

Company Registration No. 3889532 (England and Wales)

**CSF MANAGED SERVICES PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2008**

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**CSF MANAGED SERVICES PLC**

**COMPANY INFORMATION**

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<b>Directors</b>	E J Halpin I Williams
<b>Secretary</b>	W B Homan-Russell
<b>Company number</b>	3889532
<b>Registered office</b>	First Floor Station House 4-8 High Street West Drayton Middlesex UB7 7DJ
<b>Auditors</b>	KPMG Audit Plc St James' Square Manchester M2 6DS
<b>Bankers</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP

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## **CSF MANAGED SERVICES PLC**

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## **CSF MANAGED SERVICES PLC**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MAY 2008**

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The directors present their report and financial statements for the year ended 31 May 2008.

#### **Principal activities and review of the business**

The principal activity of the company continued to be that of the provision of computer equipment and related services to its customers.

The directors consider the results achieved on ordinary activities to be satisfactory given the changes that have taken place following the acquisition of the business by Cantono plc, particularly given current market conditions.

Turnover for the year showed growth of almost 17% with sales of £5,942,499 compared to £2,119,580 for the 5 months period to 31 May 2007. Gross profit for the year was £5,078,348 compared to £1,805,264 for the 5 month period to 31 May 2007. The company made a profit on ordinary activities before taxation of £898,000. This compares to a profit on ordinary activities before taxation for the 5 month period to 31 May 2007 of £8,045,825. Results for the 5 month period benefited from a waiver of intra group charges when the company was acquired by Cantono Plc.

The company is in a stronger financial position at the end of the year following its integration into the managed services activities of Cantono plc and the directors consider the financial position of the company at the Balance Sheet date to be satisfactory.

#### **Results and dividends**

The results for the year are set out on page 6.

No dividends were paid in the current year or the previous period.

#### **Future developments**

Following a strategic review, the company's trade and assets were transferred to Blue River Systems Limited on 15 December 2008.

#### **Directors**

The following directors have held office since 1 June 2007:

E J Halpin

I Williams

C Chapman

(Resigned 28 January 2008)

#### **Creditor payment policy**

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 90 (2007 - 89) day's purchases.

#### **Auditors**

KPMG Audit Plc were auditors for the year. In accordance with section 384 of the Companies Act 1985, a resolution proposing that KPMG Audit Plc be re-appointed will be proposed at the forthcoming Annual General Meeting.

**CSF MANAGED SERVICES PLC**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

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**Statement of disclosure to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware there is no relevant audit information of which the Company's auditors are unaware; and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



.....  
E J Halpin

Director

21<sup>st</sup> January 2009

**CSF MANAGED SERVICES PLC**

**DIRECTORS' RESPONSIBILITIES**

**FOR THE YEAR ENDED 31 MAY 2008**

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**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **CSF MANAGED SERVICES PLC**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF CSF MANAGED SERVICES PLC**

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We have audited the financial statements of CSF Managed Services PLC for the year ended 31 May 2008 which comprise the profit and loss account, balance sheet 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 the directors and auditors**

The director's responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice ) are set out in the Statement of Director's Responsibilities on page 3.

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.

**CSF MANAGED SERVICES PLC**

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**TO THE MEMBERS OF CSF MANAGED SERVICES PLC**

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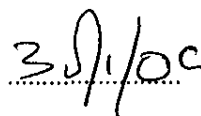
**Opinion**

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 company's affairs as at 31 May 2008 and of its profit for the period then ended, and
- 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.



**KPMG Audit Plc**



Chartered Accountants  
**Registered Auditor**

St James' Square  
Manchester  
M2 6DS



**CSF MANAGED SERVICES PLC**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MAY 2008**

		<b>Year ended 31 May 2008 £</b>	<b>5 Month period ended 31 May 2007 £</b>
	<b>Notes</b>		
<b>Turnover</b>	<b>2</b>	5,942,499	2,119,580
Cost of sales		(1,400,675)	(314,316)
<b>Gross profit</b>		4,541,824	1,805,264
Administrative expenses		(3,380,121)	5,563,790
Other operating income		8,836	-
<b>Operating profit</b>	<b>3</b>	1,170,539	7,369,054
Profit on disposal of fixed assets		-	678,628
Interest payable and similar charges	<b>4</b>	(272,539)	(1,857)
<b>Profit on ordinary activities before taxation</b>		898,000	8,045,825
Tax on profit on ordinary activities	<b>5</b>	-	-
<b>Profit for the year</b>	<b>12</b>	898,000	8,045,825

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

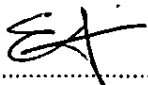
**CSF MANAGED SERVICES PLC**

**BALANCE SHEET**

**AS AT 31 MAY 2008**

	Notes	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Tangible assets	6		933,739		978,025
<b>Current assets</b>					
Stocks	7	16,120		7,214	
Debtors	8	3,674,649		1,119,176	
Cash at bank and in hand		318,612		105,624	
		<u>4,009,381</u>		<u>1,232,014</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(4,446,743)</u>		<u>(2,927,642)</u>	
<b>Net current liabilities</b>			<u>(437,362)</u>		<u>(1,695,628)</u>
<b>Total assets less current liabilities</b>			496,377		(717,603)
<b>Creditors: amounts falling due after more than one year</b>	10		<u>(315,980)</u>		-
			<u>180,397</u>		<u>(717,603)</u>
<b>Capital and reserves</b>					
Called up share capital	11		50,000		50,000
Profit and loss account	12		130,397		(767,603)
<b>Shareholders' funds</b>	13		<u>180,397</u>		<u>(717,603)</u>

Approved by the Board and authorised for issue on 28.1.2009



E J Halpin  
Director

**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2008**

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**1 Accounting policies**

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

**1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

**1.3 Turnover**

Turnover represents the amounts derived from the provision of goods and services to third party customers during the period and is exclusive of value added tax.

The Group has three main income streams: software sales and associated maintenance income, managed services and professional services.

Software sales of standard product are recognised to the extent that the company has obtained the right to consideration through its performance. Revenue from support and maintenance is recognised on a straight-line basis over the period to which the maintenance agreement relates.

Revenue from managed services is recognised on a straight-line basis over the period of the contract.

Professional services income is recognised as services are performed.

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line
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**1.5 Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**1.6 Stock**

Stock is valued at the lower of cost and net realisable value.

**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

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**1 Accounting policies**

**(continued)**

**1.7 Deferred taxation**

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**1.8 Foreign currency translation**

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 profit and loss account.

**1.9 Classification of financial instruments**

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

**1.10 Cash flow statement**

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

**CSF MANAGED SERVICES PLC****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2008****2 Turnover**

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

**3 Operating profit**

	<b>Year ended 31 May 2008 £</b>	<b>5 month period ended 31 May 2007 £</b>
Operating profit is stated after charging:		
Depreciation of tangible assets	530,872	175,110
Costs of reorganisation	-	2,287,709
Loss on foreign exchange transactions	-	99
and after crediting:		
Write back of a formally waived inter group loan	-	(9,578,199)
Profit on foreign exchange transactions	(8,836)	-

Auditors' remuneration - audit of these financial statements is paid by the parent company.

**4 Interest payable**

	<b>Year ended 31 May 2008 £</b>	<b>5 month period ended 31 May 2007 £</b>
On bank loans and overdrafts	569	-
On other loans wholly repayable within five years	255,600	-
Lease interest	16,370	1,857
	<u>272,539</u>	<u>1,857</u>

**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

<b>5 Taxation</b>	<b>Year ended 31 May 2008</b>	<b>5 month period ended 31 May 2007</b>
<b>Current tax charge</b>	-	-
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	898,000	8,045,825
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 29.67% (2007 - 30.00%)	266,407	2,413,748
Effects of:		
Non deductible expenses	-	592,143
Depreciation add back	157,492	52,533
Capital allowances	(103,250)	(33,776)
Tax losses utilised	(320,649)	52,401
Formally waived loan write off	-	(2,873,461)
Other tax adjustments	-	(203,588)
	266,407	(2,413,748)
<b>Current tax charge</b>	-	-

No deferred asset has been recognised as future profits are not expected.

**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

**6 Tangible fixed assets**

	<b>Plant and machinery £</b>
<b>Cost</b>	
At 1 June 2007	1,350,121
Additions	486,586
	<hr/>
At 31 May 2008	1,836,707
	<hr/>
<b>Depreciation</b>	
At 1 June 2007	372,096
Charge for the year	530,872
	<hr/>
At 31 May 2008	902,968
	<hr/>
<b>Net book value</b>	
At 31 May 2008	933,739
	<hr/> <hr/>
At 31 May 2007	978,025
	<hr/> <hr/>

Included above are assets held under finance leases or hire purchase contracts as follows:

	<b>Plant and machinery £</b>
<b>Net book values</b>	
At 31 May 2008	158,064
	<hr/> <hr/>
At 31 May 2007	-
	<hr/> <hr/>
<b>Depreciation charge for the year</b>	
At 31 May 2008	51,815
	<hr/> <hr/>
At 31 May 2007	-
	<hr/> <hr/>

**7 Stocks**

	<b>2008 £</b>	<b>2007 £</b>
Finished goods and goods for resale	16,120	7,214
	<hr/> <hr/>	<hr/> <hr/>

**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

**8 Debtors**

	2008 £	2007 £
Trade debtors	1,146,110	417,742
Amounts owed by fellow subsidiary undertakings	1,593,192	603,692
Other debtors	571,573	-
Prepayments and accrued income	363,774	97,742
	<u>3,674,649</u>	<u>1,119,176</u>

**9 Creditors: amounts falling due within one year**

	2008 £	2007 £
Net obligations under hire purchase contracts	147,184	-
Trade creditors	831,241	765,940
Amounts owed to parent and fellow subsidiary undertakings	2,323,167	196,130
Taxes and social security costs	-	395,899
Accruals and deferred income	1,145,151	1,569,673
	<u>4,446,743</u>	<u>2,927,642</u>

The hire purchase loans are secured on the assets to which they relate.

**10 Creditors: amounts falling due after more than one year**

	2008 £	2007 £
Net obligations under hire purchase contracts	<u>315,980</u>	<u>-</u>
<b>Net obligations under hire purchase contracts</b>		
Repayable within one year	147,184	-
Repayable between one and five years	315,980	-
	<u>463,164</u>	<u>-</u>
Included in liabilities falling due within one year	(147,184)	-
	<u>315,980</u>	<u>-</u>



**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

**11 Share capital**

	2008 £	2007 £
<b>Authorised</b>		
50,000 Ordinary shares of £1 each	50,000	50,000
<b>Allotted, called up and fully paid</b>		
50,000 Ordinary shares of £1 each	50,000	50,000

**12 Statement of movements on profit and loss account**

	Profit and loss account £
Balance at 1 June 2007	(767,603)
Profit for the period	898,000
Balance at 31 May 2008	130,397

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

**13 Reconciliation of movements in shareholders' funds**

	Year ended 31 May 2008 £	5 months ended 31 May 2007 £
Profit for the financial year	898,000	8,045,825
Opening shareholders' funds	(717,603)	(8,763,428)
Closing shareholders' funds	180,397	(717,603)

**14 Directors' emoluments**

Directors' emoluments of £nil (2007: £49,333) was paid by the company and a further £nil (2007: £12,500) was paid by iRevolution Limited, another group company.

**CSF MANAGED SERVICES PLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2008**

**15 Employees**

<b>Employment costs</b>	<b>Year ended 31 May 2008 £</b>	<b>5 month period ended 31 May 2007 £</b>
Wages and salaries	2,161,139	933,896
Social security costs	238,867	104,194
	<u>2,400,006</u>	<u>1,038,090</u>

All staff costs were recharged from iRevolution Limited, another group company.

**16 Control**

The immediate and ultimate parent company is Cantono plc, a company registered in England and Wales.

Cantono plc prepares group financial statements and copies can be obtained from First Floor, Station House, 4-8 High Street, West Drayton, Middlesex, UB7 7DJ.

**17 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

**18 Post balance sheet events**

On 15th December 2008 the company's trade and assets were transferred to Blue River Systems Ltd.