYSTEMS PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

### 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

	2011 £	2010 £
United Kingdom	4,853,694	3,382,289
Overseas	1,504,393	1,908,114
	6,358,087	5,290,403

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

	2011 £	2010 £
United Kingdom	2,084,002	1,436,728
Overseas	645,933	810,529
	2,729,935	2,247,257

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

	2011 £	2010 £
United Kingdom	1,792,368	994,423
Overseas	139,836	198,399
	1,932,204	1,192,822

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

**1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)**

The profit on ordinary activities before taxation is stated after

	2011 £	2010 £
Auditors' remuneration - audit services	8,750	8,750
- other services	2,400	2,400
Depreciation of tangible fixed assets, owned	32,035	21,389
Profit on disposal of tangible fixed assets	-	-
Net loss / (gain) on foreign currency translation	138	57,479

Other finance income / (charges) comprises

	2011 £	2010 £
Dividends receivable	13,783	-
Fair value adjustments to current asset investments	(34,327)	-
Broker commission charges	(5,599)	-
	(26,143)	-

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 financial statements. The parent company's profit before dividends for the year was £2,053,967 (2010 £844,490). This includes a dividend from its subsidiary Customer Systems International Limited of £356,530 (2010 £305,000) and a dividend from its subsidiary Customer Systems UK Limited of £1,648,260 (2010 £405,000).

**2 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows

	2011 £	2010 £
Wages and salaries	1,854,559	1,858,936
Social security costs	221,147	217,038
Other pension costs	249,003	149,174
	2,324,709	2,225,148

The average number of employees of the group during the year was 32 (2010 33)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

**2 DIRECTORS AND EMPLOYEES (CONTINUED)**

Remuneration in respect of directors was as follows

	2011 £	2010 £
Emoluments	232,076	184,493
Pension contributions	201,654	103,230
	433,730	287,723

Emoluments in respect of the highest paid director were £44,377 (2010 £127,859) Pension contributions relating to the highest paid director were £174,600 (2010 £22,478)

During the year two directors (2010 two) participated in a money purchase pension scheme

**3 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax charge is based on the profit for the year and represents

	2011 £	2010 £
Corporation tax at 28% (2010 28%)	757,384	589,483
Overseas tax	7,358	6,497
Adjustments in respect of prior years' corporation tax	(1,014)	(3,613)
	763,728	592,367

# CUSTOMER SYSTEMS PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

### 3 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The factors affecting the tax charge for the year are set out below

	2011 £	2010 £
Profit before taxation	2,729,935	2,247,257
Profit before taxation multiplied by standard UK corporation tax at 28% (2010 28%)	764,382	629,232
Effect of		
Expenses not allowable for corporation tax purposes	1,260	1,260
Excess of capital allowances over depreciation	1,311	(14,511)
Marginal rate relief	(5,394)	(4,616)
Provision for UK tax in respect of foreign subsidiary	(2,570)	(15,385)
Adjustments in respect of prior years	(1,014)	(3,613)
Dividends received	(3,859)	-
Fair value adjustments to current asset investments	9,612	-
	763,728	592,367

### 4 EARNINGS PER SHARE

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

	Profit after tax (Numerator)		Shares (Denominator)		Per share amount	
	2011 £	2010 £	2011 No.	2010 No.	2011 pence	2010 pence
<b>BASIC EPS</b>						
Profit attributable to ordinary shareholders	1,966,207	1,654,890	11,541,150	11,541,150	17.04	14.34

There were no options or warrants outstanding to dilute EPS

## CUSTOMER SYSTEMS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

#### 5 FIXED ASSET INVESTMENTS

The company	Shares in subsidiaries £
At 1 February 2010 and at 31 January 2011	6,001

At 31 January 2011 the company held 20% or more of the allotted share capital of the following

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

6 TANGIBLE FIXED ASSETS

The group and the company	Motor Vehicles £	Plant, fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 February 2010	48,690	157,445	118,301	324,436
Additions	7,525	3,495	6,368	17,388
Disposals	-	-	(15,384)	(15,384)
<b>At 31 January 2011</b>	<b>56,215</b>	<b>160,940</b>	<b>109,285</b>	<b>326,440</b>
<b>Depreciation</b>				
At 1 February 2010	16,944	136,074	102,314	255,332
Provided in the year	9,818	9,876	12,341	32,035
Eliminated on disposals	-	-	(15,384)	(15,384)
<b>At 31 January 2011</b>	<b>26,762</b>	<b>145,950</b>	<b>99,271</b>	<b>271,983</b>
<b>Net book amount at 31 January 2011</b>	<b>29,453</b>	<b>14,990</b>	<b>10,014</b>	<b>54,457</b>
Net book amount at 31 January 2010	31,746	21,371	15,987	69,104

7 DEBTORS

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade debtors	732,713	164,812	1,013,084	225,736
Amounts owed by group undertakings	-	953,884	-	755,000
Other debtors	-	-	-	-
Prepayments and accrued income	73,132	43,514	34,485	28,695
	<b>805,845</b>	<b>1,162,210</b>	<b>1,047,569</b>	<b>1,009,431</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

8 CURRENT ASSET INVESTMENTS

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
At 1 February	-	-	-	-
Additions	911,714	911,714	-	-
Disposals	-	-	-	-
Fair value adjustments through profit and loss	(34,327)	(34,327)	-	-
At 31 January	877,387	877,387	-	-

Current asset investments are classified as being at fair value through profit and loss and include the following

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Listed preference shares	452,520	452,520	-	-
Corporate bonds and loan notes traded in an active market	424,867	424,867	-	-
	877,387	877,387	-	-

If the assets held at fair value were stated on the historical cost basis, the amounts would be

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Listed preference shares	466,740	466,740	-	-
Corporate bonds and loan notes traded in an active market	444,974	444,974	-	-
	911,714	911,714	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade creditors	78,711	76,129	39,491	32,928
Amounts owed to group undertakings	-	1,377,311	-	1,227,615
Corporation tax	331,339	23,642	246,902	26,525
Social security and other taxes	203,720	78,305	194,492	59,498
Accruals and deferred income	310,184	116,181	419,944	199,465
	<b>923,954</b>	<b>1,671,568</b>	<b>900,829</b>	<b>1,546,031</b>

**10 SHARE CAPITAL**

	2011 £	2010 £
Authorised 100 million 1p ordinary shares	<b>1,000,000</b>	1,000,000
Allotted, called up and fully paid 11,541,150 1p ordinary shares ( 31 January 2010 11,541,150 1p ordinary shares)	<b>115,412</b>	115,412

There were no allotments during the year

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

11 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
Profit for the year	-	2,053,967	1,966,207
Dividends	-	(1,226,825)	(1,226,825)
At 31 January 2011	72,718	908,971	1,744,074

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	1,966,207	1,654,890
Dividends	(1,226,825)	(1,575,367)
	739,382	79,523
Issue of shares	-	-
Net increase in shareholders' funds	739,382	79,523
Opening shareholders' funds	1,192,822	1,113,299
Closing shareholders' funds	1,932,204	1,192,822

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

**13 NET CASH FLOW FROM OPERATING ACTIVITIES**

	2011 £	2010 £
Operating profit	2,742,799	2,245,112
Depreciation	32,035	21,389
Profit on sale of tangible fixed assets	-	-
Decrease / (increase) in debtors	248,539	(375,245)
(Decrease) / increase in creditors	(61,312)	243,872
Net cash inflow from operating activities	2,962,061	2,135,128

**14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2011 £	2010 £
Increase in cash in the period	141,491	42,600
Cash flows from management of liquid resources	911,714	-
Non cash changes to liquid resources fair value adjustments	(34,327)	-
Opening net funds	976,978	934,378
Closing net funds	1,995,856	976,978

Liquid resources comprise current asset investments that are traded in active markets

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 February 2010 £	Cash flow £	Fair value adjustments £	At 31 January 2011 £
Cash at bank and in hand	976,978	141,491	-	1,118,469
Liquid resources	-	911,714	(34,327)	877,387
<b>Net funds</b>	<b>976,978</b>	<b>1,053,205</b>	<b>(34,327)</b>	<b>1,995,856</b>

16 LEASING COMMITMENTS

The group and the company

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

	2011 Land and buildings £	2010 Land and buildings £
Between one and five years	47,250	47,250

This operating lease relates to the group's headquarters in Chertsey. The current lease expires on 31 May 2012.

17 ULTIMATE CONTROLLING RELATED PARTY

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

## 18 FINANCIAL INSTRUMENTS

The group has financial instruments comprising cash, debtors, creditors and current asset investments. With the exception of current asset investments, the sole purpose of these financial instruments is to provide the working capital of the group.

## Financial instruments by category

Financial assets:	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Loans and receivables				
Trade debtors	732,713	164,812	1,013,084	225,736
Cash at bank and in hand	1,118,469	668,614	976,978	731,454
	1,851,182	833,426	1,990,062	957,190
Assets at fair value through profit or loss				
Current asset investments	877,387	877,387	-	-
Total financial assets	2,728,569	1,710,813	1,990,062	957,190

Financial liabilities:	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Loans and receivables				
Trade creditors	78,711	76,129	39,491	32,928
Total financial liabilities	78,711	76,129	39,491	32,928

## Fair value estimation

Current asset investments are classified as at fair value through profit or loss. The fair value of these investments is based on quoted prices from an active market at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for current asset investments held by the group is the current bid price.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

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### 18 FINANCIAL INSTRUMENTS (CONTINUED)

#### Financial risk management

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, price risk, credit risk, and foreign currency risk. The objective of the group is to manage these risks to minimise their impact on the financial results of the group.

#### Interest rate risk

The group has adopted a policy of investing any spare cash not required to finance the working capital of the company in a portfolio of fixed income investments, containing UK listed cumulative preference shares and sterling denominated corporate bonds and loan notes traded in active markets.

The level of interest receivable on these balances is fixed but the fair value of fixed income investments is affected by changes in interest rates. An explanation of how this risk is managed is included under the price risk section below.

#### Liquidity risk

The group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs. Cash not required to finance the working capital of the company is invested in a portfolio of fixed income investments, containing UK listed cumulative preference shares and sterling denominated corporate bonds and loan notes traded in active markets.

#### Price risk

The group is exposed to price risk from its portfolio of current asset investments. These investments are classified as being at fair value through profit and loss.

To manage this risk the performance of the portfolio is regularly reviewed by the board of directors in accordance with the group investment strategy. The overall objective of this strategy is to maintain and, where possible, increase the real value of the portfolio by maximising its total return, whether from interest, dividends or changes in fair value.

The group's fixed income investments are all traded on active markets.

Fixed income securities are sensitive to movements in market interest rates. The table on the following page summarises the impact of increases of the market interest rate (3 month LIBOR) on the group's post-tax profit for the year. The analysis is based on the assumption that 3 month LIBOR had increased by 0.5% and 1.0% with all other variables held constant and all of the securities moved according to their sensitivity to interest rates as measured by the modified Macauley duration.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2011

18 FINANCIAL INSTRUMENTS (CONTINUED)

Price risk (continued)

	2011 £	2010 £
Impact on post tax profit of a 0.5% increase in market interest rate	(31,382)	-
Impact on post tax profit of a 1.0% increase in market interest rate	(62,764)	-

Credit risk

Credit risk arises from cash held with banks, and credit exposure to our customers. For banks, only UK banks that are considered 'too large to fail' are accepted. Credit quality of customers is assessed taking into account financial position, past experience and other factors. The amount and age of credit utilised by each of our customers is reviewed on a regular basis.

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 January 2011 the group held cash balances in US dollars amounting to £134,405 (31 January 2010: £49,486), carried trade debtors denominated in US dollars of £114,749 (31 January 2010: £183,066) and had trade creditors denominated in US dollars of £2,575 (31 January 2010: £6,555). At 31 January 2011 the group also carried trade debtors denominated in euros of £nil (31 January 2010: £15,003). All other financial assets and liabilities are denominated in sterling.

19 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 £47,250 (2010: £47,250) was paid to Mr Austen for the use of the premises.

20 CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

**Company registration number:** 3509265

**Registered office:** 1 Guildford Street  
Chertsey  
Surrey  
KT16 9BG

**Directors:** Mr SN Austen  
Mr DK Scattergood

**Secretary:** Mr JJ Rutt

**Auditors:** Bishop Fleming  
Chartered Accountants  
16 Queen Square  
Bristol  
BS1 4NT

**Registrars:** Neville Registrars  
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18 Laurel Lane  
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**The ISIN code of our shares in the CREST system is IGB0032037870.**

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