



annual report & accounts 2003

**Customer Systems Group
Five Year Summary**

		1999	2000	2001	2002	2003
Turnover	£	343,741	1,516,055	3,316,133	5,136,166	5,213,752
% growth			341.0%	118.7%	54.9%	1.5%
Profit before tax	£	37,262	587,252	1,455,984	2,066,282	1,878,909
% growth			1476.0%	147.9%	41.9%	-9.1%
Pre-tax margin		10.8%	38.7%	43.9%	40.2%	36.0%
Profit after tax	£	29,253	431,624	1,032,784	1,434,884	1,315,236
Dividends per share (pence)		0	0	5.4	9	11.2

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT

I am happy to be able to report another successful year of operations for Customer Systems which is particularly rewarding in a business environment where many IT organisations, and IT consulting organisations in particular, have had difficulties.

By contrast we recorded a healthy profit (albeit a little smaller than the year before), significantly positive cashflow and a modest growth in revenues. Whilst we would obviously prefer to record more dramatic growth, we have been conscious of the need to preserve our profitability by not pursuing marginal business and we have been conscious of the dangers that could result from reckless over-expansion. The last 12 months might be described as the year of living cautiously and any other approach would not have been prudent.

We have remained true to our goal of pursuing quality rather than volume. This has allowed us to operate in specialised areas of the market where our uniqueness provides a barrier to commoditisation.

We remain a highly specialised supplier of IT services allied to the leading software product in the CRM (Customer Relationship Management) market.

In October of 2002, the company achieved a significant goal in having its shares admitted for trading on the OFEX stock market.

Results in brief

Revenues for the year increased by 1.5% to £5.2m (previous year : £5.1m). Pre-tax profits fell 9.1% to £1.88m (previous year : £2.07m) resulting in a pre-tax margin of 36.0% (previous year : 40.2%). Earnings per share fell 9.0% to 11.61 pence (previous year : 12.75 pence).

It is interesting to note that, comparing sequential half years, we have now been recording growth in both revenues and profits for the last two half-years as shown in the table below.

	Half Year Ended		
	<u>31-Jan-02</u>	<u>31-Jul-02</u>	<u>31-Jan-03</u>
Revenue £	2,465,494	2,513,584	2,700,167
Revenue growth		2.0%	7.4%
Pre-tax profit £	830,861	864,207	1,014,702
Pre-tax profit growth		4.0%	17.4%
Pre-tax margin	33.7%	34.4%	37.6%
Margin improvement		0.7%	3.2%
Post-tax profit £	576,973	610,867	704,369
Post-tax profit growth		5.9%	15.3%
eps pence	5.12	5.40	6.21
eps growth		5.6%	14.9%

NB Half-year figures are unaudited

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT

This steady and consistent growth on both the revenue and profit lines perhaps bears out our feeling that the IT recession, at least as it impinges on us, seemed to bottom out in the second week of April 02. This does not mean, however, that we have become complacent about the need to energetically sell and market our services and products.

As in previous years, our balance sheet remains strong, in spite of the payment of substantial dividends, with a year end cash balance of £1.3m, a net asset value of £1.5m and a surplus of current assets over current liabilities amounting to £1.4m

Dividends

The company paid three interim dividends during the year; 4.5 pence net per share in April 2002, 2.7 pence net per share in July 2002, and 4 pence net per share in January 2003. This made a total of 11.2 pence net per share for the financial year compared with a total of 9 pence net per share for the prior year. This comparison includes an adjustment to the prior year's dividend total to account for the stock split and bonus issue in May 2002 which had the effect of increasing the number of shares by a factor of 200 and reducing the value of each by a factor of 200.

The middle dividend of the three was inserted as a special transition dividend as we made a change in the dates on which dividends are paid. From now on, the directors intend to consider paying dividends towards the end of the months of July and January of each year to coincide with the ends of the reporting periods. The date of record for determining entitlement to dividends may be up to one month prior to the date on which dividends are paid.

The company's policy remains that cash not required by the business is the property of the shareholders and should be returned to the shareholders to the extent that this can be done without leaving the business with an inadequate buffer.

Should a significant suitable investment opportunity arise or appear to be about to arise, then dividends may be reduced or omitted in order to make that investment possible.

Business Progress

Progress in the USA has been very encouraging. Our office in Iselin, New Jersey is now fully functional and some progress has been made with local staffing. Across the year as a whole, 19.5% of our revenue derived from the USA and the figure was running at over 30% for the last 3 months of the year.

Business in mainland Europe has been very slight, reflecting the depressed state of many European economies and, perhaps, to some extent, our lack of emphasis on this area over the past year. The overwhelming majority of our business has come from the UK and the USA as compared with the early history of the company where around half of our business came from mainland Europe.

We are aiming to put slightly more effort into selling into mainland Europe over the next year in order to see if we can discover a few "hotspots" and to be ready if their economies begin to recover.

The majority of our business continues to be in the services arena. However, our own software products have attracted some considerable interest and are now installed or in the process of being installed at 8 clients.

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT

Outlook

Steady growth in both revenues and profits on the basis of comparing successive half-years, for the last two half-years, suggests that we may not be too overoptimistic in believing that the market is improving very slightly as time progresses, though it has to be said that the market remains one in which great energy and agility are needed in order to achieve even quite modest growth.

Our expansion into the USA and our pursuit of diversification into, for instance, our own products have been successful and will continue to command our attention. We remain on the look out for additional software products in which to specialise.

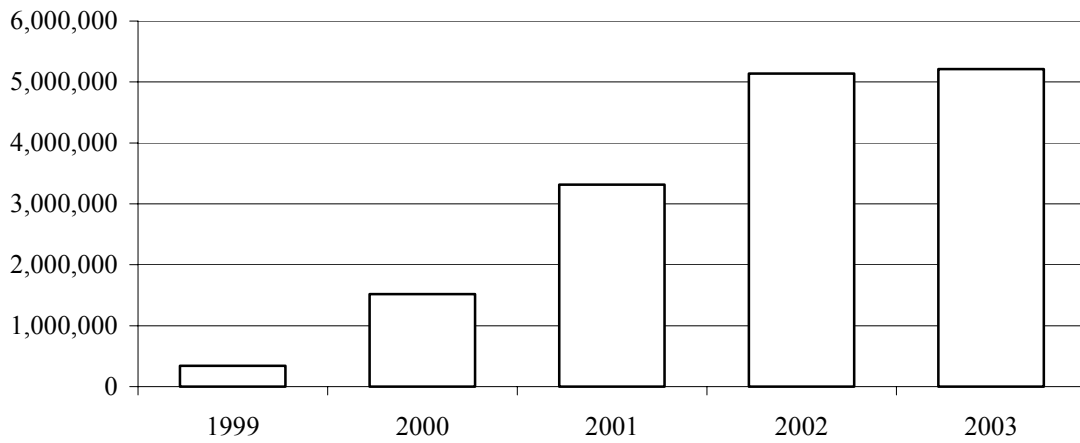
Given the very low company valuations now being seen in the public stock markets and in the world of mergers and acquisitions, we are keeping an eye out for acquisition opportunities.

Within our present core business, we intend to continue our emphasis on quality, intensely high levels of specialised skill and the pre-eminence of customer satisfaction. The current state of the IT market in general and the CRM market in particular seem to be much friendlier to specialised and highly differentiated companies such as ourselves than to companies with less focused identities.

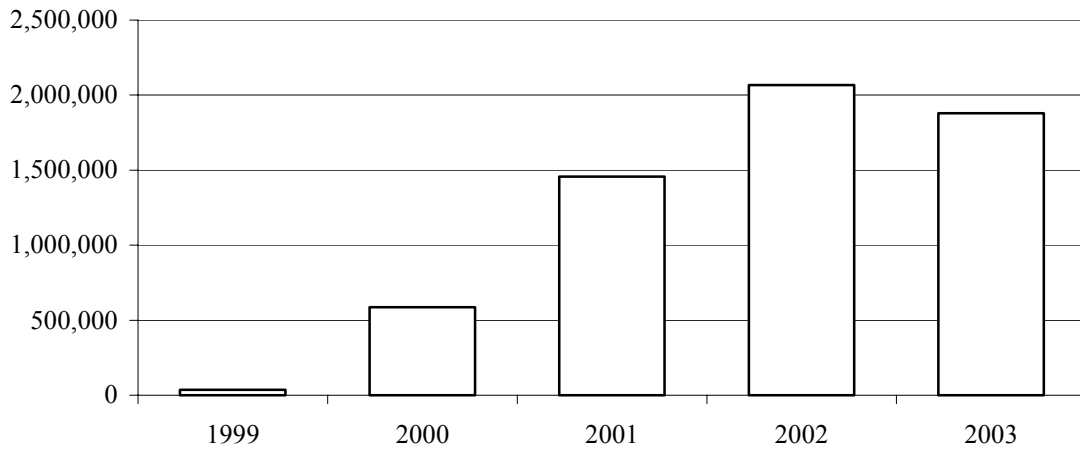
I would like to thank all of our staff and those of our strategic suppliers and partners for the commitment and skill that they have continued to contribute towards our business progress, and I would like to thank all of our customers for continuing to present us with the sort of challenges and missions that we enjoy.

Steve Austen
12 March 2003

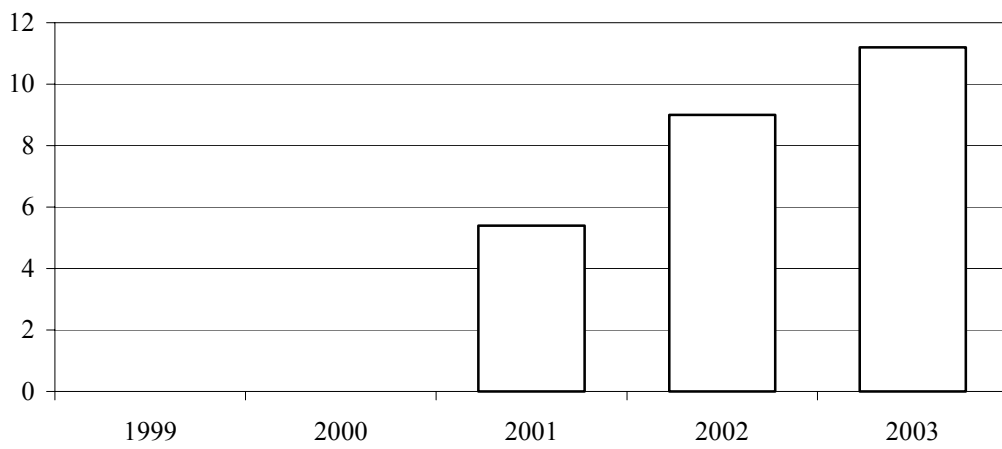
Turnover (£)



Profit before tax (£)



Dividends per share (pence)



CONTENTS	PAGE
Report of the directors	1 - 2
Report of the independent auditors	3 - 4
Principal accounting policies	5 - 6
Group profit and loss account	7
Group balance sheet	8
Company balance sheet	9
Group cash flow statement	10
Notes to the financial statements	11 - 19

CUSTOMER SYSTEMS PLC

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 January 2003.

Principal activities

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

The group 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 £1,315,236 (2002: £1,434,884). Interim dividends of £1,268,082 (2002: £1,013,548) have been paid, leaving £47,154 (2002: £421,336) retained.

On 29 May 2002 the company re-registered as a public limited company and accordingly the company's name was changed to Customer Systems plc. On 1 October 2002 the company's shares were admitted for trading on the OFEX market.

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 2003 and 1 February 2002 (or the date of their appointment to the board if later) were as follows:

	31 January 2003	1 February 2002
	1p ordinary shares	£1 ordinary shares
Mr S N Austen	10,191,200	51,001
Mr S B Sanders (appointed 1 February 2002)	16,800	20

Neither director held any share options at any time during the year.

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.

CUSTOMER SYSTEMS PLC

REPORT OF THE DIRECTORS

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.

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 March 2003

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

We have audited the financial statements of Customer Systems plc for the year ended 31 January 2003 which comprise the principal accounting policies, the group profit and loss account, the balance sheets, the group cash flow statement and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we required to state in 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

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 the 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 group is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This information comprises the chairman's statement and the report of the directors only. 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 group'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.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 January 2003 and of the profit for the group 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 March 2003**

CUSTOMER SYSTEMS PLC

PRINCIPAL ACCOUNTING POLICIES

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 remained unchanged from the previous 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 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 2003.

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.

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%
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 group an obligation to pay more tax in the future, or a right to pay less in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

CUSTOMER SYSTEMS PLC

PRINCIPAL ACCOUNTING POLICIES

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

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. 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 year ended 31 January 2003

		2003	2002
	Note	£	£
Turnover	1	5,213,752	5,136,166
Administrative expenses		<u>(3,374,956)</u>	<u>(3,117,777)</u>
Operating profit		1,838,796	2,018,389
Other interest receivable and similar income		<u>40,113</u>	<u>47,893</u>
Profit on ordinary activities before taxation	1	1,878,909	2,066,282
Tax on profit on ordinary activities	3	<u>(563,673)</u>	<u>(631,398)</u>
Profit for the financial year	12	1,315,236	1,434,884
Dividends paid		<u>(1,268,082)</u>	<u>(1,013,548)</u>
Profit transferred to reserves	11	47,154	421,336
Earnings per share - basic (pence)	4	11.61	12.75
Earnings per share - diluted (pence)	4	11.44	12.67

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 PLC

GROUP BALANCE SHEET at 31 January 2003

		2003	2002
	Note	£	£
Fixed assets			
Tangible assets	6	<u>91,397</u>	<u>159,224</u>
Current assets			
Stocks and work in progress	7	-	16,274
Debtors	8	873,714	518,658
Cash at bank and in hand		<u>1,307,430</u>	<u>1,425,679</u>
		2,181,144	1,960,611
Creditors: amounts falling due within one year	9	<u>(772,202)</u>	<u>(695,833)</u>
Net current assets		<u>1,408,942</u>	<u>1,264,778</u>
Total assets less current liabilities		<u>1,500,339</u>	<u>1,424,002</u>
Capital and reserves			
Called up share capital	10	113,572	56,453
Share premium account	11	28,413	44,940
Profit and loss account	11	<u>1,358,354</u>	<u>1,322,609</u>
Shareholders' funds	12	<u>1,500,339</u>	<u>1,424,002</u>

The financial statements were approved by the Board of Directors on 12 March 2003

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 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	6	91,397	159,224
Investments	5	6,002	6,002
		<u>97,399</u>	<u>165,226</u>
Current assets			
Stocks and work in progress	7	-	16,274
Debtors	8	742,668	518,658
Cash at bank and in hand		1,183,548	1,419,677
		<u>1,926,216</u>	<u>1,954,609</u>
Creditors: amounts falling due within one year	9	<u>(761,053)</u>	<u>(695,833)</u>
Net current assets		<u>1,165,163</u>	<u>1,258,776</u>
Total assets less current liabilities		<u>1,262,562</u>	<u>1,424,002</u>
Capital and reserves			
Called up share capital	10	113,572	56,453
Share premium account	11	28,413	44,940
Profit and loss account	11	1,120,577	1,322,609
Shareholders' funds		<u>1,262,562</u>	<u>1,424,002</u>

The financial statements were approved by the Board of Directors on 12 March 2003

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 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	13	1,963,614	2,161,234
Returns on investments and servicing of finance			
Interest received		40,113	47,893
Taxation		(865,427)	(422,566)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(28,520)	(143,451)
Sale of tangible fixed assets		10,870	-
Equity dividends paid		(1,268,082)	(1,013,548)
Financing			
Issue of shares		<u>29,183</u>	<u>19,077</u>
(Decrease)/increase in cash	14	<u>(118,249)</u>	<u>648,639</u>

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 2003

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 destination is given below. The analysis by geographical origin is substantially the same:

	2003 £	2002 £
United Kingdom	3,941,219	3,182,511
Overseas	<u>1,272,533</u>	<u>1,953,655</u>
	<u>5,213,752</u>	<u>5,136,166</u>

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

	2003 £	2002 £
United Kingdom	1,542,032	1,280,326
Overseas	<u>336,877</u>	<u>785,956</u>
	<u>1,878,909</u>	<u>2,066,282</u>

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

	2003 £	2002 £
United Kingdom	1,256,560	1,352,146
Overseas	<u>243,779</u>	<u>71,856</u>
	<u>1,500,339</u>	<u>1,424,002</u>

The profit on ordinary activities before taxation is stated after:

	2003 £	2002 £
Auditors' remuneration - audit services	9,500	6,400
- other services	2,250	2,000
Depreciation of tangible fixed assets, owned	<u>94,733</u>	<u>91,808</u>

The parent company has taken advantage of Section 230 of the Companies Act 1985 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 £1,077,459 (2002: £1,434,884).

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	1,738,212	1,613,896
Social security costs	180,575	173,704
Other pension costs	125,935	107,420
	<u>2,044,722</u>	<u>1,895,020</u>

The average number of employees of the group during the year was 44 (2002: 44).

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments	99,328	87,199
Pension contributions	4,446	4,305
	<u>103,774</u>	<u>91,504</u>

Emoluments in respect of the highest paid director were £88,827 (2002: £87,199). Pension contributions relating to the highest paid director were £4,446 (2002: £4,305).

During the year one director (2002: one) 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:

	2003 £	2002 £
Corporation tax at 30% (2002: 30%)	576,748	632,032
Overseas tax	531	-
Adjustments in respect of prior years corporation tax	(6,336)	(634)
	<u>570,943</u>	631,398
Deferred tax	(7,270)	-
	<u>563,673</u>	<u>631,398</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

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

	2003 £	2002 £
Profit before taxation	<u>1,878,909</u>	<u>2,066,282</u>
Profit before taxation multiplied by standard rate of UK corporation tax at 30%	563,673	619,884
Effect of:		
Expenses not allowable for corporation tax purposes	3,242	1,591
Differences in foreign rates of tax	2,255	-
Depreciation in excess of capital allowances	12,369	10,557
Marginal rate relief	(4,260)	-
Adjustments in respect of prior years	(6,336)	(634)
	<u>570,943</u>	<u>631,398</u>

4 EARNINGS PER SHARE

The number of shares used in the calculation is the weighted average number of shares in issue during the year. The weighted average number of shares in issue has been restated for 2002 to take account of the bonus issue and subsequent share split that occurred in May 2002.

	Profit after tax (Numerator)		Shares (Denominator)		Per share amount	
	2003 £	2002 £	2003 No.	2002 No.	2003 pence	2002 pence
BASIC EPS						
Profit attributable to ordinary shareholders	<u>1,315,236</u>	<u>1,434,884</u>	<u>11,325,646</u>	<u>11,250,150</u>	<u>11.61</u>	<u>12.75</u>
Effect of dilutive potential shares						
Options	<u>-</u>	<u>-</u>	<u>169,386</u>	<u>75,963</u>	<u>-</u>	<u>-</u>
DILUTED EPS						
Profit attributable to ordinary shareholders plus assumed conversions	<u>1,315,236</u>	<u>1,434,884</u>	<u>11,495,032</u>	<u>11,326,113</u>	<u>11.44</u>	<u>12.67</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

5 FIXED ASSET INVESTMENTS

The company

	Shares in subsidiaries £
At 1 February 2002 and at 31 January 2003	<u>6,002</u>

At 31 January 2003 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 International Limited	Ordinary shares	100%	England and Wales	IT consultancy
Customer Systems International Inc.	Ordinary shares	100%	USA	IT consultancy
Customer Systems France SARL	Ordinary shares	100%	France	Dormant

The holdings in Customer Systems International Inc. and Customer Systems France SARL are indirect holdings by virtue of the company's holding in Customer Systems International Limited.

6 TANGIBLE FIXED ASSETS

The group and the company	Motor Vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 February 2002	98,511	36,516	196,111	331,138
Additions	-	10,072	18,448	28,520
Disposals	(28,557)	-	(12,546)	(41,103)
At 31 January 2003	<u>69,954</u>	<u>46,588</u>	<u>202,013</u>	<u>318,555</u>
Depreciation				
At 1 February 2002	44,494	7,158	120,262	171,914
Provided in the year	21,945	12,204	60,584	94,733
Eliminated on disposals	(27,815)	-	(11,674)	(39,489)
At 31 January 2003	<u>38,624</u>	<u>19,362</u>	<u>169,172</u>	<u>227,158</u>
Net book amount at 31 January 2003	<u>31,330</u>	<u>27,226</u>	<u>32,841</u>	<u>91,397</u>
Net book amount at 31 January 2002	<u>54,017</u>	<u>29,358</u>	<u>75,849</u>	<u>159,224</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

7 STOCKS AND WORK IN PROGRESS

	Group 2003 £	Company 2003 £	Group 2002 £	Company 2002 £
Stocks	-	-	3,280	3,280
Short-term work in progress	-	-	12,994	12,994
	<u>-</u>	<u>-</u>	<u>16,274</u>	<u>16,274</u>

8 DEBTORS

	Group 2003 £	Company 2003 £	Group 2002 £	Company 2002 £
Trade debtors	796,851	658,877	459,986	459,986
Amounts owed by group undertakings	-	8,686	-	-
Other debtors	-	-	2,051	2,051
Prepayments and accrued income	69,593	67,835	56,621	56,621
Deferred tax asset	7,270	7,270	-	-
	<u>873,714</u>	<u>742,668</u>	<u>518,658</u>	<u>518,658</u>

The deferred tax asset is in respect of depreciation charges in excess of capital allowances.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 £	Company 2003 £	Group 2002 £	Company 2002 £
Amounts owed to group undertakings	-	276,217	-	-
Corporation tax	337,548	238,969	632,032	632,032
Social security and other taxes	107,309	102,224	920	920
Other creditors	-	-	1,118	1,118
Accruals and deferred income	327,345	143,643	61,763	61,763
	<u>772,202</u>	<u>761,053</u>	<u>695,833</u>	<u>695,833</u>

10 SHARE CAPITAL

	2003 £	2002 £
Authorised		
100 million 1p ordinary shares (2002: 100,000 £1 ordinary shares)	<u>1,000,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
11,357,150 1p ordinary shares (2002: 56,453 £1 ordinary shares)	<u>113,572</u>	<u>56,453</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

Allotments during the year

The company made an allotment of 8 ordinary £1 shares prior to a bonus issue and subdivision of shares that occurred in May 2002 for a total consideration of £120 by way of the exercise of options. The difference between the consideration and the nominal value amounts to £112 and has been credited to the share premium account.

In May 2002, 56,461 fully paid bonus shares were issued to existing shareholders in the proportion of 1 new £1 ordinary share for each existing £1 ordinary share. The amount capitalised for this purpose was the whole of the amount standing to the credit of the share premium account at the date of issue and £11,409 of the amount standing to the credit of the profit and loss account.

Subsequent to the bonus issue, each £1 ordinary share of the authorized share capital was subdivided into 100 shares of 1p each.

The company made an allotment of 64,950 ordinary 1p shares after the bonus issue and share split for a total consideration of £29,062 partly by way of the exercise of options. The difference between the consideration and the nominal value amounts to £28,413 and has been credited to the share premium account.

Contingent rights to the allotment of shares

Options granted in prior years over 211,200 1p ordinary shares (as restated) remain unexercised at 31 January 2003:

98,200 of these are exercisable at 25p per share between 1 July 2002 and 30 June 2011.

70,000 of these are exercisable at 25p per share between 1 April 2002 and 16 February 2011.

24,000 of these are exercisable at 75p per share between 1 December 2002 and 12 December 2011.

4,000 of these are exercisable at 4p per share between 1 March 2003 and 1 September 2009.

6,400 of these are exercisable at 7.5p per share between 1 October 2002 and 6 December 2009.

3,600 of these are exercisable at 10p per share between 1 June 2003 and 18 January 2010.

5,000 of these are exercisable at 12.5p per share between 1 June 2002 and 5 March 2010.

The company's shares were admitted to OFEX on 1 October 2002 at a price of 140p. The market price of the shares between this date and the balance sheet date varied between 135p and 155p. The market price of the shares on 31 January 2003 was 145p.

11 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account	Company Profit and loss account	Group Profit and loss account
	£	£	£
At 1 February 2002	44,940	1,322,609	1,322,609
Premium on allotments during the year	28,525	-	-
Converted to capital during the year	(45,052)	(11,409)	(11,409)
Retained (loss)/profit for the year	-	(190,623)	47,154
At 31 January 2003	28,413	1,120,577	1,358,354

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	1,315,236	1,434,884
Dividends	<u>(1,268,082)</u>	<u>(1,013,548)</u>
Issue of shares	47,154	421,336
	<u>29,183</u>	<u>19,077</u>
Net increase in shareholders' funds	76,337	440,413
Shareholders' funds at 1 February 2002	<u>1,424,002</u>	<u>983,589</u>
Shareholders' funds at 31 January 2003	<u><u>1,500,339</u></u>	<u><u>1,424,002</u></u>

13 NET CASH FLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	1,838,796	2,018,389
Depreciation	94,733	91,808
(Profit)/loss on sale of tangible fixed assets	(9,256)	6,676
Decrease/(increase) in stocks	16,274	(16,274)
(Increase)/decrease in debtors	(347,786)	142,795
Increase/(decrease) in creditors	<u>370,853</u>	<u>(82,160)</u>
Net cash inflow from operating activities	<u><u>1,963,614</u></u>	<u><u>2,161,234</u></u>

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £	2002 £
(Decrease)/increase in cash in the year	(118,249)	648,639
Net funds at 1 February 2002	<u>1,425,679</u>	<u>777,040</u>
Net funds at 31 January 2003	<u><u>1,307,430</u></u>	<u><u>1,425,679</u></u>

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

15 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 February 2002	Cash flow	At 31 January 2003
Cash at bank and in hand	<u>1,425,679</u>	<u>(118,249)</u>	<u>1,307,430</u>

16 LEASING COMMITMENTS

The group and the company

Operating lease payments amounting to £209,352 (2002: £209,352) are due within one year. The leases to which these amounts relate expire as follows:

	2003 Land and buildings £	2002 Land and buildings £
Between one and five years	<u>209,352</u>	<u>209,352</u>

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 January 2003 or 1 February 2002.

18 CAPITAL COMMITMENTS

The group had no capital commitments at 31 January 2003 or 1 February 2002.

19 ULTIMATE CONTROLLING RELATED PARTY

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

CUSTOMER SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2003

20 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.

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 January 2003 the group held cash balances in US dollars amounting to £64,594 (2002: £nil) and carried trade debtors denominated in US dollars of £137,974 (2002: £71,856). All other financial assets and liabilities are denominated in sterling.

21 RELATED PARTY TRANSACTIONS

The company has taken advantage of exemptions available under FRS 8 not to disclose transactions undertaken with its subsidiary undertakings. At 31 January 2003 the company owed £276,217 (2002: nil) to its subsidiary undertaking, Customer Systems International Limited. There were no transactions or balances with any other related parties.

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
Ascot
Berks
SL5 7JG**

Auditors:

**Grant Thornton
Registered Auditors
Chartered Accountants
Churchill House
Chalvey Road East
Slough
SL1 2LS**

Corporate Advisors:

**Bishop Fleming
Chartered Accountants
19 Portland Square
Bristol
BS2 8SJ**