

WorkPlace

WORKFORCE MANAGEMENT SOLUTIONS

Interim Report &
Accounts 2007

INTERIM RESULTS

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Introduction

As indicated at the time of the Trading Update on 14 October 2007, the trading performance for WorkPlace Systems International plc ('WorkPlace') in the six-month period to 30 September 2007 is ahead of expectations with WorkPlace recording both revenue growth and improved profitability. Turnover was 39% higher than the first half of the previous financial year and, with lower costs being maintained following last year's cost reduction exercise, an Operating Profit of £419,000 has been achieved. At 30 September 2007, cash balances were £2.3million.

Good order intake from existing clients together with new contract wins have contributed to the significant rise in turnover. The Company-wide cost reduction plan which commenced in November 2006 aimed at non-core product areas continues to be effective and has achieved the planned cost reductions without damaging customer service.

Financial Results

Turnover was £5.3million for the six months to 30 September 2007 (2006:£3.8million). The Operating Profit was £419,000 (2006: loss £1.7m). After net interest received of £43,000 (2006: £58,000), the Profit Before Tax was £462,000 (2006: loss £1.6m). Recurring revenues from Annual Use Licences were £1.9 million (2006: £1.8million) and account for 35% of turnover (2006: 47%). Cash and money market deposits at 30 September 2007 were £2.3million (2006: £2.0million).

For the first time, the financial information shown in this Interim Statement is presented in accordance with International Financial Reporting Standards ("IFRS"). In adopting these IFRS standards, the comparative information for the six months ended 30 September 2006 and the year ended 31 March 2007 has been restated.

Business Performance

UK and Europe performed ahead of expectations both in revenue and profit terms. Benefits have flowed from the increased focus on existing client engagement in H1. From a new business point of view, the investment in the International Retail Sector is expected to start contributing in H2 as the implementation commences of the new contract wins outlined below.

The overall business performance would have been even better, held back only by the North American operation which has not yet reached profitability.

In the USA, Consulting Sales were made to two major retail clients but a retail software sale breakthrough is needed to leverage the consulting business and help drive profitability.

Investment

WorkPlace continued to invest in existing products and the design of new products in the first-half and this programme will continue in the second-half of the year. The investment should result in the launch of new product modules which the Board expects will show benefit in 2008 and beyond.

WorkPlace has invested in an Australian rostering ASP Company, WorkBuddy pty, which specialises in Workforce Management solutions for the lower ends of the market. An investment of £100k has secured a 25% stake in the business together with the exclusive rights to distribute the ASP Service and products in WorkPlace's main operating territories. The launch of a solution for the smaller Retail and Hospitality Sectors in the UK and Europe is planned for later in this financial year to emulate the success of WorkBuddy in the Australian market.

The investment will complement the existing Staff Planner product which is being sold successfully in medium, large and multinational retailers. It will also give WorkPlace the ability to enter into the fast-growing ASP market.

Contract Wins

The most significant contract win has been achieved since the end of the half-year with a sale to the Retail Division of a major International Energy company. Implementation Services have already commenced in two countries.

A new contract has also been signed with Stockmann plc - a Scandinavian Department Store chain - which adds to WorkPlace's presence in this geographical area following the sale to H&M last year.

In addition, two existing major retail clients, Metro Group Services & NEXT plc, have placed contracts to extend the use of WorkPlace solutions.

Aer Lingus Group plc has also signed a contract to deploy a WorkPlace system. This success emphasises recent successful deployment of WorkPlace into Airlines with British Airways plc.

Outlook

The objectives for the second-half of this Financial Year are to continue to deploy projects to existing clients, particularly those involved in roll-out programmes, whilst commencing delivery on new contracts scheduled for H2.

The Board remains cautiously optimistic for the remainder of the Financial Year.

In addition, the objective to continue the existing level of growth in order book from the existing pipeline of prospects together with continued and increased growth in prospective sales pipeline will secure future revenues to deliver significant growth in revenue and profits.

11 December 2007

Consolidated Income Statement

WorkPlace Systems International plc Consolidated Income Statement For six months ended 30 September 2007	Six months ended 30 September 2007 unaudited	Six months ended 30 September 2006 unaudited restated	Year ended 31 March 2007 unaudited restated
Note	£'000	£'000	£'000
Continuing operations			
Revenue	5,332	3,844	8,808
Operating profit/(loss) before restructuring	419	(1,701)	(1,638)
Restructuring costs	-	-	(594)
Operating profit/(loss)	419	(1,701)	(2,232)
Finance income	43	58	92
Profit/(loss) before tax	462	(1,643)	(2,140)
Income tax on profit/(loss)	-	-	279
Retained profit/(loss) for the period	462	(1,643)	(1,861)
Earnings per share from continuing operations			
Basic (pence)	0.322	(1.145)	(1.297)
Diluted (pence)	0.316	(1.145)	(1.297)

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Consolidated Balance Sheet

WorkPlace Systems International plc Consolidated Balance Sheet For 6 months ended 30 September 2007		As at 30 September 2007 unaudited	As at 30 September 2006 unaudited restated	As at 31 March 2007 unaudited restated
	Note	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	3	638	1,098	1,036
Intangible fixed assets	4	2,941	2,904	2,941
Total non-current assets		3,579	4,002	3,977
Current assets				
Inventories		40	-	-
Trade and other receivables		3,071	2,384	3,073
Cash and cash equivalents		2,304	1,981	1,898
Total current assets		5,415	4,365	4,971
Total assets		8,994	8,367	8,948
Equity				
Issued share capital	5	7,178	7,174	7,174
Share premium		8,607	8,607	8,607
Capital redemption reserve		1,871	1,871	1,871
Retained earnings		(12,495)	(12,877)	(13,053)
Equity shareholders' funds	6	5,161	4,775	4,599
Current liabilities				
Trade and other payables		1,597	1,680	2,221
Deferred income		2,236	1,912	2,128
Total current liabilities		3,833	3,592	4,349
Total liabilities		3,833	3,592	4,349
Total equity and liabilities		8,994	8,367	8,948

Consolidated Cash Flow Statement

WorkPlace Systems International plc
Consolidated Cash Flow Statement
For six months ended 30 September 2007

Six months ended 30 September 2007 unaudited £'000	Six months ended 30 September 2006 unaudited restated £'000	Year ended 31 March 2007 unaudited restated £'000
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Operating activities

Operating profit/(loss)	419	(1,701)	(2,232)
Share option charge	70	20	40
Depreciation	72	72	146
(Increase)/decrease in working capital	(833)	(224)	123
Income tax refund	279	-	-

Net cash generated/(used) from operating activities	7	(1,833)	(1,923)
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Investing activities

Finance income	43	58	92
Purchase of property, plant and equipment	(48)	(52)	(64)
Proceeds on disposal of property, plant and equipment	374	-	-
Acquisition of subsidiary	-	-	(37)

Net cash generated from investing activities	369	6	(9)
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Financing

Proceeds from issue of shares	4	-	-
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Net cash generated from financing	4	-	-
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Net increase/(decrease) in cash and cash equivalents	380	(1,827)	(1,932)
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Cash and cash equivalents at the beginning of the period	1,898	3,808	3,808
Effect of foreign exchange	26	-	22

Cash and cash equivalents at the end of the period

2,304	1,981	1,898
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WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

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 2008.

The summarised unaudited half year financial information does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. The comparative figures for the year ended 31 March 2007 are not the company's statutory financial statements for that financial year. The statutory accounts for the year ended 31 March 2007, prepared under UK GAAP, have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

For the year ending 31 March 2008 the group is required to produce annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2006. The comparative figures for the 6 months to 30 September 2006 and the year to 31 March 2007 have been restated to reflect changes in accounting policies as a result of the adoption of IFRS.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the notes to these interim statements.

The consolidated interim financial statements are prepared on the basis of all International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board (IASB) that are currently in issue. An element of uncertainty still surrounds the application of IFRS as the European Union may not endorse all IASB pronouncements, new interpretations may be issued by the International Financial Reporting Interpretations Committee (IFRIC) on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the group prepares its first full set of financial statements under IFRS for the year ending 31 March 2008.

These financial statements have been prepared under the historical cost convention. 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.

WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

1.2 Basis of Consolidation

The consolidated interim financial statements incorporate the results of WorkPlace Systems International plc and subsidiaries as at 30 September 2007.

The results of subsidiaries acquired or disposed of during the period are included from the effective date of acquisition or disposal as appropriate.

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 represents amounts in respect of software licence, consulting services and annual use/maintenance contracts, excluding value added tax, as set out below:

Software licence revenue

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

Income from consulting services

Consulting services and project management revenues are recognised monthly as incurred.

Income from annual use/maintenance contracts

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

1.4 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 identifiable assets, liabilities and contingent liabilities of the subsidiary 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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units 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 unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

1.5 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 of assets over their estimated useful lives, using the straight-line method. Estimated useful lives of all assets is four years.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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.

1.6 Other intangible assets

Where computer software does not form an integral part of the machinery or computer hardware to which it relates, it is presented as an intangible asset. Computer software costs are included at cost and amortised on a straight line basis over their expected useful economic life, which is expected to be four years.

1.7 Research and development

Research expenditure is written off as incurred.

Development expenditure is also written off, except where the Directors are satisfied that a new or significantly improved product or process results and other relevant IAS 38 criteria are met as to the technical, commercial and financial viability of individual projects that would allow such costs to be capitalised. In such cases, the identifiable expenditure is capitalised and amortised over the period during which benefits are expected.

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

1.8 Investments

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

1.9 Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid/ (recovered) using the tax rate and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results, as stated in the Financial Statements, that 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.

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

WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

1.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

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

1.11 Foreign Currency

The consolidated Financial Statements are presented in pounds sterling which is the Group's functional and presentational currency. The Group determines the functional currency of each entity and items included in the Financial Statements of each entity are measured using the functional currency. Transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Exchange differences are included in the Income Statement.

1.12 Retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Income Statement in respect of pension costs and other post retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

1.13 Share based payment

The Company has implemented the requirements of IFRS 2 Share based payment.

The Company operates an equity-settled share based incentive plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted measured by use of the Black-Scholes pricing method, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to reserves over the remaining vesting period. The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and bank overdrafts.

1.15 Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company/Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at fair value or initial recognition net of transaction costs and subsequently at amortised cost using the effective interest method, less provision for impairment.

Trade payables

Trade payables are not interest bearing and are stated at fair value on initial recognition and subsequently at amortised cost using the effective interest method.

1.16 Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value, cost being determined on a first in first out (FIFO) basis. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their location and condition at the balance sheet date. Provision for write-downs to net realisable value and losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. Reversals are recognised as a reduction in the amount previously recognised as an expense in the period in which the reversal occurs.

WorkPlace Systems International plc
 Notes to the Accounts
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2. Earnings per share

	Six months ended 30 September 2007 unaudited £'000	Six months ended 30 September 2006 unaudited restated £'000	Year ended 31 March 2007 unaudited restated £'000
Profit/(loss) per share - basic and diluted			
Profit/(loss) attributable to shareholders	462	(1,643)	(1,861)
Basic EPS			
Shares (000's)	143,493	143,472	143,479
EPS (pence)	0.322	(1.145)	(1.297)
Diluted EPS			
Shares (000's)	146,292	143,472	143,479
EPS (pence)	0.316	(1.145)	(1.297)

Given the losses in the 6 months to 30 September 2006 and year to 31 March 2007 all share options are anti-dilutive and accordingly basic loss per share is equivalent to diluted loss per share.

WorkPlace Systems International plc
Notes to the Accounts
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3. Property, plant and equipment

	Freehold property £000	Computer equipment £000	Fixtures & fixings £000	Total £000
Cost				
At 1 April 2007	903	350	382	1,635
Additions	-	19	29	48
Disposals	(374)	-	-	(374)
At 30 September 2007	529	369	411	1,309
Accumulated depreciation				
At 1 April 2007	121	169	309	599
Charge	9	39	24	72
Disposals	-	-	-	-
At 30 September 2007	130	208	333	671
Net book value				
At 30 September 2007	399	161	78	638
At 31 March 2007	782	181	73	1,036

WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

4. Intangible fixed assets

	Goodwill £'000	Total £'000
Cost		
At 1 April 2007	2,941	2,941
Additions	-	-
Disposals	-	-
At 30 September 2007	2,941	2,941
Amortisation and impairment		
At 1 April 2007	-	-
Charge	-	-
Disposals	-	-
At 30 September 2007	-	-
Net book value		
At 30 September 2007	2,941	2,941
At 31 March 2007	2,941	2,941

WorkPlace Systems International plc
 Notes to the Accounts
 For six months ended 30 September 2007

5. Share capital

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

	Number of issued shares 000's	Nominal value £000's
At 1 April 2006	143,346	7,174
Share options exercised	126	-
At 30 September 2006	143,472	7,174
Share options exercised	8	-
At 31 March 2007	143,480	7,174
Share options exercised	87	-
At 30 September 2007	143,567	7,178

WorkPlace Systems International plc
Notes to the Accounts
For six months ended 30 September 2007

6. Reconciliation of movement in shareholders' funds

	Six months ended 30 September 2007 unaudited £'000	Six months ended 30 September 2006 unaudited restated £'000	Year ended 31 March 2007 unaudited restated £'000
Opening shareholders funds (See below)	4,599	6,398	6,398
Profit/(loss) for the period	462	(1,643)	(1,861)
Other recognised gains and losses	26	-	22
Shares issued in the period	4	-	-
Share Option Reserve	70	20	40
Closing shareholders funds	5,161	4,775	4,599

	30 September 2007 £'000	30 September 2006 £'000	31 March 2007 £'000
Opening shareholders funds	4,599	6,398	6,398
Profit / (loss) for the period under UK GAAP	168	(1,972)	(2,530)
IAS 38 adjustment for goodwill amortisation	294	329	669
Adjusted profit / loss under IFRS	462	(1,643)	(1,861)
Other recognised gains and losses	26	-	22
Shares issued in the period	4	-	-
Share Option Reserve	70	20	40
Closing shareholders funds	5,161	4,775	4,599

WorkPlace Systems plc

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