



Annual Report & Accounts

2007



CUSTOMER SYSTEMS GROUP
NINE YEAR SUMMARY

		1999	2000	2001	2002	2003	2004	2005	2006	2007
Turnover	£	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
% growth			341.0%	118.7%	54.9%	1.5%	-14.1%	15.9%	7.2%	-5.0%
Profit before tax	£	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
% growth			1476.0%	147.9%	41.9%	-9.1%	-20.6%	37.1%	13.1%	0.1%
Pre-tax margin		10.8%	38.7%	43.9%	40.2%	36.0%	33.3%	39.4%	41.6%	43.9%
Profit after tax	£	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
Dividends per share (pence)		0	0	5.4	9	11.2	9.25	12.5	12.5	18.25

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BUSINESS PROFILE

Customer Systems plc was founded in February 1998 and our core business is as a high-quality, specialised supplier of IT consulting services. Our first 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.

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 from requirements definition through to delivery and testing, 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 through our consulting work. For some clients, we provide a support service whereby a copy of their special customised software is kept in our office, after the implementation phase is over, 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 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 reputation is second to none, and we win a great deal of repeat business and business by referral from existing customers. Our customers generally include nearly all of the largest players in every vertical 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. We prefer to train our new employees our way from scratch rather than having to teach them to forget the wrong ways of doing things, which they may have picked up elsewhere. This recruitment policy makes us very agile in responding to the needs of different clients with different IT environments, and to new software versions, and to opportunities to work with completely different products.

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 27 countries across Europe, North America, Asia and Australasia. Our shares are quoted on the PLUS market.

Siebel and Oracle are trademarks of Oracle Corporation

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED GROUP RESULTSFor the year ended 31 January 2007

I am delighted to be able to announce excellent figures for the year ended 31st January 2007, including our highest ever profit before tax figure, and our highest ever earnings per share.

The board would like to thank all our staff for their contributions to this achievement.

These record figures were achieved in spite of reduced revenues compared to last year, and in spite of results for the first 6 months of the year which did not compare favourably with the equivalent part of the preceding year.

RESULTS IN BRIEF

Revenues for the period were 4.97% lower at £5.28m (previous year : £5.56m). Profit before tax for the period increased 0.1% to £2.32m (previous year : £2.31m) giving a pre-tax margin of 43.9% (previous year : 41.6%). Earnings per share were 1.0% higher at 14.20 pence (previous year : 14.10 pence).

Our balance sheet remains very strong with a cash balance at the end of the period of £1.22m after the payment of significant dividends, and with net assets of £1.24m and a surplus of current assets over current liabilities of £1.18m.

DIVIDENDS

The company paid a special dividend of 6 pence net per share in April 2006, and then a first regular interim dividend of 5.75 pence net per share in July 2006, followed by a second regular interim dividend of 6.5 pence net per share in January 2007, making a total for the year of 18.25 pence net per share. This compares with the total dividend payment for last year of 12.5 pence net per share. However, the comparison is slightly unfair since the year just finished contained 3 dividends including the special one.

It remains our policy to pay only interim dividends in order to simplify administration, and it remains our policy to take surplus cash out of the company and pay it to shareholders unless we can see a reasonably immediate use for the cash for investment purposes, e.g. for a prospective acquisition. If we did identify a significant acquisition we wanted to make, this could result in one or more dividends being reduced or missed.

However, we have reconsidered the timing of dividends in the light of the rather odd law which applies to the size of dividends which may be distributed. The law constrains dividend payments by a public company not to the size of the company's distributable profits but rather to the size of the company's distributable profits as reported in the latest set of accounts filed at Companies House. There is little discernible logic to this law (since there is no requirement to have interim accounts audited prior to filing them at Companies House), but it has not been reformed by the recent extensive revamp of company law which the government has driven through. This particular part of the law remains as illogical as ever.

Having thought about the implications of this law, we have decided that, from now on, the usual dates for our interim dividends will be April and October and we believe that this will serve shareholders' interests better. The next dividend may need to be slightly smaller (as we will not have had as much time to accumulate further cash) but it will be sooner, as a result of this decision.

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED GROUP RESULTS

For the year ended 31 January 2007

In any case, it would be reasonable to expect a reduced total dividend for the year just started as it will not contain the non-recurring third dividend.

BUSINESS PROGRESS

The market level of demand which we experience continues to fluctuate. We must always expect it to do so, and we must always continue to apply our energy and imagination to sales and marketing so that we get in touch with the opportunities which exist.

However, in recent months, indeed for the entire second half of the year just finished and for the early months of the new financial year, demand has been at or slightly in excess of our capacity to supply.

During the year just finished, US revenues represented 18.8% of the annual total, UK revenues : 67.1%, mainland Europe : 14.1% and the rest of the world : 0%, though I am pleased to say that in the year just started, we have commenced a small engagement in Australia which is the first time we have worked there for quite some years. I would describe the figures for geographical spread as slightly disappointing from the standpoint of the US number, where we have invested in our own office, but slightly encouraging from the standpoint of the mainland European business. We had accustomed ourselves to thinking of the mainland European economies as being so depressed as to have little interest for us, but some recent work for French and German clients seems to have gone slightly against the trend.

The full list of countries in which we have delivered services since our foundation 9 years ago comprises UK, USA, Canada, Ireland, France, Germany, Austria, Switzerland, Italy, Spain, Portugal, Belgium, Netherlands, Luxembourg, Norway, Sweden, Denmark, Finland, Iceland, Greece, Czech Republic, Poland, Israel, Australia, Japan, Hong Kong and Taiwan.

When our business is constrained by the number of consultants we have available, we do obviously redouble our recruitment efforts. Finding enough of the right calibre of people remains a struggle.

OUTLOOK

At present, demand is still at a very healthy level. However, as always, prudence forces us to look into the future to the point where we will need to have sold more in order to sustain the current level of occupancy, and, as always, that point is soon enough that we cannot afford to be complacent.

Our primary partner, Siebel Systems, Inc. were acquired by Oracle Corporation a little over a year ago, and the process of integrating the Siebel employees and technology within Oracle has continued and progressed since then.

How this progresses in the future could have a significant impact on us and, inevitably, creates an area of uncertainty for us.

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED GROUP RESULTSFor the year ended 31 January 2007

So far, the process of integration seems to have worked well from our point of view. There is now an energetic business unit within Oracle dedicated to CRM software and, amongst its employees and managers, ex-Siebel people are very well represented, so allowing us to preserve our relationships from the old structure, as well as building new relationships with other Oracle people.

Oracle now have a number of CRM software offerings, but seem to be treating the Siebel software as the flagship CRM system in most situations.

Oracle plan to fuse the best of all their CRM offerings (and offerings in other application areas) into a new product codenamed Fusion. However, they have also committed to continue development of the Siebel software for some considerable time into the future.

At the moment, the integration of Siebel within the Oracle organisation seems to be benign from our point of view, though we obviously have no way of predicting the future with certainty.

In one particular respect, the process of integration could also work in our favour. Siebel's business intelligence tool, Siebel Analytics, has been adopted by Oracle as their flagship reporting tool and is being actively marketed into non-Siebel environments as the solution for achieving true business intelligence across multiple data sources. Since we have already developed significant skills in this product, we may now have the opportunity to market those skills to a wider audience.

STEVE AUSTEN**8th March 2007**

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 January 2007.

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 some software products of its own.

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 £1,624,472 (2006: £1,608,932). Dividends of £2,089,005 (2006: £1,427,594) have been paid, resulting in a transfer from reserves of £464,533 (2006: £181,338 transfer to reserves).

For the majority of the business review, please see the business profile on page 2 of this document, the chairman's statement on pages 3-5 of this document and the nine year 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, though none exist or are threatened at present
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 2007 and 1 February 2006 were as follows:

REPORT OF THE DIRECTORS

DIRECTORS (CONTINUED)

	31 January 2007	1 February 2006
	1p ordinary shares	1p ordinary shares
Mr S N Austen	10,205,867	10,205,867
Mr D K Scattergood	368,200	368,200

At 31 January 2007 Mr D K Scattergood held options to purchase a further 69,500 shares (2006: 83,000 shares). These options are exercisable at 25 pence per share between 1 July 2003 and 30 June 2011.

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.

REPORT OF THE DIRECTORS

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 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Mr S N Austen
Director
8th March 2007

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

We have audited the group and parent company financial statements (the “financial statements”) of Customer Systems plc for the year ended 31 January 2007 which comprise the principal accounting policies, the group profit and loss account, the balance sheets, the group cash flow statement and notes 1 to 19. 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 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 only the nine year summary table, the business profile, the chairman's statement and the report of the directors. 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 AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and 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.

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and the company as at 31 January 2007 and of the profit for the group for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

**BISHOP FLEMING
CHARTERED ACCOUNTANTS & REGISTERED AUDITORS
16 QUEEN SQUARE
BRISTOL
BS1 4NT**

8th March 2007

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 2007.

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.

PRINCIPAL ACCOUNTING POLICIES

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	25% - 50%
Computer equipment	33% - 50%

INVESTMENTS

Investments are included at cost.

DEFERRED TAXATION

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

FOREIGN CURRENCY TRANSACTIONS

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

RESEARCH AND DEVELOPMENT

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

CONTRIBUTIONS TO PENSION SCHEMES

Defined contribution schemes

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

PRINCIPAL ACCOUNTING POLICIES

LEASED ASSETS

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

FINANCIAL INSTRUMENTS

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

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 January 2007

	Note	2007 £	2006 £
Turnover	1	5,282,401	5,558,813
Administrative expenses		(3,023,361)	(3,315,382)
Operating profit		2,259,040	2,243,431
Interest receivable		57,709	70,948
Profit on ordinary activities before taxation	1	2,316,749	2,314,379
Tax on profit on ordinary activities	3	(692,277)	(705,447)
Profit for the financial year		1,624,472	1,608,932
Earnings per share - basic (pence)	4	14.20	14.10
Earnings per share - diluted (pence)	4	14.13	13.99

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.

GROUP BALANCE SHEET

At 31 January 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	6	64,825	78,961
Current assets			
Debtors	7	946,859	694,943
Cash at bank and in hand		1,218,350	1,795,272
		2,165,209	2,490,215
Creditors: amounts falling due within one year	8	(988,731)	(874,315)
Net current assets		1,176,478	1,615,900
Total assets less current liabilities		1,241,303	1,694,861
Capital and reserves			
Called up share capital	9	114,717	114,278
Share premium account	10	56,038	45,502
Profit and loss account	10	1,070,548	1,535,081
Shareholders' funds	11	1,241,303	1,694,861

The financial statements were approved by the Board of Directors on 8th March 2007.

Mr S N Austen
Director

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

COMPANY BALANCE SHEET

At 31 January 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	6	64,825	78,961
Investments	5	6,001	6,099
		70,826	85,060
Current assets			
Debtors	7	551,625	414,666
Cash at bank and in hand		855,890	1,597,576
		1,407,515	2,012,242
Creditors: amounts falling due within one year	8	(378,487)	(567,636)
Net current assets		1,029,028	1,444,606
Total assets less current liabilities		1,099,854	1,529,666
Capital and reserves			
Called up share capital	9	114,717	114,278
Share premium account	10	56,038	45,502
Profit and loss account	10	929,099	1,369,886
Shareholders' funds		1,099,854	1,529,666

The financial statements were approved by the Board of Directors on 8th March 2007.

Mr S N Austen
Director

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

GROUP CASH FLOW STATEMENT

For the year ended 31 January 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	12	2,076,539	2,565,889
Returns on investments and servicing of finance			
Interest received		57,709	70,948
Taxation		(601,965)	(674,206)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(32,945)	(10,034)
Sale of tangible fixed assets		1,770	5,025
Equity dividends paid		(2,089,005)	(1,427,594)
Financing			
Issue of shares		10,975	11,650
(Decrease) / increase in cash	13	(576,922)	541,678

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

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:

	2007 £	2006 £
United Kingdom	3,546,044	3,198,042
Overseas	1,736,357	2,360,771
	5,282,401	5,558,813

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

	2007 £	2006 £
United Kingdom	1,555,220	1,239,769
Overseas	761,529	1,074,610
	2,316,749	2,314,379

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

	2007 £	2006 £
United Kingdom	1,199,858	1,653,632
Overseas	41,445	41,229
	1,241,303	1,694,861

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

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

The profit on ordinary activities before taxation is stated after:

	2007 £	2006 £
Auditors' remuneration - audit services	7,450	8,250
- other services	3,450	2,400
Depreciation of tangible fixed assets, owned	47,081	55,603
Net loss/(gain) on foreign currency translation	41,393	(4,889)

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 £1,648,218 (2006: £1,465,672). This includes a dividend from its subsidiary Customer Systems International Limited of £350,000 (2006: £695,000) and a dividend from its subsidiary Customer Systems UK Limited of £900,000 (2006: £nil).

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2007 £	2006 £
Wages and salaries	1,859,158	1,953,686
Social security costs	203,278	242,081
Other pension costs	113,420	84,798
	2,175,856	2,280,565

The average number of employees of the group during the year was 37 (2006: 37).

Remuneration in respect of directors was as follows:

	2007 £	2006 £
Emoluments	205,366	238,607
Pension contributions	58,198	18,240
	263,564	256,847

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

2 DIRECTORS AND EMPLOYEES (CONTINUED)

Emoluments in respect of the highest paid director were £129,127 (2006: £122,109). Pension contributions relating to the highest paid director were £5,250 (2006: £5,040).

During the year two directors (2006: 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:

	2007 £	2006 £
Corporation tax at 30% (2006: 30%)	691,029	675,821
Overseas tax	6,785	16,131
Adjustments in respect of prior years' corporation tax	(5,537)	606
	692,277	692,558
Deferred tax	-	12,889
	692,277	705,447

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

	2007 £	2006 £
Profit before taxation	2,316,749	2,314,379
Profit before taxation multiplied by standard rate of UK corporation tax at 30%	695,025	694,314
Effect of:		
Expenses not allowable for corporation tax purposes	3,416	4,687
Excess of capital allowances over depreciation	(627)	(6,684)
Marginal rate relief	-	(335)
Adjustments in respect of prior years	(5,537)	606
	692,277	692,588

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

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	
	2007 £	2006 £	2007 No.	2006 No.	2007 pence	2006 pence
BASIC EPS Profit attributable to ordinary shareholders	1,624,472	1,608,932	11,438,108	11,408,425	14.20	14.10
EFFECT OF DILUTIVE POTENTIAL SHARES Options	-	-	57,517	91,592	-	-
DILUTED EPS Profit attributable to ordinary shareholders plus assumed conversions	1,624,472	1,608,932	11,495,625	11,500,017	14.13	13.99

5 FIXED ASSET INVESTMENTS

The company	Shares in subsidiaries £
At 1 February 2006	6,099
Disposals	(98)
At 31 January 2007	6,001

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

5 FIXED ASSET INVESTMENTS (CONTINUED)

At 31 January 2007 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.

The Search Group, Customer Systems France SARL, Novus Recruitment Limited and Theseus Executive Search Limited underwent solvent dissolution during the year. Prior to this, each of these companies had been dormant for some considerable time. The directors made the decision to have them dissolved because they were no longer required and because no further use could be foreseen for them. The company held 100% of the ordinary share capital of these dormant subsidiary companies at the start of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

6 TANGIBLE FIXED ASSETS

The group and the company	Motor Vehicles £	Plant, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 February 2006	49,810	135,790	243,932	429,532
Additions	-	-	32,945	32,945
Disposals	(5,300)	(5,550)	(149,090)	(159,940)
At 31 January 2007	44,510	130,240	127,787	302,537
Depreciation				
At 1 February 2006	39,037	79,340	232,194	350,571
Provided in the year	4,390	25,143	17,548	47,081
Eliminated on disposals	(5,300)	(5,550)	(149,090)	(159,940)
At 31 January 2007	38,127	98,933	100,652	237,712
Net book amount at 31 January 2007	6,383	31,307	27,135	64,825
Net book amount at 31 January 2006	10,773	56,450	11,738	78,961

7 DEBTORS

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Trade debtors	849,266	119,364	550,199	175,230
Amounts owed by group undertakings	-	394,426	-	207,474
Amounts recoverable on contracts	1,067	1,067	80,405	-
Other debtors	948	-	3,608	-
Prepayments and accrued income	95,578	36,768	60,731	31,962
	946,859	551,625	694,943	414,666

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Trade creditors	18,782	16,315	1,077	1,074
Amounts owed to group undertakings	-	111,718	-	35,031
Corporation tax	492,814	73,694	402,502	196,902
Social security and other taxes	162,425	2,884	140,501	99,879
Accruals and deferred income	314,710	173,876	330,235	234,750
	988,731	378,487	874,315	567,636

9 SHARE CAPITAL

	2007 £	2006 £
Authorised 100 million 1p ordinary shares	1,000,000	1,000,000
Allotted, called up and fully paid 11,471,650 1p ordinary shares (31 January 2006: 11,427,750 1p ordinary shares)	114,717	114,278

Allotments during the year

The company made an allotment of 43,900 ordinary 1p shares during the year for a total consideration of £10,975. The difference between the consideration and the nominal value amounts to £10,536 and has been credited to the share premium account.

Of these 43,900 allotted shares, 13,500 were in respect of options exercised by the highest paid director.

Contingent rights to the allotment of shares

Options granted in prior years over 69,500 1p ordinary shares remain unexercised at 31 January 2007. These options are exercisable at 25p per share between 1 July 2003 and 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

9 SHARE CAPITAL (CONTINUED)

The company's shares are quoted on the PLUS market. The market price of the shares between the beginning of the year and the balance sheet date varied between 140p and 150p. The market price of the shares on 31 January 2007 was 142.5p.

10 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Company Profit and loss account £	Group Profit and loss account £
At 1 February 2006	45,502	1,369,886	1,535,081
Premium on allotments during the year	10,536	-	-
Profit for the year	-	1,648,218	1,624,472
Dividends	-	(2,089,005)	(2,089,005)
At 31 January 2007	56,038	929,099	1,070,548

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit for the financial year	1,624,472	1,608,932
Dividends	(2,089,005)	(1,427,594)
	(464,533)	181,338
Issue of shares	10,975	11,650
Change in minority interests	-	(1,931)
Net (decrease)/increase in shareholders' funds	(453,558)	191,057
Opening shareholders' funds	1,694,861	1,503,804
Closing shareholders' funds	1,241,303	1,694,861

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

12 NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit	2,259,040	2,243,431
Depreciation	47,081	55,602
Profit on sale of tangible fixed assets	(1,770)	(4,882)
(Increase)/decrease in debtors	(251,916)	285,525
Increase/(decrease) in creditors	24,104	(13,787)
Net cash inflow from operating activities	2,076,539	2,565,889

13 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	2006 £
(Decrease)/increase in cash in the year	(576,922)	541,678
Opening net funds	1,795,272	1,253,594
Closing net funds	1,218,350	1,795,272

14 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 February 2006 £	Cash flow £	At 31 January 2007 £
Cash at bank and in hand	1,795,272	(576,922)	1,218,350

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

15 LEASING COMMITMENTS**The group and the company**

Operating lease payments amounting to £47,250 (2006: £47,250) are due within one year. The leases to which these amounts relate expire as follows:

	2007 Land and buildings £	2006 Land and buildings £
Between one and five years	47,250	47,250

16 ULTIMATE CONTROLLING RELATED PARTY

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

17 FINANCIAL INSTRUMENTS

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

Interest rate risk

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

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 2007 the group held cash balances in US dollars amounting to £120,140 (31 January 2006: £106,400) and carried trade debtors denominated in US dollars of £14,646 (31 January 2006: £238,790). At 31 January 2007 the group also carried trade debtors denominated in euros of £43,930 (31 January 2006: £nil). All other financial assets and liabilities are denominated in sterling.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 January 2007

18 RELATED PARTY TRANSACTIONS

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

The group's headquarters in Chertsey is owned by Mr S N Austen, a director. During the period rent of £47,250 (2006: £47,250) was paid to Mr Austen for the use of the premises.

19 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 S N Austen
Mr D K Scattergood

Secretary: Mr J C A Coiley

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

Corporate Advisors: Bishop Fleming
Chartered Accountants
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Registrars: Neville Registrars
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**Our shares are quoted on the PLUS market
(www.plusmarketsgroup.com) under the dealing symbol CSY. The
SEDOL dealing code is 3203 787 and the ISIN dealing code is
IGB0032037870.**

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