



interim report 2002

**“Quite frankly little comparison
with other consultants.
Far superior to anyone
I’ve used before.”**

**- Novartis Pharmaceuticals,
East Hanover, New Jersey.**

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT FOR THE CONSOLIDATED UNAUDITED GROUP RESULTS FOR THE HALF YEAR ENDED 31ST JULY 2002

I am very pleased to announce a successful result for the half year to 31st July 2002. Customer Systems has continued to be recognised as a leading supplier of services such as consulting, training and support in connection with the implementation of CRM (Customer Relationship Management) software systems.

Many major corporations in Europe and the USA have trusted us to help them to implement sophisticated CRM systems that are critical to their business goals.

As everybody must by now be aware, the IT industry has been passing through a period of recession in which many large customer organisations have sought to reduce or defer investment in IT systems, particularly when compared to peak levels of expenditure in the late nineties and the year 2000.

It would be foolish for us to expect to be wholly unaffected by this, and indeed we significantly felt the impact of this in the first quarter of this year, but our performance has held up very well when compared with that of many of our competitors.

Above all, we remain a highly profitable and cash-generative business.

Results in Brief

Revenues for the 6 month period were £2.51m (2001: £2.67m). Profit before tax for the period was £0.86m (2001: £1.24m). Earnings per share for the period were 5.4 pence (2001: 7.6 pence).

At the Annual General Meeting in May of this year, it was resolved to modify the company's share capital to achieve a more practical value for each share. This was achieved by a bonus issue of one additional share for each share already held and a 100 for 1 share split. The net effect of this was to increase the number of shares by a factor of 200 and so to reduce the value of each share by a factor of 200. The earnings per share figures quoted above and the dividend figures below have been adjusted to reflect the effect of this reorganisation so that the numbers can be fairly compared, and so that the figures all relate to the shares in their current denomination.

Dividends

An interim dividend of 4.5 pence net per share was paid in April 2002 and a further interim dividend of 2.7 pence net per share was paid in July 2002, making a total for the period of 7.2 pence net per share (2001: 2.7 pence), and these are reflected in the accounts below.

The board intends to adhere to its policy of only paying interim dividends for the sake of administrative simplicity but to change the months in which it considers paying a dividend to July and January of each year from now on, in order to coincide with the end of each reporting period. It is the board's intention that the date of record for determining entitlement to dividends may be up to one month prior to the date on which dividends are paid.

Business Progress

Our comparatively new US operation based in Iselin, New Jersey has shown considerable growth and warrants the investment of further sales and marketing effort and expenditure.

Our customers in the USA have now included major household names in the areas of insurance, asset management, beverages, cars, consumer goods, pharmaceuticals and construction materials.

CUSTOMER SYSTEMS PLC

CHAIRMAN'S STATEMENT (continued)

We continue to invest in the development of software products of our own. Whilst we do not envisage these becoming a major part of our revenue in the near future, they do add new ways in which we can help to solve our customers' problems, and they increase our differentiation from other suppliers in the marketplace.

Within the period, we received our first order for some of our own software products. This was from a major European supplier of consumer goods. Revenue resulting from this sale is expected to be recognised in the next period in line with our delivery of installed product in their environment. Whilst it will not be particularly large by comparison with our overall revenues, it is important symbolically to our progress in diversification of our business. This may also lead to further sales to the same customer, and act as a reference for sales to other customers.

Outlook

We have seen some evidence of a gentle upturn in the market since the first quarter which gives some cause for encouragement though it is only fair to say that markets do not generally rebound in a sharp "saw-tooth" fashion.

We continue to seek out and pursue routes to diversify our operations and to increase our differentiation from other service organisations, such as the development of software products and the expansion of our US operation. These diversification initiatives require expenditure and so inevitably have some impact on earnings in the near term. However, they are showing some promising progress and stand a good chance of contributing significantly to the company's continued success.

Steve Austen
9 August 2002

CUSTOMER SYSTEMS PLC**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the half year ended 31 July 2002

	Unaudited 6 Months ended 31 July 2002	Unaudited 6 Months ended 31 July 2001	Audited 12 Months ended 31 January 2002
Note	£	£	£
Turnover	2,513,584	2,670,672	5,136,166
Administrative expenses	<u>(1,670,639)</u>	<u>(1,455,834)</u>	<u>(3,117,777)</u>
Operating profit	842,945	1,214,838	2,018,389
Other interest receivable and similar income	<u>21,262</u>	<u>20,583</u>	<u>47,893</u>
Profit on ordinary activities before taxation	864,207	1,235,421	2,066,282
Tax on profit on ordinary activities	2 <u>(253,340)</u>	<u>(377,510)</u>	<u>(631,398)</u>
Profit for the period	4 610,867	857,911	1,434,884
Dividends paid	<u>(813,797)</u>	<u>(302,832)</u>	<u>(1,013,548)</u>
Transferred (from) / to reserves	5 <u><u>(202,930)</u></u>	<u><u>555,079</u></u>	<u><u>421,336</u></u>
Earnings per ordinary share (pence)	3 <u><u>5.4</u></u>	<u><u>7.6</u></u>	<u><u>12.8</u></u>
Weighted average number of ordinary shares in issue (millions)	11.31	11.22	11.25

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

CUSTOMER SYSTEMS PLC**CONSOLIDATED BALANCE SHEET**

At 31 July 2002

	Unaudited as at 31 July 2002	Unaudited as at 31 July 2001	Audited as at 31 January 2002
Note	£	£	£
Fixed Assets			
Tangible assets	123,256	117,617	159,224
Investments	4	0	6,002
	123,256	117,617	165,226
Current assets			
Stocks and work in progress	0	0	16,274
Debtors	1,272,057	742,723	518,658
Cash at bank and in hand	1,077,168	1,688,921	1,419,677
	2,349,225	2,431,644	1,954,609
Creditors: amount falling due within one year	(1,229,577)	(1,000,451)	(695,833)
Net current assets	1,119,648	1,431,193	1,258,776
Total assets less current liabilities	1,242,904	1,548,810	1,424,002
Capital and reserves			
Called up share capital	113,229	56,292	56,453
Share premium account	21,405	36,166	44,940
Profit and loss account	5	1,456,352	1,322,609
Shareholders' funds	1,242,904	1,548,810	1,424,002

CUSTOMER SYSTEMS PLC

CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 31 July 2002

	Unaudited 6 Months ended 31 July 2002 £	Unaudited 6 Months ended 31 July 2001 £	Audited 12 Months ended 31 January 2002 £
Net cash inflow from operating activities	438,231	1,226,785	2,161,234
Returns on investments and servicing of finance			
Interest received	21,262	20,583	47,893
Taxation	0	0	(422,566)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(16,039)	(42,797)	(143,451)
Acquisitions and disposals			
Purchase of investments	0	0	(6,002)
Equity dividends paid	(813,797)	(302,832)	(1,013,548)
Financing			
Issue of shares	21,832	10,142	19,077
(Decrease) / increase in cash	<u>(348,511)</u>	<u>911,881</u>	<u>642,637</u>

CUSTOMER SYSTEMS PLC

NOTES TO THE INTERIM REPORT 2002

1. BASIS OF PREPARATION

The accounting policies used for the audited financial statements at 31 January 2002 have been used in the preparation of this interim report.

The interim report is unaudited and does not comprise full financial statements. The results for the year to 31 January 2002 are an abridged statement of the financial statements for that year which have been delivered to the Registrar of Companies, and on which the auditors' report was unqualified.

2. TAX CHARGE

The tax charge relating to the current half year has been calculated at 30% of the profit before tax and is based on the current estimate of the effective tax rate for the full year. The Group adopts the provisions of the UK Financial Reporting Standard 19, however no adjustments have been made as the effect is not material.

3. EARNINGS PER SHARE

The weighted average number of shares in issue has been restated where necessary to take account of the bonus issue and share split that occurred in May 2002.

4. COMPARATIVES

The audited figures for the year to 31 January are not consolidated. The company was exempt from preparing consolidated financial statements on the grounds that, taken with its subsidiaries, it qualified as a medium sized group under section 248 of the Companies Act 1985. The consolidation adjustments would have amounted to the removal of the investment in subsidiaries of £6,002 and an increase in the cash and bank balance by the same amount.

5. PROFIT AND LOSS ACCOUNT

	Unaudited 6 Months ended 31 July 2002 £	Unaudited 6 Months ended 31 July 2001 £	Audited 12 Months ended 31 January 2002 £
Profit and loss account at the start of the period	1,322,609	901,273	901,273
Retained profit for the period	(202,930)	555,079	421,336
Capitalisation of reserves	(11,409)	0	0
Profit and loss account at the end of the period	<u>1,108,270</u>	<u>1,456,352</u>	<u>1,322,609</u>

Company registration number: 3509265

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**Directors: Mr S N Austen
Mr S B Sanders**

Secretary: Mr J C A Coiley