

Regulatory Announcement

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WORKPLACE SYSTEMS INTERNATIONAL plc

CHAIRMAN'S STATEMENT

Introduction

As indicated at the time of the Trading Update on 2 April 2008, the WorkPlace Board is pleased to confirm that the Company's performance for the year ended 31st March 2008 has been in line with their expectations. There was a 23% increase in Turnover to £10.8 million and a £2.7 million improvement in Profit from Operations moving from a loss of £1.6 million to a profit of £1.1 million this year with both halves of the financial year being profitable. At 31 March 2008 cash balances were £2.7m.

The year also saw some major successes which help underpin the Board's confidence for the future, notwithstanding the deteriorating economic climate. In particular, the Company won its first significant software contract in the United States and, in addition, secured the first contract for its new Workplace Task Management solution with an existing large European retail client. These new contracts add to the already-strong WorkPlace contracted order book and to the list of existing WorkPlace customers who have confirmed their deployment plans for the current Financial Year.

Financial Results

Turnover for the year to 31 March 2008 was £10.8million (2007: £8.8million). Gross margin remained high as in previous years at 97% (2007: 96%). Recurring Revenue received from Annual Use Licences and Managed Services were £4.1million (2007: £4.0million) and account for 38% of turnover (2007: 45%).

Profit from Operations was £1.1million (2007: £1.6million loss). An Exceptional gain of £112,000 also arose, resulting from the profit on sale of certain of the company's freehold properties less redundancy and associated costs for the US subsidiary (2007: £594,000 charge relating to the group wide cost reduction exercise). Investment Income amounted to £91,000 (2007: £92,000) and Profit before Tax was £1.3million (2007:£2.1million loss).

The tax claim for Research and Development amounted to £230,000 (2007: £279,000).

Adjusted EPS was 0.87p (2007: 0.88p loss per share)

Cash Flow

Cash balances at 31 March 2008 were £2.7million (2007: £1.9million). The increase resulted from proceeds of the freehold property sales combined with a net inflow from trading operations.

Dividend

The Board is pleased to confirm the resumption of dividend payments and proposes a dividend be paid for the year to 31st March 2008 of 0.2p per share (2007: nil pence per share). The dividend will be paid on 2 September 2008, subject to shareholder approval at the AGM, to shareholders on the register at the close of business on 1 August 2008.

Outlook

Despite the recent deterioration in the macroeconomic climate, we are encouraged by the progress achieved in 2007/8 and the resulting momentum carried into the current Financial Year, both in terms of forward revenue visibility from existing clients and a strong pipeline of new orders. We remain cautiously optimistic regarding both the Half-Year and Full-Year outlook.

Ian F Lenagan - Chairman

18 June 2008

CHIEF EXECUTIVE'S STATEMENT 07/08**Introduction**

I am very pleased to report that we achieved the main goals we set ourselves in 2007/08. Specifically, these were to grow revenue and return to profitability whilst at the same time increasing client satisfaction.

The revenue growth was derived from existing clients who increased their commitment to WorkPlace solutions and from a number of significant new client wins. The profit target was achieved by maintaining our reduced cost base and by ensuring that new revenue growth was profitable. The final goal of improved client satisfaction was achieved primarily due to a great team effort from WorkPlace staff.

I would now like to provide some greater detail in all the areas which contributed to last year's performance and to provide an overview of the Company's direction in the future.

Business Review - UK and Europe

Our Account Management programme paid off last year with many of the more established clients placing additional orders for software and consultancy with us together with the majority renewing their maintenance contracts for another year. To improve communication with clients, we have started a regular Client Newsletter and recently held a Retail Forum which was attended by 15 of our major Retail clients. WorkPlace has a large and high profile client base and satisfying these clients remains a key objective so this programme will continue to be expanded and enhanced in 2008/9.

The Retail Sector has been a major success area for WorkPlace with significant follow-on sales and new sales of WorkPlace software into both UK and international Retailers. Focus DIY added the Time and Attendance module to their existing Scheduling module and NEXT implemented Operational Scheduling to automate production of store schedules. Metro continued with their rollout by expanding the Scheduling to five more countries whilst, at the same time, commencing their Time and Attendance project using WorkPlace software. In addition, Metro increased their commitment to a fully integrated Workforce Management solution by ordering the new WorkPlace Task Management module for delivery later this year.

In general, we expect the rollouts in our major clients to continue as they implement additional modules whilst expanding existing modules into more regions and countries. New sales were made in the international market including Stockmann (headquartered in Finland) and, importantly, the first sale in North America of WorkPlace software to Armani Exchange. This augurs well for the future.

We will continue to invest in new product and marketing programmes for the Retail Sector and look forward to reinforcing our competitive position and making more sales and deliveries during 2008/09.

In non-retail markets, we successfully deployed our WorkPlace product in a major UK media organisation. This has resulted in a continuing revenue stream in the current year. We also achieved particular successes in the Aviation Sector, winning business at Aer Lingus and securing additional orders from BA. Increasingly, this sector is facing cost and operational pressure which our products and services help improve and so we will continue to target this sector in 2008/09. We have a good position also in both the Air and Rail Sectors and look forward to expanding our client base. Within the Emergency Services Sector, Fire and Ambulance Services continued to provide a steady flow of consultancy revenue in 2007/8. We added 7 new Fire Services to our customer base. We have also started to target the larger Police Forces where we anticipate there is a WorkPlace opportunity for both software and services.

Business review - North America

Our LSI Consulting subsidiary achieved some significant consultancy sales with Tier 1 Retail customers such as Toys-r-Us and Office Max, although the absence of software licence sales meant that our US Operation still reported a reduced loss at the operating level during 2007/8.

I am delighted to report, therefore, that we achieved our first US software sale at the end of the year to New York based retailer Armani Exchange, creating a critical beachhead from which we can grow and gain critical mass in the USA. This sale, which is already contributing revenue in H1 08/09, combined with our strong pipeline for both software and consulting services gives us the opportunity in 2008/09 to be profitable and establish the WorkPlace brand in North America.

Product Development

We delivered new versions of both our main products lines in 2007/8 and have refined and extended product roadmaps for both lines, ensuring that the products continue to align with market requirements and that our clients have a clear upgrade path for the foreseeable future.

As part of our investment, we updated our quality programme and introduced new methodologies to help with both cost and speed of development. This investment paid off in 2007/08 and will continue in future years.

To expand our Workforce Management product offering, we have invested in a new software module, Task Management. There has been early interest in this module from the Retail Sector with a first order placed by an existing WorkPlace client, Metro. As this product becomes established, we expect additional interest including from other market sectors.

Following our investment in the Australian company WorkBuddy Pty, we are planning to launch the service in the UK later this year. The service is going into pilot in the UK and is already successfully running in over 50 customers in Australia.

Internal Processes

In last year's report, I commented on introducing our own software to help with job booking, utilisation and costing. The deployment has now occurred and has helped increase staff utilisation and client billing in both our Development and Client Services operations. Other processes have also been improved by extending our investment in CRM to incorporate the service and support side of the operation.

In addition, key management processes have been defined and refined to assure a strong focus on sales, quality, client service and costs. These processes are reviewed at our regular Management Meetings to enable us all to concentrate on delivering our goals.

Our Direction

All our team put considerable effort into last year and we were rewarded by succeeding in turning WorkPlace back to profit. As we go into the new fiscal year, we have set ourselves new targets to sustain the growth and profitability. Again, we have shared our goals and aspirations for the current year with our staff whose continuing enthusiasm, positive attitude and team spirit will enable us to continue to satisfy WorkPlace clients and to deliver on our goals.

I look forward to updating you on our further progress later in the year.

Barney Quinn

CONSOLIDATED INCOME STATEMENT Year ended 31 March 2008

	Note	2008 £000	2007 £000 As restated
Revenue	2	10,844	8,808
Profit/(loss) from operations before exceptional items		1,137	(1,638)
Exceptional items		112	(594)
Profit/(loss) from operations after exceptional items		1,249	(2,232)
Finance income		91	92
Profit/(loss) before tax		1,340	(2,140)
Tax income		27	279
Profit/(loss) for the year	5	1,367	(1,861)

Attributable to:			
Equity holders of the company		1,367	(1,861)
		<u> </u>	<u> </u>
Basic earnings per share	5	0.94p	(1.30)p
Diluted earnings per share	5	0.86p	(1.30)p

The Group's revenue and expenses relate to continuing operations.

CONSOLIDATED BALANCE SHEET

AT 31 March 2008

	2008	2007
	£'000	£'000
		As restated
Non-current assets		
Goodwill	2,941	2,941
Other intangible assets	44	5
Property, plant and equipment	215	1,031
Assets held for sale	212	-
Investments	137	-
	<u>3,549</u>	<u>3,977</u>
Current assets		
Trade and other receivables	3,776	3,073
Cash and cash equivalents	2,727	1,898
	<u>6,503</u>	<u>4,971</u>
Total assets	<u>10,052</u>	<u>8,948</u>
Current liabilities		
Trade and other payables	(1,493)	(2,221)
Deferred revenue	(2,140)	(2,128)
	<u>(3,633)</u>	<u>(4,349)</u>
Total liabilities	<u>(3,633)</u>	<u>(4,349)</u>
Net assets	<u>6,419</u>	<u>4,599</u>
Equity		
Share capital	7,332	7,174
Share redemption reserve	1,871	1,871
Share premium	8,811	8,607
Retained earnings	(11,840)	(13,193)
Share option reserve	245	140
	<u>6,419</u>	<u>4,599</u>
Total equity attributable to equity holders	<u>6,419</u>	<u>4,599</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Note	2008 £000	2007 £000
Cash flow from operating activities	3	28	(1,923)
Income tax repayment		262	-
Net cash generated from operating activities		<u>290</u>	<u>(1,923)</u>
Cashflows from investing activities			
Purchases of Intangible assets		(42)	-
Purchases of property, plant and equipment		(88)	(64)
Proceeds of sale from property, plant and equipment		729	-
Purchase of subsidiary		-	(37)
Purchase of investment		(137)	-
Net cashflows from investing activities		<u>462</u>	<u>(101)</u>
Cashflows from financing activities			
Interest received		91	92
Net cashflows from financing activities		<u>91</u>	<u>92</u>
Increase/(decrease) in cash and cash equivalent in the year		<u>843</u>	<u>(1,932)</u>
Cash and cash equivalents			
At the beginning of the year		1,898	3,808
Effect of exchange gains and losses		(14)	22
At the end of the year		<u><u>2,727</u></u>	<u><u>1,898</u></u>

NOTES TO THE PRELIMINARY REPORT**Year ended 31 March 2008****1. Basis of preparation**

The abridged financial information set out above does not constitute the Group's statutory accounts defined under Section 240 of the Companies Act 1985. The report of the auditors on the accounts for the year ended 31 March 2007 was unqualified and there was no statement under either section 237(2) or 237(3). The accounts for the year ended 31 March 2007 have been filed at Companies House.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. These accounts will be finalised on the basis of the financial information presented and then filed at Companies House. Copies will then be available from the registered office of the Group at Precedent Drive, Rooksley, Milton Keynes MK13 8PP.

First time adoption of International Financial Reporting Standards

As this report is the Group's first IFRS report, IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied. The financial statements should be read in conjunction with note 6 which shows an explanation of how the transition to IFRS has affected the reported financial position of the Group. This statement includes reconciliations of the balance sheets and profit for comparative periods under UK GAAP to those reported for those periods

under IFRS.

The Group has adopted all of the standards and interpretations that were mandatory for accounting periods on or after 1 April 2007 that are relevant to the operations of the Group.

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.

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.

Other intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is 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; and
- the development cost of the asset can be measured reliably.

Internally-generated 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 is considered by the directors to be a period of 3 years.

2. SEGMENTAL INFORMATION

The turnover, profit before taxation and net assets are attributable to the principal activity which is the supply of software systems and expertise in certain specialist vertical market places. The Group operates in several geographical areas and its geographical analysis of turnover by destination is as follows:

Turnover by destination:

	UK £000	Middle East £000	Europe £000	North America £000	Other £000	Total £000
2008 Sales						
WorkPlace Systems plc	6,673	108	3,196	-	208	10,185
Labor Solutions International	-	-	-	659	-	659
Total	6,673	108	3,196	659	208	10,844
2007 Sales						
WorkPlace Systems plc	7,044	41	965	103	33	8,186
Labor Solutions International	-	-	-	622	-	622
Total	7,044	41	965	725	33	8,808

3. RECONCILIATION OF PROFIT/(LOSS) FROM OPERATIONS TO CASH FLOW FROM OPERATING ACTIVITIES

	2008	2007
	£000	£000
Operating profit/(loss)	1,249	(2,232)
Amortisation	1	-
Depreciation	139	146
Increase in receivables	(942)	(141)
Profit on disposal of property, plant and equipment	(170)	-
(Decrease)/increase in payables	(354)	264
Share option reserve	105	40
Cash inflow/ (outflow) from operating activities	28	(1,923)

4. RECONCILIATION OF CHANGES IN EQUITY

	Group	
	2008	2007
	£000	£000
Opening equity as previously stated	4,599	6,398
Profit/(loss) for the financial year	1,367	(1,861)
Exchange rate adjustment	(14)	22
Shares issued in year	362	-
Share option reserve	105	40
Closing equity	<u>6,419</u>	<u>4,599</u>

5. PROFIT/(LOSS) PER SHARE

	2008	2007
	£000	£000
Profit/(loss) attributable to shareholders	1,367	(1,861)
Exceptional items	(112)	594
Adjusted profit	<u>1,255</u>	<u>(1,267)</u>
	2008	2007
	(000's)	(000's)
Weighted average number of shares	144,781	143,479
Weighted average number of shares for calculating diluted loss per share	158,635	143,479
Basic profit/(loss) per share (pence)	<u>0.94p</u>	<u>(1.30)p</u>
Diluted profit/(loss) per share (pence)	0.86p	(1.30)p
Adjusted profit/(loss) per share (pence)	0.87p	(0.88)p

Given the loss attributable to shareholders in 2007, all share options were anti-dilutive and accordingly basic loss per share equalled diluted loss per share.

6. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected the income statements and balance sheets previously reported under UK Generally Accepted Accounting Principles (UK GAAP) are given below:

Consolidated income statement - reconciliation of UK GAAP to IFRS for the year ended 31 March 2007

	2007 £'000
Loss for the year previously reported under UK GAAP	(2,530)
Add back of amortisation charge for the year	669
	<u>(1,861)</u>

Consolidated balance sheet - reconciliation of UK GAAP to IFRS as at 31 March 2006

	Notes	UK GAAP £'000	Adjustments £'000	2006 £'000 As restated
Non-current assets				
Goodwill	ii	2,904		2,904
Other intangible assets	i	-	1	1
Property, plant and equipment		1,118	(1)	1,117
Investments		-		-
		<u>4,022</u>		<u>4,022</u>
Current assets				
Trade and other receivables		2,653		2,653
Cash and cash equivalents		3,808		3,808
		<u>6,461</u>		<u>6,461</u>
Total assets		<u>10,483</u>		<u>10,483</u>
Current liabilities				
Trade and other payables		(1,892)		(1,892)
Deferred revenue		(2,193)		(2,193)
		<u>(4,085)</u>		<u>(4,085)</u>
Net current assets		<u>2,376</u>		<u>2,376</u>
Total liabilities		<u>(4,085)</u>		<u>(4,085)</u>
Net assets		<u>6,398</u>		<u>6,398</u>
Equity				
Share capital		7,174		7,174
Share redemption reserve		1,871		1,871
Share premium		8,607		8,607
Retained earnings		(11,254)	100	(11,354)
Share option reserve	iii	-	100	100
		<u>-</u>		<u>100</u>

Total equity	6,398	6,398
Attributable to:		
Equity holders of the company	6,398	6,398

Consolidated balance sheet - reconciliation of UK GAAP to IFRS as at 31 March 2007

	Notes	UK GAAP £'000	Adjustments £'000	2007 £'000 As restated
Non-current assets				
Goodwill	ii	2,272	669	2,941
Other intangible assets	i	-	5	5
Property, plant and equipment		1,036	(5)	1,031
Investments		-		-
		<u>3,308</u>		<u>3,977</u>
Current assets				
Trade and other receivables		3,073		3,073
Cash and cash equivalents		1,898		1,898
		<u>4,971</u>		<u>4,971</u>
Total assets		<u>8,279</u>		<u>8,948</u>
Current liabilities				
Trade and other payables		(2,221)		(2,221)
Deferred revenue		(2,128)		(2,128)
		<u>(4,349)</u>		<u>(4,349)</u>
Net current assets		<u>622</u>		<u>622</u>
Total liabilities		<u>(4,349)</u>		<u>(4,349)</u>
Net assets		<u>3,930</u>		<u>4,599</u>
Equity				
Share capital		7,174		7,174
Share redemption reserve		1,871		1,871
Share premium		8,607		8,607
Retained earnings		(13,762)	569	(13,193)
Share option reserve	iii	40	100	140
Total equity		<u>3,930</u>		<u>4,599</u>
Attributable to:				
Equity holders of the company		<u>3,930</u>		<u>4,599</u>

Explanations of reconciliations between UK GAAP and IFRS:

(i) Computer software

Software which was originally included in computer equipment has been reclassified to intangible assets in accordance with IAS 38.

(ii) Goodwill

Goodwill which arose as acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount at the effective transition date. This is subject to being annually tested for impairment. There were additions in the year to 31 March 2007 of £37,000.

(iii) Share options

Adjustment has been made in relation to the fair value of share options existing in the year to 31 March 2006 recognising an increased charge for the year of £100,000 in accordance with IFRS2.

7. CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2008	2007
	£'000	£'000
		As restated
Exchange differences arising on translation of foreign currency net investments and intercompany balances	(14)	22
Net (loss)/gain recognised directly in equity	(14)	22
Profit/(loss) for the year	1,367	(1,861)
Total recognised income/(expense) for the year	1,353	(1,839)
Attributable to:		
Equity holders of the company	1,353	(1,839)

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