

WorkPlace

WORKFORCE MANAGEMENT SOLUTIONS

Interim Report & Accounts
for the six months ending
30 September 2009

Introduction

As indicated at the time of the trading update on 9 October 2009 trading improved significantly during the second quarter and enabled the Company to reach break-even for the first half in line with expectations. Whilst revenue of £4.4m for the Half Year was reduced compared to the corresponding period of 2008, it represented an increase over the preceding six month period and this, together with the cost savings that the Board implemented in February 2009, generated a profit for the Half Year.

Following the US restructuring undertaken in late 2008/early 2009 which created the basis for a growing and profitable business, the Company's US operation was profitable over the Half Year. As noted in the trading update, the US operation signed a contract to deliver the new WorkPlace SaaS solution to a major US retailer at the end of September. Since that time, the solution has been rolled out across the customer's national network and is now live in over 3,000 of their stores.

Increased activity in the UK market has lagged behind the US and European markets but, towards the later months of the Half Year, and since September 30, the Company has seen a growing number of projects being commissioned in this market. The upturn has also been reflected in the gathering speed of roll-outs amongst the WorkPlace European customer base when compared to the second half of the last Financial Year.

Financial Results

Revenue was £4.4 m for the six months ended 30 September 2009 (2008: £5.3m) producing an Operating Profit of £31,000 (2008: £356,000). Recurring revenues received for Annual Use Licences were £1.8m (2008: £1.7m) and accounted for 41% of turnover (2008: 32%). This reflects the strength of the ongoing business and the base from which to grow profitability in the future. The Company overhead base was reduced to £3.9m for the period (2008: £4.8m) following the cost reduction exercise noted above.

The Company retained cash balances of £1.7m at the end of the period.

Business Performance

Trading improved significantly during the summer and the period since 30 September 2009 following the disappointing market conditions of early 2009.

In addition to the continued roll-out of its solutions under existing contracts, the Company won a number of new contracts during the period, including 11 new name customers. These new customers embraced the range of WorkPlace solutions, including the SaaS product, which was also deployed in the US during the period.

Investment

WorkPlace continues to invest in both new and existing products to expand the range of solutions to existing and target customers. In May 2009 WorkPlace Systems Plc purchased the Intellectual Property of the software used for its On-Line SaaS product. This has subsequently been successfully deployed in the UK, the US and continues to be deployed in the Australian market.

In May, the Company announced the increase of its stake in WorkBuddy Solutions Pty Ltd to 50%. The results of that company have been consolidated since 30 June when the transaction closed. The Intellectual Property ("IP") of WorkBuddy was purchased through a UK trading subsidiary to consolidate the Group IP into a central entity wholly owned by the WorkPlace.

Outlook

The objective of the Company during the second half of the Financial Year is to build on the initial success experienced with the SaaS product worldwide. The Company needs to continue to win business in this area and to convert pilot systems into long term revenue.

In the UK, Europe and USA the Company will also continue to focus on the roll-out of systems within major customers.

As previously stated in our trading update, the Board remains confident for the Full Year figures and for future periods, providing the positive trend continues.

Ian Lenagan – Chairman

For six months ended 30 September 2009

Note	Six months ended 30 September 2009 unaudited £'000	Six months ended 30 September 2008 unaudited £'000	Year ended 31 March 2009 audited £'000
Continuing operations			
Revenue	4,365	5,341	9,561
Operating profit / (loss)	31	356	(480)
Finance income	2	66	90
Exceptional items	–	–	(1,976)
Profit / (loss) before tax	33	422	(2,366)
Income tax	–	–	–
Retained profit / (loss)	33	422	(2,366)
Earnings per share from continuing operations 2			
Basic (pence)	0.022	0.288	(1.61)
Diluted (pence)	0.020	0.260	(1.45)

As at 30 September 2009

	Notes	As at 30 September 2009 unaudited £'000	As at 30 September 2008 unaudited £'000	As at 31 March 2009 audited £'000
Non-current assets				
Property, plant and equipment	3	391	214	431
Assets held for resale		–	211	–
Goodwill	4	1,662	2,941	1,441
Other Intangible assets	4	516	246	474
Investments		204	137	341
Total non-current assets		2,773	3,749	2,687
Current assets				
Trade and other receivables		2,988	3,352	2,512
Cash and cash equivalents		1,719	2,613	2,374
Total current assets		4,707	5,965	4,886
Total assets		7,480	9,714	7,573
Current liabilities				
Trade and other payables		1,639	1,140	1,532
Deferred income		1,968	1,928	2,261
Total current liabilities		3,607	3,068	3,793
Net assets		3,873	6,646	3,780
Equity				
Issued share capital	5	7,373	7,338	7,338
Share premium		8,811	8,811	8,811
Capital redemption reserve		1,871	1,871	1,871
Retained earnings		(14,601)	(11,664)	(14,618)
Share Option Reserve		439	290	378
Minority Interests		(20)	–	–
Equity shareholders' funds	6	3,873	6,646	3,780

Consolidated Cash Flow Statement

For six months ended 30 September 2009

	Six months ended 30 September 2009 unaudited £'000	Six months ended 30 September 2008 unaudited £'000	Year ended 31 March 2009 audited £'000
Operating activities			
Operating profit	31	356	(2,456)
Share option charge	61	45	133
Depreciation	58	78	116
Amortisation of Intangibles	97	–	93
Impairment of Goodwill provision	–	–	1,500
(Increase)/Decrease in working capital	(824)	(318)	1,391
Income tax repayment	–	230	87
Net cash (used) / generated from operating activities	(577)	391	864
Investing activities			
Purchase of Computer software	(59)	–	–
Internally generated intangible assets	(80)	(222)	(502)
Purchases of property, plant and equipment	(2)	(57)	(120)
Purchases of computer equipment	(16)	–	(21)
Purchase of investment	–	–	204
Additional investment in subsidiary company net of cash received	58	–	–
Net cash used from investing activities	(99)	(279)	(847)
Financing			
Issue of Shares	35	–	–
Finance income	2	67	90
Dividends paid	–	(293)	(293)
Net cash generated / (used) from financing activities	37	(226)	(203)
Net decrease in cash and cash equivalents	(639)	(114)	(186)
Cash and cash equivalents at the beginning of the period	2,374	2,727	2,727
Effect of foreign exchange rates	(16)	–	(167)
Cash and cash equivalents at the end of the period	1,719	2,613	2,374

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 2010.

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 2009 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.

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.

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

1.2 Basis of Consolidation

The consolidated interim financial statements incorporate the results of WorkPlace Systems International plc and subsidiaries as at 30 September 2009.

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 earned.

Income from annual use/maintenance contracts

Annual use/maintenance contracts are contracted for and paid annually in advance and are non-cancellable. Revenue 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 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 identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill is stated at the amortised value as at 1st April 2006 less any accumulated impairment losses on an annual basis. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed.

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 of transition to IFRSs 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 of assets over their estimated useful lives, using the straight-line method. The estimated useful lives of all assets are four years.

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 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.

1.8 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.

1.9 Investments

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

1.10 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.

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. 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.

1.13 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.

1.14 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.

1.15 Cash and cash equivalents

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

1.16 Financial Instruments

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

2. Earnings per share

	Six months ended 30 September 2009 unaudited £'000	Six months ended 30 September 2008 unaudited £'000	Year ended 31 March 2009 audited £'000
Profit / (loss) per share – basic and diluted			
Profit / (loss) attributable to shareholders	33	422	(2,366)
Basic EPS			
Shares (000's)	147,468	146,758	146,762
EPS (pence)	0.022	0.288	(1.61)
Diluted EPS			
Shares (000's)	162,983	162,405	162,275
EPS (pence)	0.020	0.260	(1.45)

3. Property, plant and equipment

	Freehold Property £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 April 2009	250	469	453	1,172
Additions	–	16	2	18
At 30 September 2009	250	485	455	1,190
Accumulated depreciation				
At 1 April 2009	43	327	371	741
Charge	3	41	14	58
At 30 September 2009	46	368	385	799
Net book value				
At 30 September 2009	204	117	70	391
At 31 March 2009	207	142	82	431

4. Goodwill and other intangible fixed assets

	Goodwill £'000	Computer software £'000	Development costs £'000	Total £'000
Cost				
At 1 April 2009	3,324	28	544	3,896
Additions	221	59	80	360
At 30 September 2009	3,545	87	624	4,256
Accumulated depreciation				
At 1 April 2009	1,883	11	87	1,981
Charge	–	3	94	97
At 30 September 2009	1,883	14	181	2,078
Net book value				
At 30 September 2009	1,662	73	443	2,178
At 31 March 2009	1,441	17	457	1,915

5. Share capital

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

	Number of shares (thousands)	Nominal value £'000
At 31 March 2009	146,762	7,338
Shares issued	706	35
At 30 September 2009	147,468	7,373

6. Reconciliation of movement in shareholders' funds

	Six months ended 30 September 2009 unaudited £'000	Six months ended 30 September 2008 unaudited £'000	Year ended 31 March 2009 audited £'000
Opening shareholders' funds	3,780	6,471	6,471
Profit for the period	33	422	(2,533)
Dividend payment	–	(293)	(293)
Other recognised gains and losses	(14)	–	–
Shares issued in the period	35	1	2
Share Option Reserve	61	45	133
Share of retained earnings relating to previously held interests arising on business combinations	(20)	–	–
Closing shareholders' funds	3,873	6,646	3,780

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