

WorkPlace

WORKFORCE MANAGEMENT SOLUTIONS

**Interim Report & Accounts
for the six months ending
30 September 2010**

Introduction

During the First-Half of the Financial Year, WorkPlace accelerated its business transformation from being a conventional software provider to becoming a Software-as-a-Service provider of Workforce Management Solutions with its new SaaS product range, WorkPlace OnLine. Against a quiet but improving commercial background, an increasing number of SaaS customers were implemented successfully and significant increases in interest were registered from Tier 1 and Tier 2 companies in all geographies in which the Company operates.

As previously reported to the market, the challenging trading conditions of the 2009 Financial Year extended into the initial months of the current Financial Year and the decision process continued to be protracted in many organisations. As a result, the rate of signing of new customers to the SaaS solution during the First-Half was slower than anticipated with a number of deferred opportunities. Many of these orders have subsequently been confirmed since mid September and, as a result, pilots and long-term SaaS contracts with new customers have now commenced in the UK, Australia and the US but somewhat later than anticipated.

Financial Results

Revenue for the six month period ended 30 September 2010 was £4.7m, (2009: £4.4m). This figure includes revenue of £0.4m for the full period from the Australian subsidiary (2009: £0.1m). As a result of the establishment of the SaaS infrastructure during 2009 and the First-Half of the current year, which has been indicated in previous statements, the gross margin of the business was reduced during the period to 88% (2009: 91%).

Recurring revenues increased to 54% of total revenue during the period (2009: 41%) at £2.5m (2009: £1.9m) reflecting the continued progression to the new SaaS business model.

The Company's overhead base increased during the period to £4.6m (2009: £3.9m) reflecting the investment in the US market following the opening of the WorkPlace Chicago office in January 2010. This figure includes expenditure of £0.4m for this full period from the Australian subsidiary (2009: £0.1m). Since the Half-Year end, the Company has undertaken a restructuring to reflect the change in the business to SaaS which will result also in future cost savings of approximately £500,000 per year.

The Operating loss for the Half-Year period of £480,000 (2009: profit £31,000) reflects the above factors.

At 30 September 2010 the Company retained cash balances of £2.1m (2009: £1.7m), a similar level to that at 31 March 2010.

Business Performance

Market interest in the SaaS solution, WorkPlace OnLine, continued to grow throughout the period as customers started to differentiate between true SaaS, Hosted Services and On-Premises solutions, and to recognise both the commercial benefits of a fast implementation facilitated by SaaS and the short-term and long-term financial advantages of the SaaS approach. Numbers of users of the WorkPlace SaaS service increased significantly during the period.

The ability of the Company to offer both SaaS and On-Premises solutions has tempered the initial negative financial impact of making the transition to a SaaS business model with a number of WorkPlace's existing customers during the period placing orders to extend their On-Premises systems. This enabled the Company to report overall revenues at a similar level to those of 2009 whilst strengthening the quality and extent of the recurring revenue to more than 50% of the total.

Outlook

The delay detailed above means that the original profit forecast for the financial year is unlikely to be achieved. However, actual orders taken since mid September and an excellent pipeline of SaaS deals from large multi-site organisations in all three geographical regions in which the Company operates means that the Board is confident in the Second-Half performance and in the medium-term growth and profitability of the business.

Ian Lenagan – Chairman

Consolidated Statement of Comprehensive Income

For six months ended 30 September 2010

	Note	Six months ended 30 September 2010 unaudited £'000	Six months ended 30 September 2009 unaudited £'000	Year ended 31 March 2010 audited £'000
Continuing operations				
Revenue		4,651	4,365	9,064
Operating (loss) / profit		(480)	31	46
Finance income		1	2	4
(Loss) / Profit before tax		(479)	33	50
Income tax		–	–	–
Retained (loss) / profit		(479)	33	50
(Loss) / Earnings per share from continuing operations	2			
Basic (pence)		(0.33)	0.02	0.03
Diluted (pence)		(0.30)	0.02	0.03

As at 30 September 2010

	Notes	As at 30 September 2010 unaudited £'000	As at 30 September 2009 unaudited £'000	As at 31 March 2010 audited £'000
Non-current assets				
Property, plant and equipment	3	433	391	389
Goodwill	4	1,663	1,662	1,663
Other Intangible assets	4	612	516	671
Investments		204	204	204
Total non-current assets		2,912	2,773	2,927
Current assets				
Trade and other receivables		1,985	2,988	3,174
Cash and cash equivalents		2,058	1,719	2,077
Total current assets		4,043	4,707	5,251
Total assets		6,955	7,480	8,178
Current liabilities				
Trade and other payables		1,354	1,639	1,509
Deferred income		1,968	1,968	2,523
Total current liabilities		3,322	3,607	4,032
Non Current Liabilities				
Trade and other payables		164	–	194
Total liabilities		3,486	3,607	4,226
Net assets		3,469	3,873	3,952
Equity				
Issued share capital	5	7,379	7,373	7,379
Share premium		8,811	8,811	8,811
Capital redemption reserve		1,871	1,871	1,871
Retained earnings		(15,140)	(14,601)	(14,577)
Share Option Reserve		554	439	488
Minority Interests		(6)	(20)	(20)
Equity shareholders' funds	6	3,469	3,873	3,952

For six months ended 30 September 2010

	Six months ended 30 September 2010 unaudited £'000	Six months ended 30 September 2009 unaudited £'000	Year ended 31 March 2010 audited £'000
Operating activities			
Operating (loss) / profit	(480)	31	46
Share option charge	66	61	110
Depreciation	61	58	109
Amortisation of Intangibles	179	97	233
Increase / (Decrease) in working capital	451	(824)	(338)
Net cash generated / (used) from operating activities	277	(577)	160
Investing activities			
Purchase of Computer Software	–	(59)	(59)
Internally generated intangible assets	(193)	(70)	(371)
Purchases of property, plant and equipment	(32)	(18)	(67)
Net increase in cash on acquisition	–	77	77
Net cash (used) from investing activities	(225)	(70)	(420)
Financing			
Issue of share capital	–	6	6
Finance income	1	2	4
Net cash generated from financing activities	1	8	10
Net increase / (decrease) in cash and cash equivalents	51	(639)	(250)
Cash and cash equivalents at the beginning of the period	2,077	2,374	2,374
Effect of foreign exchange rates	(70)	(16)	(47)
Cash and cash equivalents at the end of the period	2,058	1,719	2,077

1.1 Basis of preparation

The accounting policies set out below and used in the preparation of the consolidated interim financial statements represent the principal policies expected to apply to the preparation of the financial statements for the year ending 31 March 2011.

The financial information contained in this report has not been audited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2010, which were prepared under International Accounting Standards (IAS), have been delivered to the Registrar of Companies with an unqualified audit opinion. The audit report did not contain a statement under Section 231(2) and Section 231(3) of the Companies Act.

The consolidated interim financial statements are prepared under the historical cost convention. United Kingdom company law requires the Directors to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Directors have elected to prepare financial statements for the Company in accordance with IFRS as adopted by the European Union.

Copies of this statement of interim results are being sent to all shareholders shortly and thereafter will be available from the Group's registered office.

1.2 Basis of Consolidation

The consolidated interim financial statements incorporate the results of WorkPlace Systems International plc and subsidiaries as at 30 September 2010.

The accounting policies have been consistently applied throughout the group for the purposes of the preparation of these consolidated interim financial statements.

1.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in accordance with the Group's principal activities, net of VAT.

Software licence revenue is recognised when customer contractual obligations have been performed.

Revenue from consulting services and project management are recognised monthly as incurred, or as services are completed, as appropriate.

Fees for annual use/maintenance contracts are contracted for and paid annually in advance, being non-cancellable. Revenue is recognised on a straight line basis over the period of the contract. The residual revenue which has been received in advance is shown within current liabilities as deferred revenue.

1.4 Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair value at the acquisition date.

1.5 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the net fair value of the separable assets, liabilities and contingent liabilities of the subsidiary or an interest in an associate undertaking recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses on an annual basis. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Assets to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating asset is less than the carrying amount of the asset, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the asset.

Any goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold property	– Over 50 years
Computer equipment	– 25% on cost
Fixtures and fittings	– 20- 33 ¹ / ₃ % on cost
Development expenditure	– 33 ¹ / ₃ % on cost

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income

1.7 Computer software and software rights and licences

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and to bring to use the specific software. These costs are amortised over their estimated useful economic lives of four years on a straight line basis and charged to Administration expenses in the Income Statement.

1.8 Research and development

Research expenditure is written off as incurred.

An internally-generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

an asset is created that can be identified (such as software and new processes);

it is probable that the asset created will generate future economic benefits;

the development cost of the asset can be measured reliably;
the product or process is technically and commercially feasible; and
sufficient resources are available to complete the development to either sell or use the asset.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

The useful economic lives of internally-generated intangible assets are considered by the Directors to be a period of three years and amortisation is charged to Administration expenses in the Income Statement.

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

1.9 Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

1.10 Taxation

The taxation ('tax') expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.11 Leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

1.12 Foreign Currency

The consolidated Financial Statements are presented in pounds sterling which is the Group's functional and presentational currency.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are translated at the rate prevailing at the date of transaction.

On consolidation, revenues, costs and cash flows of undertakings abroad are included in the Group Income Statement at average rates of exchange for the year. The assets and liabilities denominated in foreign currencies are translated into United Kingdom pounds sterling using rates of exchange ruling at the balance sheet date.

Exchange differences on the re-translation of opening net assets and results for the year of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated income statement.

1.13 Retirement benefits

Where the Group contributes towards employees personal pension schemes contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

The Company provided no post-retirement benefits to its employees.

1.14 Share based payment

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's best estimate of shares that will eventually vest.

Fair value is measured by use of both a binomial lattice pricing model and by the Black-Scholes method. The expected lives used in the models have been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

1.15 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with maturities of less than 3 months.

1.16 Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets, including trade and other receivables together with intercompany receivables, are classified as loans and receivables as they have fixed or determinable payments that are not quoted in active market.

Financial liabilities, including trade and other payables, intercompany payables and obligations under finance leases, are classified as financial liabilities measured at amortised cost.

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables are not interest-bearing and are stated at their nominal value.

2. Earnings per share

	Six months ended 30 September 2010 unaudited £'000	Six months ended 30 September 2009 unaudited £'000	Year ended 31 March 2010 audited £'000
(Loss) / Profit – basic and diluted attributable to shareholders	(493)	33	50
Basic EPS			
Shares (000's)	147,591	147,468	147,333
EPS (pence)	(0.33)	0.022	0.03
Diluted EPS			
Shares (000's)	163,861	162,983	163,103
EPS (pence)	(0.30)	0.02	0.03

3. Property, plant and equipment

	Freehold Property £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 April 2010	250	511	478	1,239
Additions	–	32	–	32
At 30 September 2010	–	543	478	1,271
Accumulated depreciation				
At 1 April 2010	48	401	401	850
Charge	3	35	23	61
At 30 September 2010	51	436	424	911
Net book value				
At 30 September 2010	199	107	54	360
At 31 March 2010	202	110	77	389

4. Goodwill and other intangible fixed assets

	Goodwill £'000	Computer software £'000	Development costs £'000	Total £'000
Cost				
At 1 April 2010	3,546	87	915	4,548
Additions	–	–	193	193
At 30 September 2010	3,546	87	1,108	4,741
Accumulated depreciation				
At 1 April 2010	1,883	13	318	2,214
Charge	–	1	178	179
At 30 September 2010	1,883	14	496	2,393
Net book value				
At 30 September 2010	1,663	73	612	2,348
At 31 March 2010	1,663	74	597	2,334

5. Share capital

The total authorised share capital is 250,000,000 ordinary shares of 5p each.

Issued share capital

	Number of shares (thousands)	Nominal value £'000
At 31 March 2010	147,576	7,379
Shares issued	30	–
At 30 September 2010	147,606	7,379

6. Reconciliation of movement in shareholders' funds

	Six months ended 30 September 2010 unaudited £'000	Six months ended 30 September 2009 unaudited £'000	Year ended 31 March 2010 audited £'000
Opening shareholders' funds	3,952	3,780	3,780
(Loss) / Profit for the period	(479)	33	41
Other recognised gains and losses	(70)	(16)	–
Shares issued in the period	–	35	41
Share Option Reserve	66	61	110
Share of retained earnings relating to previously held interests arising on business combinations	–	(20)	(20)
Closing shareholders' funds	3,469	3,873	3,952

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