



annual report & accounts 2002

**“I feel safe in their
hands.”**

- Merrill Lynch

CUSTOMER SYSTEMS LIMITED

CHAIRMAN'S STATEMENT

I am delighted to report another year of substantial growth for Customer Systems. We were able to record a significant increase in revenues whilst remaining highly profitable and cash-generative in spite of the difficult market conditions associated with the fall off in the IT spending boom, especially in the last half of the financial year.

Our implementation of CRM (Customer Relationship Management) systems continues to be of critical importance to our customers in realising the benefits of the hardware and software investments they have made.

At the end of our fourth year since incorporation we have grown to become a well recognised service provider in our chosen areas of specialisation. In particular, in the area of implementation of Siebel® software, we are very proud of the fact that approximately 11% of the worldwide customers of Siebel Systems, Inc have made use of our services.

Results in Brief

Revenues for the year increased by 54.9% to £5.1m (previous year: £3.3m). Pre-tax profits rose by 41.9% to £2.07m (previous year: £1.46m) giving a pre-tax margin of 40.2% (previous year: 43.9%). Earnings per share grew 37.9% to 2541.7p (previous year: 1842.8p).

The balance sheet remained strong at the year end with more than £1.4m in cash, a net asset value in excess of £1.4m and a surplus of £1.26m of current assets over current liabilities.

Dividends

In April 2001, the company paid an interim dividend of £5.40 net per share and, in October 2001, a further interim dividend of £12.60 net per share, making a total for the year of £18 net per share (previous year: £10.80). It has been the company's practice, for the purpose of administrative simplicity, to pay only interim dividends and not to pay a final dividend.

Business Progress

The company is in the process of gearing itself up to be more proactive in its sales and marketing, and is increasing the proportion of the clients' project lifecycles which it is equipped to manage and assist with.

An increasing proportion of the company's business is conducted directly with client organisations rather than via an intermediary such as a software company or another consulting organisation.

Geographical expansion into France did not reap the required results, and this was undoubtedly to some extent influenced by the sharp fall in investment in CRM systems in that country during the year. Further investment in expanding into the French market has been largely halted and the bulk of efforts and expenditure in geographical diversification is being concentrated on the USA market, where we believe there to be good opportunities for us.

Progress in the USA has been good, even though this initiative is currently at quite an early stage.

The company has made some progress towards the development of software products of its own and has extended its range of services to including a response centre for supporting applications after their development has been completed.

The company remains open to expanding its services to work with further application software companies.

**“Knocks spots off the
others we’ve tried.”**

- Fujitsu

CUSTOMER SYSTEMS LIMITED

CHAIRMAN'S STATEMENT

Staff

Customer Systems' truly unique differentiator remains the distinctly higher quality of staff that we apply to the missions entrusted to us by our clients. This is a commonly made claim but, in our case, even our competitors are often willing to acknowledge that this is valid.

Staff of this calibre are not easy to find and, in our case, even more so than in other companies, it is right to say that the company is its people.

Board and officers of the company

On 18th May 2001, Jonathan Coiley ACA, our financial controller, was appointed company secretary, replacing Robert Austen (brother of the chairman) who had been kind enough to serve as company secretary without salary since the formation of the company.

In the latter part of the financial year, a search was conducted for a non-executive director to strengthen the board, and I am delighted to announce that Simon Sanders FCA has been appointed immediately following the end of the financial year. Simon is also a non-executive director of Berkeley Morgan Group plc, a company traded on the OFEX market.

Outlook

The fall off in expenditure on IT amongst businesses around the world continues to make for difficult market conditions and is a more widespread problem than the media coverage of the "dot com" boom and bust might suggest.

Our diversification, particularly into the USA, gives us good possibilities to expand our horizons, although this will, of course, require more investment than expansion in the UK and closer parts of Europe needed. We have set ourselves a conservative budget for the coming year which shows a reduced level of earnings compared to the year just completed, whilst setting ourselves more demanding internal targets.

Through the coming year, the board will continue to examine the possibility of making arrangements to have the shares of the company traded on an appropriate exchange.

I look forward to another exciting year in the company's development.

Steve Austen
12 April 2002

**“First rate and
dependable.”**

- Siebel Systems UK Ltd

CUSTOMER SYSTEMS LIMITED

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CUSTOMER SYSTEMS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 January 2002.

Principal activities

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

The company also offers telephone support services and has developed its own range of software products.

The provision of these services and products is focused on the supply of our expertise in the area of customer relationship management systems.

Business review

There was a profit for the year after taxation amounting to £1,434,884 (2001: £1,032,784). Interim dividends of £1,013,548 (2001: £592,388) have been paid, leaving £421,336 (2001: £440,396) retained.

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 2002 and 1 February 2001 (or the date of their appointment to the board if later) were as follows:

	Ordinary shares	
	31 January 2002	1 February 2001
Mr S N Austen	51,001	51,001
Mr S B Sanders (appointed 1 February 2002)	20	-

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 company will continue in business.

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

CUSTOMER SYSTEMS LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Mr S N Austen
Director
12 April 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CUSTOMER SYSTEMS LIMITED

We have audited the financial statements of Customer Systems Limited for the year ended 31 January 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 19 on pages 4 to 14. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 Companies Act 1985. We also report to you 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 other information contained in the chairman's statement and the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH
12 April 2002

CUSTOMER SYSTEMS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiaries, it qualifies as a medium-sized group under section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

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

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 useful lives. The rates generally applicable are:

Motor vehicles	25%
Fixtures and fittings	25% - 50%
Computer equipment	33% - 50%

INVESTMENTS

Investments are included at cost.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

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.

CUSTOMER SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 January 2002

	Note	2002 £	2001 £
Turnover	1	5,136,166	3,316,133
Administrative expenses		<u>(3,117,777)</u>	<u>(1,877,897)</u>
Operating profit		2,018,389	1,438,236
Other interest receivable and similar income		<u>47,893</u>	<u>17,748</u>
Profit on ordinary activities before taxation	1	2,066,282	1,455,984
Tax on profit on ordinary activities	3	<u>(631,398)</u>	<u>(423,200)</u>
Profit for the financial year	12	1,434,884	1,032,784
Dividends paid		<u>(1,013,548)</u>	<u>(592,388)</u>
Profit transferred to reserves	11	421,336	440,396
Basic earnings per share (pence) □ □ □ □ □ □ □ □ □		2,541.73	1,842.84

There were no recognised gains or losses other than the profit for the financial year.

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

CUSTOMER SYSTEMS LIMITED

BALANCE SHEET AT 31 JANUARY 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	6	159,224	114,257
Investments	5	6,002	-
		<u>165,226</u>	<u>114,257</u>
Current assets			
Stocks and work in progress	7	16,274	-
Debtors	8	518,658	661,453
Cash at bank and in hand		1,419,677	777,040
		<u>1,954,609</u>	<u>1,438,493</u>
Creditors: amounts falling due within one year	9	<u>(695,833)</u>	<u>(569,161)</u>
Net current assets		<u>1,258,776</u>	<u>869,332</u>
Total assets less current liabilities		<u>1,424,002</u>	<u>983,589</u>
Capital and reserves			
Called up share capital	10	56,453	56,043
Share premium account	11	44,940	26,273
Profit and loss account	11	1,322,609	901,273
Shareholders' funds	12	<u>1,424,002</u>	<u>983,589</u>

The financial statements were approved by the Board of Directors on 12 April 2002.

Mr S N Austen

Director

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

CUSTOMER SYSTEMS LIMITED

CASH FLOW STATEMENT

For the year ended 31 January 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	13	2,161,234	1,258,092
Returns on investments and servicing of finance			
Interest received		47,893	17,748
Taxation		(422,566)	(155,628)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(143,451)	(109,051)
Acquisitions and disposals			
Purchase of investments		(6,002)	-
Equity dividends paid		(1,013,548)	(592,388)
Financing			
Issue of shares		19,077	14,380
Increase in cash	14	642,637	433,153

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

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity. An analysis of turnover by geographical market is given below:

	2002 £	2001 £
United Kingdom	3,182,511	1,525,421
Overseas	1,953,655	1,790,712
	<u>5,136,166</u>	<u>3,316,133</u>

The profit on ordinary activities is stated after:

	2002 £	2001 £
Auditor's remuneration	6,400	5,100
Depreciation of tangible fixed assets, owned	91,808	52,284
	<u>98,208</u>	<u>57,384</u>

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	1,613,896	927,420
Social security costs	173,704	99,970
Other pension costs	107,420	40,802
	<u>1,895,020</u>	<u>1,068,192</u>

The average number of employees of the company during the year was 44 (2001: 22).

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	87,199	75,043
Pension contributions	4,305	-
	<u>91,504</u>	<u>75,043</u>

During the year one director participated in a money purchase pension scheme.

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2002 £	2001 £
UK corporation tax at 30% (2001: 30%)	632,032	423,200
Adjustments in respect of prior periods: Overprovision in prior year	(634)	-
	<u>631,398</u>	<u>423,200</u>

4 FACTORS AFFECTING THE TAX CHARGE

	2002 £	2001 £
Profit before taxation multiplied by standard rate of UK corporation tax (30%)	619,884	436,795
Effect of:		
- Expenses not allowable for corporation tax purposes	1,591	1,378
- Excess/(shortfall) of depreciation over/(under) capital allowances	10,557	(12,911)
- Marginal rate relief	-	(2,062)
Corporation tax charge for the year	<u>632,032</u>	<u>423,200</u>

5 FIXED ASSET INVESTMENTS

	Shares in subsidiaries £
Cost	
Additions	6,002
At 31 January 2002	<u>6,002</u>
Net book Amount at 31 January 2002	<u>6,002</u>

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

At 31 January 2002 the company held 20% or more of the allotted share capital of the following:

	Class of share capital held	Proportion held	Country of incorporatio n	Nature of business
Subsidiaries				
Customer Systems International Limited	Ordinary shares	100%	England and Wales	Dormant
Customer Systems France SARL	Ordinary shares	100%	France	Dormant

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

A further subsidiary, Customer Systems International, Inc, was incorporated on 15 February 2002 in the State of Delaware, USA. This also represents an indirect holding by virtue of the company's holding in Customer Systems International Limited.

6 TANGIBLE FIXED ASSETS

	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 February 2001	52,716	24,960	123,537	201,213
Additions	45,795	22,219	75,437	143,451
Disposals	-	(10,663)	(2,863)	(13,526)
At 31 January 2002	98,511	36,516	196,111	331,138
Depreciation				
At 1 February 2001	25,736	3,985	57,235	86,956
Provided in the year	18,758	8,949	64,101	91,808
Eliminated on disposals	-	(5,776)	(1,074)	(6,850)
At 31 January 2002	44,494	7,158	120,262	171,914
Net book amount at 31 January 2002	54,017	29,358	75,849	159,224
Net book amount at 31 January 2001	26,980	20,975	66,302	114,257

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

7 STOCKS AND WORK IN PROGRESS

	2002 £	2001 £
Stocks	3,280	-
Short-term work in progress	12,994	-
	<u>16,274</u>	<u>-</u>

8 DEBTORS

	2002 £	2001 £
Trade debtors	459,986	644,326
Other debtors	2,051	-
Prepayments and accrued income	56,621	17,127
	<u>518,658</u>	<u>661,453</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Corporation tax	632,032	423,200
Social security and other taxes	920	96,388
Other creditors	1,118	3,298
Accruals and deferred income	61,763	46,275
	<u>695,833</u>	<u>569,161</u>

10 SHARE CAPITAL

	2002 £	2001 £
Authorised £1 ordinary shares	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid £1 ordinary shares	<u>56,453</u>	<u>56,043</u>

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

Allotments during the year

The company made an allotment of 410 ordinary £1 shares during the year for a total consideration of £19,077 partly by way of the exercise of options. The difference between the consideration and the nominal value of £18,667 has been credited to the share premium account.

Contingent rights to the allotment of shares

The company has granted options to certain employees in respect of 1,480 ordinary shares during the year.

400 of these options are exercisable at £50 per share between 1 October 2001 and 16 February 2011.

920 of these options are exercisable at £50 per share between 1 July 2002 and 30 June 2011.

160 of these options are exercisable at £150 per share between 1 December 2002 and 12 December 2011.

At the year end 1,430 of these options remained unexercised.

343 further options granted in prior years remain unexercised:

40 of these are exercisable at £8 per share between 1 March 2002 and 1 September 2009.

50 of these are exercisable at £10 per share between 1 November 2001 and 7 September 2009.

40 of these are exercisable at £15 per share between 1 April 2002 and 6 December 2009.

28 of these are exercisable at £28 per share between 1 October 2001 and 15 December 2009

30 of these are exercisable at £20 per share between 1 June 2002 and 18 January 2010.

50 of these are exercisable at £15 per share between 1 February 2002 and 6 February 2010.

25 of these are exercisable at £25 per share between 1 June 2002 and 5 March 2010.

40 of these are exercisable at £15 per share between 1 April 2002 and 6 March 2010.

40 of these are exercisable at £15 per share between 1 April 2002 and 21 March 2010.

11 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Profit and loss account £
At 1 February 2001	26,273	901,273
Retained profit for the year	-	421,336
Premium on allotments during the year	18,667	-
At 31 January 2002	44,940	1,322,609

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	1,434,884	1,032,784
Dividends	(1,013,548)	(592,388)
	<u>421,336</u>	<u>440,396</u>
Issue of shares	19,077	14,380
	<u>440,413</u>	<u>454,776</u>
Net increase in shareholders' funds	440,413	454,776
Shareholders' funds at 1 February 2001	983,589	528,813
	<u>1,424,002</u>	<u>983,589</u>
Shareholders' funds at 31 January 2002	1,424,002	983,589

13 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	2,018,389	1,438,236
Depreciation	91,808	52,284
Loss on disposal of tangible fixed assets	6,676	-
Increase in stocks	(16,274)	-
Decrease/(increase) in debtors	142,795	(257,188)
(Decrease)/increase in creditors	(82,160)	24,760
	<u>2,161,234</u>	<u>1,258,092</u>
Net cash inflow from continuing operating activities	2,161,234	1,258,092

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £	2001 £
Increase in cash in the year	642,637	433,153
Net funds at 1 February 2001	777,040	343,887
	<u>1,419,677</u>	<u>777,040</u>
Net funds at 31 January 2002	1,419,677	777,040

CUSTOMER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2002

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 February 2001 £	Cash flow £	At 31 January 2002 £
Cash at bank and in hand	777,040	642,637	1,419,677
	<u>777,040</u>	<u>642,637</u>	<u>1,419,677</u>

16 LEASING COMMITMENTS

Operating lease payments amounting to £209,352 (2001: £91,518) are due within one year. The leases to which these amounts relate expire as follows:

	2002 Land and buildings £	2001 Land and buildings £
Between one and five years	209,352	91,518

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 January 2002 or 1 February 2001.

18 CAPITAL COMMITMENTS

The company had no capital commitments at 31 January 2002 or 1 February 2001.

19 ULTIMATE CONTROLLING RELATED PARTY

The ultimate controlling party is Mr S N Austen by virtue of being the majority shareholder of the company.

Company registration number:

3509265

Registered office:

**Clarke House
65 High Street
Egham
Surrey
TW20 9EY**

Directors:

**Mr S N Austen
Mr S B Sanders**

Secretary:

Mr J C A Coiley

Bankers:

**Barclays Bank plc
PO Box 631
19 High Street
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Auditors:

**Grant Thornton
Registered Auditors
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