

Registered number
01019844

KCS MANAGEMENT SYSTEMS LIMITED
DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006



KCS MANAGEMENT SYSTEMS LIMITED

COMPANY INFORMATION

Directors

A D Snell
L J Colliss
A R McErlain
D S Sahni

Secretary

A D Snell

Auditors

Spofforths LLP
1 Horsham Gates
North Street
Horsham
West Sussex
RH13 5PJ

Registered office

Capella Court
Brighton Road
Purley
Surrey
CR8 2PG

Bankers

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9 The Boulevard
Crawley
West Sussex
RH10 1UT

Registered number

01019844

KCS MANAGEMENT SYSTEMS LIMITED

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KCS MANAGEMENT SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

The directors present their report and financial statements for the year ended 30 September 2006.

Principal activities

The company's principal activity during the year continued to be the development, marketing, installation and support of computer software for integrated HR, Payroll and Time & Attendance systems.

Review of the business and future developments

The directors are pleased to announce another successful financial year with results showing a 22% increase in revenues in the corresponding twelve month period.

Substantial investment in research and development was made during the year to take full advantage of new technologies. This investment has produced a number of new modules in demand by both current customer and new prospects. We are confident that this will fully satisfy our clients strategic HR and Payroll's future vision.

The company continues to be one of very few suppliers to attain the Inland Revenue accreditation for the current software products this year, which included electronic filing.

Following last year's success in achieving several industry awards, we are pleased to announce that we yet again won the prestigious 'Payroll Software Provider of the Year' award, making KCS Management Systems Limited the only company ever to achieve this feat 6 years in a row. The Directors are committed to achieving a seventh title next year!

In another year that presented changing trading conditions for the IT industry, KCS Management Systems continued to grow against trends. This reflects the quality and strong market presence the company has attained in its industry.

With the enhanced range of products and services now offered, the directors are confident that the company remains well placed to take advantage of the improving market, and thus predict another year of growth.

Results and dividends

The profit for the 12 months to 30 September 2006, after taxation, amounted to £671,194 (18 months to 30 September 2005: £667,012). No dividend has been paid in the year (2005: £650,250).

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	£1 Ordinary shares	
	30	1
	September	October
	2006	2005
A D Snell	-	-
L J Colliss	-	-
A R McErlain	-	-
D S Sahni	-	-

The interests of the directors in the share capital of the parent company are disclosed in that company's financial statements.

KCS MANAGEMENT SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

Directors' responsibilities

The directors are responsible for preparing the report and financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union.

Company law 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 for that period. In preparing those financial statements, the directors are required to:

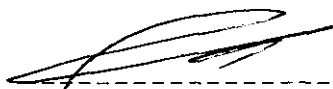
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Spofforths resigned as auditors on 31 December 2005 and Spofforths LLP were appointed in their place. A resolution to reappoint Spofforths LLP as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 27 FEBRUARY 2007 and signed on behalf of the board by



A D Snell
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

KCS MANAGEMENT SYSTEMS LIMITED

We have audited the financial statements of KCS Management Systems Limited for the year ended 30 September 2006 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity, the Cash Flow Statement and the related notes. 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 company's circumstances, consistently applied and adequately disclosed.

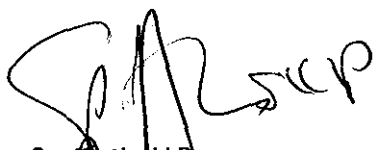
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KCS MANAGEMENT SYSTEMS LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 30 September 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Sportarths LLP

Chartered Accountants and Registered Auditors

1 Horsham Gates

North Street

Horsham

West Sussex

RH13 5PJ

27 February 2007

KCS MANAGEMENT SYSTEMS LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 30 SEPTEMBER 2006**

	Notes	12 months 2006 £	18 months 2005 £
Revenue	2	5,066,607	6,231,588
Cost of sales		(831,826)	(846,208)
Gross profit		4,234,781	5,385,380
Administrative expenses		(3,458,740)	(4,730,960)
Operating profit	3	776,041	654,420
Interest receivable		4,953	66,160
Profit before taxation		780,994	720,580
Income tax expense	6	(83,205)	(53,568)
Profit for the period	14	697,789	667,012

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two financial years.

KCS MANAGEMENT SYSTEMS LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2006

	Notes	£	2006 £	£	2005 £
ASSETS					
Non-current assets					
Intangible assets	7	60,283		16,898	
Property, plant and equipment	8	<u>129,910</u>		<u>154,145</u>	
			190,193		171,043
Current assets					
Trade and other receivables	9	2,089,059		1,825,487	
Cash and cash equivalents		<u>709,199</u>		<u>211,936</u>	
			2,798,258		2,037,423
Total Assets			<u><u>2,988,451</u></u>		<u><u>2,208,466</u></u>
EQUITY AND LIABILITIES					
Equity					
Share capital	12		85,000		85,000
Capital redemption reserve	13		134,000		134,000
Retained earnings	14		457,618		(240,171)
Total equity	16		<u>676,618</u>		<u>(21,171)</u>
Current liabilities	10		954,746		675,155
Non-current liabilities					
Long term provisions	11	13,200		8,400	
Deferred tax	11	13,868		11,441	
Deferred income		<u>1,330,019</u>		<u>1,534,641</u>	
			1,357,087		1,554,482
Total liabilities			<u><u>2,311,833</u></u>		<u><u>2,229,637</u></u>
Total equity and liabilities			<u><u>2,988,451</u></u>		<u><u>2,208,466</u></u>

Approved by the board on 27 FEBRUARY 2007 and signed on behalf of the board by



A D Snell
Director

KCS MANAGEMENT SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Share capital £	Capital redemption reserve £	Retained earnings £	Total Equity £
Balance at 1 April 2004	<i>85,000</i>	<i>134,000</i>	<i>278,532</i>	<i>497,532</i>
Changes in accounting policy	-	-	(535,465)	(535,465)
Restated balance	<i>85,000</i>	<i>134,000</i>	<i>(256,933)</i>	<i>(37,933)</i>
Profit for the period	-	-	667,012	667,012
Total recognised income and expense for the period	<i>85,000</i>	<i>134,000</i>	<i>410,079</i>	<i>629,079</i>
Dividends	-	-	(650,250)	(650,250)
Balance at 30 September 2005 carried forward	<i>85,000</i>	<i>134,000</i>	<i>(240,171)</i>	<i>(21,171)</i>
Balance at 30 September 2005 bought forward	<i>85,000</i>	<i>134,000</i>	<i>(240,171)</i>	<i>(21,171)</i>
Profit for the year	-	-	697,789	697,789
Balance at 30 September 2006 carried forward	<i>85,000</i>	<i>134,000</i>	<i>457,618</i>	<i>676,618</i>

KCS MANAGEMENT SYSTEMS LIMITED

CASH FLOW STATEMENT

AS AT 30 SEPTEMBER 2006

	Notes	12 months 2006 £	18 months 2005 £
Cash flows from operating activities			
Profit before taxation		780,994	720,580
Adjustments for			
Interest receivable		(4,953)	(66,160)
Depreciation charges		36,750	57,917
Amortisation of intangible assets		6,612	8,807
Prior year adjustment		-	535,465
Operating cash flows before movements in working capital		819,403	1,256,609
Increase in provision		4,800	-
Increase in trade and other receivables		(468,194)	(27,671)
Increase/(decrease) in trade and other payables		203,120	(307,857)
Cash generated from operations		559,129	921,081
Income tax paid		(4,307)	(119,049)
Net cash inflow from operating activities		554,822	802,032
CASH FLOW STATEMENT			
Net cash flows from operating activities		554,822	802,032
Net cash flows from investing activities	17	(57,559)	20,727
Net cash flows from financing activities	17	-	(850,857)
Net increase/(decrease) in cash and cash equivalents		497,263	(28,098)
Cash and cash equivalents at beginning of period		211,936	240,034
Cash and cash equivalents at end of period		709,199	211,936

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 Principal accounting policies

Basis of accounting

The company has adopted International Financial Reporting Standards (IFRS) for the first time in these financial statements. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The previously reported 2005 results and financial position have been restated in accordance with IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 22.

Revenue

Revenue is the total amount receivable by the company in respect of the sale of licenses installed and accepted, and services provided, excluding VAT and trade discounts. Income arising in respect of maintenance contracts is recognised on a straight line basis over the period of the related contract.

Software

The intangible fixed asset relates to computer software which is recorded at cost and amortised on a straight-line basis over the estimated useful economic life of 5 years.

Depreciation

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life, as follows:

Equipment	over 5 years
Fixtures and fittings	over 10 years
Computer equipment	over 5 years

Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Operating lease commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Software development costs

Software development costs are capitalised in accordance with IAS 38 'Intangible Assets'. Expenditure is only capitalised at the point at which all the criteria of IAS 38 are satisfied. These costs are amortised on a systematic basis over the period which the related product is expected to be sold. Deferred development expenditure is reviewed at the end of each accounting period and where the circumstances which have justified the deferral no longer apply, or are considered doubtful, the expenditure, to the extent to which it is considered to be irrecoverable is written off immediately.

Grant income

Grant income is drawn down as relevant costs are defrayed and the income has been included in revenue.

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

Pensions

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

2 Revenue

Revenue is derived from the company's principal activity which was carried out wholly in the UK.

3 Operating profit	12 months 2006 £	18 months 2005 £
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This is stated after charging:

Depreciation of property, plant and equipment	36,755	57,917
Amortisation of intangible assets	6,612	8,807
Operating lease rentals - plant and machinery	-	761
Operating lease rentals - land and buildings	79,933	102,438
Operating lease rentals - motor vehicles	44,765	66,140
Auditors' remuneration - audit work	9,000	9,000
Auditors' remuneration - non audit work	-	7,425

4 Directors' emoluments	12 months 2006 £	18 months 2005 £
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Emoluments	-	236,808
Company contributions to money purchase pension schemes	-	30,080
	-	266,888

Highest paid director:

Emoluments	-	94,304
Company contributions to money purchase pension schemes	-	18,500
	-	112,804

Number of directors in company pension schemes:	2006 Number	2005 Number
Money purchase schemes	-	3

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

5 Staff costs	12 months 2006 £	18 months 2005 £
Wages and salaries	1,637,757	2,183,204
Social security costs	175,540	295,122
Other pension costs	67,507	123,027
	<u>1,880,804</u>	<u>2,601,353</u>

Average number of employees during the year	Number	Number
Administration	2	3
Development	8	9
Customer services	27	28
Sales and marketing	11	13
Management	-	2
	<u>48</u>	<u>55</u>

6 Taxation	12 months 2006 £	18 months 2005 £
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	67,898	4,306
Adjustments in respect of previous periods	<u>12,880</u>	<u>41,425</u>
Total current tax (see below)	80,778	45,731
Deferred tax:		
Origination and reversal of timing differences	<u>2,427</u>	<u>7,837</u>
Total deferred tax (Note 11)	2,427	7,837
Tax on profit on ordinary activities	<u>83,205</u>	<u>53,568</u>

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	<u>780,994</u>	<u>720,580</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 : 19%)	234,298	136,910
Effects of:		
Expenses not deductible for tax purposes	2,363	7,491
Capital allowances for year in excess of depreciation	2,976	12,678
Prior year adjustment for change in accounting policy	-	(101,738)
Utilisation of tax losses	(167,994)	(30,135)
Marginal relief adjustment	(3,745)	-
Adjustments in respect of previous years	<u>12,880</u>	<u>20,525</u>
Total current tax (see above)	<u>80,778</u>	<u>45,731</u>

7 Intangible assets

	£
Cost	
At beginning of year	72,725
Additions	<u>49,997</u>
At end of year	<u>122,722</u>
Amortisation	
At beginning of year	55,827
Provided during the year	<u>6,612</u>
At end of year	<u>62,439</u>
Net book value	
At 30 September 2006	<u>60,283</u>
At 30 September 2005	<u>16,898</u>

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

8 Property, plant and equipment

	Equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At beginning of year	90,597	169,763	108,526	368,886
Additions	5,319	142	7,054	12,515
At end of year	<u>95,916</u>	<u>169,905</u>	<u>115,580</u>	<u>381,401</u>
Depreciation				
At beginning of year	62,897	80,216	71,628	214,741
Charge for the year	11,675	11,356	13,719	36,750
At end of year	<u>74,572</u>	<u>91,572</u>	<u>85,347</u>	<u>251,491</u>
Net book value				
At 30 September 2006	<u>21,344</u>	<u>78,333</u>	<u>30,233</u>	<u>129,910</u>
At 30 September 2005	<u>27,700</u>	<u>89,547</u>	<u>36,898</u>	<u>154,145</u>

9 Trade and other receivables

	2006 £	2005 £
Trade receivables	307,974	544,928
Amounts owed by group undertakings	1,251,242	1,053,792
Other receivables	466	465
Prepayments and accrued income	<u>529,377</u>	<u>226,302</u>
	<u>2,089,059</u>	<u>1,825,487</u>

10 Current liabilities

	2006 £	2005 £
Trade payables	422,038	277,682
Corporation tax	117,644	41,173
Other taxes and social security costs	181,822	169,680
Other payables	3,171	2,559
Accruals	<u>230,071</u>	<u>184,061</u>
	<u>954,746</u>	<u>675,155</u>

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

11 Provisions for liabilities

	Deferred tax £	Other £	Total £
At beginning of year	11,441	8,400	19,841
Charged to the profit and loss account	2,427	4,800	7,227
At end of year	<u>13,868</u>	<u>13,200</u>	<u>27,068</u>

Deferred taxation provided in the accounts is as follows:

	Provided 2006 £	Provided 2005 £
Capital allowances in advance of depreciation	<u>13,868</u>	<u>11,441</u>

12 Share capital

	2006 £	2005 £
Authorised:		
Ordinary shares of £1 each	<u>85,000</u>	<u>85,000</u>
	2006 No	2005 No
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>85,000</u>	<u>85,000</u>

13 Reserves

	Capital redemption reserve £
At beginning of year	<u>134,000</u>
At end of year	<u>134,000</u>

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

14 Retained earnings	2006	2005
	£	£
At beginning of period	(240,171)	278,532
Prior year adjustment	-	(535,465)
At beginning of period as restated	(240,171)	(256,933)
Profit for the financial period	697,789	667,012
Dividends	-	(650,250)
At end of period	457,618	(240,171)
 15 Dividends	 2006	 2005
	£	£
Dividends for which the company became liable during the period:		
Dividends paid	-	650,250
<i>Analysis of dividends by type:</i>		
Equity dividends (Note 14)	-	650,250
 16 Reconciliation of movement in shareholders' funds	 2006	 2005
	£	£
Profit for the financial period	697,789	667,012
Dividends	-	(650,250)
Net movement in shareholders' funds	697,789	16,762
At beginning of year	(21,171)	(37,933)
At end of period	676,618	(21,171)
 17 Gross cash flows	 2006	 2005
	£	£
Cash flows from investing activities		
Interest received	4,953	66,160
Payments to acquire intangible fixed assets	(49,997)	(12,069)
Payments to acquire tangible fixed assets	(12,515)	(33,364)
	(57,559)	20,727
 Cash flows from financing activities		
Dividends paid	-	(850,857)

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

18 Pension commitments

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the period amounted to £67,507 (2005: £153,107).

19 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	<i>Land and buildings</i>	Other	<i>Other</i>
	2006	<i>2005</i>	2006	<i>2005</i>
	£	<i>£</i>	£	<i>£</i>
Operating leases which expire:				
within one year	-	-	12,238	5,783
within two to five years	<u>144,238</u>	<u>102,438</u>	<u>11,374</u>	<u>60,357</u>
	<u>144,238</u>	<u><i>102,438</i></u>	<u>23,612</u>	<u><i>66,140</i></u>

20 Contingent liabilities

A cross guarantee exists between the company and its parent, KCS Global Holdings Ltd, in respect of bank loans held by KCS Global Holdings Ltd and for the overdraft of KCS Management Systems Limited. At the balance sheet date, this contingent liability amounts to £NIL (2005: £NIL).

Under the terms of the Offer Letter, the income received from the DTI Smart Award grant in the year ended 31 March 2004 is repayable, in part or in full, if certain conditions as laid down within the letter are not met. At the year end this contingent liability amounts to £99,813 (2005: £99,813).

KCS MANAGEMENT SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

21 Related parties

The company's ultimate parent undertaking is KCS Global Holdings Ltd.

The company paid a management charge of £777,300 (2005: £153,600) to KCS Global Holdings Ltd. Last year the company also received a refund of management charges paid to KCS Global Ltd, another subsidiary of KCS Global Holdings Ltd, of £110,000.

The table below shows the service charges received from group companies and the balances outstanding:

	Service charges		Balances	
	2006	2005	2006	2005
	£	£	£	£
KCS Global Holdings Ltd	-	-	625,746	715,588
KCS Global Ltd	-	-	122,963	117,507
KCS Connect Ltd	42,500	126,900	502,533	184,742
Pro-Pay Ltd	2,700	3,300	-	35,956
JCS Management Services Ltd	-	49,800	-	-
	<u>45,200</u>	<u>180,000</u>	<u>1,251,242</u>	<u>1,053,793</u>

22 Explanation of transition to IFRS

The company has applied IFRS 1, First Time Adoption of International Financial Reporting Standards in preparing these financial statements. The company's transition date is 1 April 2004 and as such an opening IFRS balance sheet has been prepared at that date. However, 2005 comparative information has not been restated under these new accounting standards as they result in no changes to the figures.

There has been a change in accounting policy for the treatment of software development costs. Under UK GAAP these costs had been charged to the income statement in the year it was incurred. Under IAS 38 there is a requirement to capitalise these costs if they meet the criteria. No adjustment has been made prior to 1 October 2005 for these software development costs as no reliable system was in place for measuring the expenditure attributable to the intangible asset during its development.

KCS MANAGEMENT SYSTEMS LIMITED

MANAGEMENT INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	12 months 2006		18 months 2005	
	£	£	£	£
Turnover		5,066,607		6,231,588
Cost of sales				
Direct costs	831,826		846,208	
		(831,826)		(846,208)
Gross profit		4,234,781		5,385,380
Other income	(45,200)		-	
Other costs	3,503,940		4,730,960	
		(3,458,740)		(4,730,960)
Interest receivable		776,041		654,420
Bank interest receivable		4,953		66,160
Profit for the year before taxation		780,994		720,580

KCS MANAGEMENT SYSTEMS LIMITED

MANAGEMENT INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	12 months 2006 £	18 months 2005 £
Cost of sales		
Direct costs	<u>831,826</u>	<u>846,208</u>
Administrative expenses		
Wages and salaries	1,665,660	2,827,217
Group benefits	91,386	157,520
Commissions payable	147,637	190,165
Consultancy / temporary staff	92,282	92,019
Staff training	4,706	18,138
Recruitment	31,911	18,141
Rent, rates, repairs and insurance	161,137	275,088
Motor expenses	70,645	135,256
Travel	119,741	201,444
Telecommunication costs	34,016	50,733
Printing, postage and stationery	54,602	57,453
Computer consumables	3,564	4,563
Advertising	148,233	283,592
Sundry expenses	13,724	18,115
Equipment maintenance	19,610	15,143
Audit, legal and professional fees	14,265	43,928
Subscriptions and publications	3,538	5,403
Bank charges	4,137	4,071
Bad debts	2,484	14,144
Amortisation	6,612	8,807
Depreciation	36,750	57,917
Management fees	777,300	(136,400)
Exceptional Items	-	388,503
	<u>3,503,940</u>	<u>4,730,960</u>