

## Interim Report and Accounts 2006/7

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INTERIM RESULTS

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Chairman's Statement

As indicated at the time of the update on 30 September the trading performance for WorkPlace Systems International plc ('WorkPlace') in the six month period to 30 September 2006 did not meet your Board's expectations, with Workplace recording both an operating loss and a loss before tax. Turnover was slightly ahead of the first half of the previous financial year but the increased overheads associated with implementing the Board's strategic plan for growth has resulted in a higher operating loss. At 30 September 2006, cash balances were £2.0million.

An improved order intake in recent months has seen a growth in the order book and some major new contract wins, details of which are set out later in this announcement.

The Group wide cost reduction plan aimed at non-core product areas which was highlighted in the trading update is substantially complete and will give cost savings of approximately £2.0million per annum which will have a full impact on the financial results for the year to 31st March 2008.

Barney Quinn, who started as Chief Executive on 3 November 2006, has already commenced addressing the challenges that confront the Company. In particular, and as part of the cost reduction exercise, the US business has been reorganised and refocused to minimise losses and provide a sustainable base for moving forward in this important market.

Financial Results

Turnover was £3.8million for the six months to 30 September 2006 (2005:£3.7million). The operating loss before amortisation of goodwill was £1,701,000 (2005: £619,000). Amortisation of goodwill was £329,000 (2005: Nil) and after net interest received of £58,000 (2005: £162,000) there was a net loss before tax of £1,972,000 (2005: £457,000) The recurring revenues received for Annual Use Licences were £1.8million (2005: £1.8million) and account for 47% of turnover (2005: 50%). Cash and money market deposits at 30 September 2006 were £2.0million (2005: £4.1million).

Business Performance

The Board is pleased to announce that trading has shown some improvement and note the recent increase in order intake. Currently the order book stands at £3.1 million which is at its highest point for several years.

A key element to the future success of the company is its ability to develop and maintain excellent leading edge products. As such, the company has been working hard to ensure that new versions of all key WorkPlace products continue to be developed and installed with new and existing customers.

### Contract Wins

The Board is delighted to announce a number of significant contract wins in recent months. Implementation will take place at various times during the next eighteen months and will impact the financial results for the six months to 31st March 2007 as well as the subsequent financial year.

### UK and Europe

**Siemens Business Services Ltd.** - the supply of scheduling software to Siemens who are contracted to deliver a managed resource scheduling service to a major media organisation.

**H&M Hennes & Mauritz AB** - the supply of Time and Attendance and Scheduling software to this major international fashion retailer.

**British Airways** - the supply of Time and Attendance software for their central operations staff.

**Fire Services** - two new consultancy contracts and one new software system for West Midlands Fire Service.

### USA

Two new Labour Standards consultancy contracts with The Wet Seal, Inc and Weis Markets Inc. Similar contracts with a Top-three supermarket chain and a major big box retailer.

### Australia

**Country Road Pty Ltd** - the supply of scheduling software to an Australian based clothing retailer.

### Outlook

The Board has taken major action to reduce costs in non-core areas of the business in order to protect cash and ensure the Company's return to profitability as soon as possible. Having substantially completed the cost reductions and with the order book at such a good level, the Board is confident that the business is set to achieve growth and profitability in the next financial year.

## Consolidated Profit & Loss Account

WorkPlace Systems International plc Consolidated Profit & Loss Account For six months ended 30 September 2006	<b>Six months ended 30 September 2006 unaudited</b>	Six months ended 30 September 2005 unaudited (as restated)	Year ended 31 March 2006 audited (as restated)
Note	<b>£'000</b>	£'000	£'000
<b>Turnover</b>	<b>3,844</b>	3,699	8,291
<b>Operating Loss before amortisation of goodwill</b>	<b>(1,701)</b>	(619)	(1,368)
<b>Amortisation of goodwill</b>	<b>(329)</b>	-	(383)
<b>Operating Loss</b>	<b>(2,030)</b>	(619)	(1,751)
<b>Net interest received</b>	<b>58</b>	162	241
<b>Loss on ordinary activities before taxation</b>	<b>(1,972)</b>	(457)	(1,510)
<b>Taxation on loss on ordinary activities</b> 2	-	95	95
<b>Retained loss for the period</b>	<b>(1,972)</b>	(362)	(1,415)
<b>Basic and diluted loss per share (pence)</b> 4	<b>(1.374)</b>	(0.253)	(0.987)

## Consolidated Balance Sheet

WorkPlace Systems International plc Consolidated Balance Sheet 30 September 2006	<b>As at 30 September 2006 unaudited</b>	As at 30 September 2005 unaudited (as restated)	As at 31 March 2006 audited (as restated)
Note	<b>£'000</b>	£'000	£'000
<b>Fixed assets</b>			
Intangible	<b>2,575</b>	3,287	2,904
Tangible	<b>1,098</b>	1,068	1,118
	<b>3,673</b>	4,355	4,022
<b>Current assets</b>			
Debtors	<b>2,384</b>	2,499	2,653
Investments: Money market deposits	<b>1,000</b>	3,500	2,000
Cash at bank and in hand	<b>981</b>	653	1,808
Cash at bank and in hand and money market deposits	<b>1,981</b>	4,153	3,808
	<b>4,365</b>	6,652	6,461
Creditors: amounts falling due within one year	<b>(1,680)</b>	(1,511)	(1,892)
<b>Net current assets</b>	<b>2,685</b>	5,141	4,569
<b>Total assets less current liabilities</b>	<b>6,358</b>	9,496	8,591
Deferred income	<b>(1,912)</b>	(2,071)	(2,193)
<b>Net Assets</b>	<b>4,446</b>	7,425	6,398
<b>Capital and reserves</b>			
Called up share capital	<b>7,174</b>	7,173	7,174
Share premium account	<b>8,607</b>	8,607	8,607
Capital Redemption Reserve	<b>1,871</b>	1,871	1,871
Profit & loss account	<b>(13,206)</b>	(10,226)	(11,254)
<b>Equity shareholder funds</b> 3	<b>4,446</b>	7,425	6,398

WorkPlace Systems International plc Consolidated Cash Flow Statement For six months ended 30 September 2006	<b>Six months ended 30 September 2006 unaudited £'000</b>	Six months ended 30 September 2005 unaudited £'000	Year ended 31 March 2006 audited £'000
<b>Net cash outflow from operations</b>	<b>(1,833)</b>	(682)	(1,366)
Returns on investments & servicing of finance	<b>58</b>	162	241
Corporation tax refund	-	95	95
Capital expenditure	<b>(52)</b>	(111)	(226)
Equity dividend paid	-	(36)	(36)
Acquisition of subsidiary	-	(3,348)	(2,989)
<b>Cash outflow before use of liquid resources and financing</b>	<b>(1,827)</b>	(3,920)	(4,281)
Management of liquid resources	<b>1,000</b>	3,500	5,000
Financing	-	-	16
<b>Decrease in cash</b>	<b>(827)</b>	(420)	735

**Notes to the Consolidated Cash Flow Statement**

Reconciliation of operating loss to net cash outflow from operating activities

Operating loss	<b>(2,030)</b>	(619)	(1,751)
FRS 20 share based charge	<b>20</b>	22	46
Amortisation of goodwill	<b>329</b>	-	383
Depreciation	<b>72</b>	70	136
Increase in working capital	<b>(224)</b>	(155)	(180)
<b>Net cash outflow from operations</b>	<b>(1,833)</b>	(682)	(1,366)

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**1. Basis of preparation**

The summarised unaudited half year financial information does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 March 2006, which received an unqualified report, have been delivered to the Registrar of Companies.

The unaudited financial information has been prepared on the basis of the accounting policies set out in the Group's 31 March 2006 audited statutory accounts except for the adoption of FRS20 share based payments as described below.

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.

The Group is required to adopt FRS20 for the first time for accounting periods commencing on or after 1 January 2006. FRS20 requires the Group to recognise an expense in respect of the granting of options over shares to employees and Directors. This has no overall effect on the Group's retained reserves.

The charge to administrative expenses as a result of adopting FRS20 share based charges in the current period is as follows

- charge for the half year to September 30 2006 is £20,000
- charge for the half year to September 30 2005 is £22,000
- charge for the full year to March 31 2006 is £46,000

**2. Taxation**

The taxation (credit)/charge for the period.

Comprises:

	<b>Six months ended 30 September 2006 unaudited £'000</b>	Six months ended 30 September 2005 unaudited £'000	Year ended 31 March 2006 audited £'000
UK corporation tax-refund	-	(95)	(95)
	-	(95)	(95)

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### 3. Reconciliation of movements in shareholders' funds

	<b>Six months ended 30 September 2006 unaudited £'000</b>	Six months ended 30 September 2005 unaudited £'000	Year ended 31 March 2006 audited £'000
Opening shareholders funds	<b>6,398</b>	7,786	7,786
Loss for the period	<b>(1,972)</b>	(362)	(1,415)
Other recognised gains and losses	-	-	1
Dividends paid	-	(36)	(36)
Shares issued in the period	-	15	16
Share Option Reserve	<b>20</b>	22	46
Closing shareholders' funds	<b>4,446</b>	7,425	6,398

The adoption of FRS20 share based payments does not have an effect on shareholders' funds.

### 4. Loss per share

#### Loss per share - basic and diluted

Loss attributable to shareholders (£000)	<b>(1,972)</b>	(362)	(1,415)
Weighted average number of shares (000's)	<b>143,472</b>	143,217	143,346
Amount per share - pence	<b>(1.374)</b>	(0.253)	(0.987)

FRS14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-money options. Since it seems inappropriate to assume that option holders would act irrationally, no adjustment has been made to dilute EPS for out-of-money share options and there are no other diluting future share issued, diluted EPS equals basic EPS.