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WorkPlace Systems International PLC ("WorkPlace" or the "Company")

Preliminary Results for the year ended 31 March 2009

Chairman's Statement

Introduction

As indicated at the time of our February Trading Update, the year ended 31 March 2009 was a difficult year with the market experiencing extreme trading conditions in the wake of the international banking crisis and the onset of recession during the second half. Whilst many of our customers are now showing signs of emerging from this period, the second half of the year was dominated by restructuring, reduced capital budgets and project freezes amongst our customers and prospects.

These market conditions were directly reflected in the results of the Company which recorded a first half profit followed by a second half loss as sales declined markedly. The Board reacted swiftly to these conditions putting in place a restructuring plan at the end of the third quarter which was concluded in February 2009. This exercise succeeded in removing a total of £1.4million from the Company's fixed cost base as operations in both the UK and US were aligned with the changing commercial landscape.

The Board also took the opportunity to re-assess its US operations following the decision in 2008 to concentrate on the sale, implementation and integration of software solutions based on the Company's core Workforce Management product range. This followed our first two sales in the USA during the year which have provided local reference sites for our progression into the US retail market.

Significant enhancement of the WorkPlace suite of products continued with the development and release of the WorkPlace Task Management module which gained its first delivery to Metro in January 2009 together with the investment of a 25% stake in EASE Inc plus the signing of an extended worldwide distribution and reseller agreement for their business standards product.

Following the year-end, the Company increased its investment in WorkBuddy Solutions Pty Ltd to 50% and, in a separate transaction, secured the worldwide intellectual property rights for the SaaS software which is marketed under the name WorkPlace OnLine.

The Company remains debt free and, in spite of the downturn during the 2009 Financial Year, has maintained its cash balances above £2.3m. In the current and anticipated economic climates, the Board believes that this places the Company in a sound financial position and will create competitive advantages over a number of our highly geared competitors.

Financial Results

Revenue for the year to 31 March 2009 was £9.6 million (2008: £10.8 million). Gross margins remained high as in previous years at 97% (2008: 97%) reflecting the nature of the solutions business. Recurring Revenue received from Annual Use Licences and Managed Services was £3.9 million (2008: £4.1million) and accounts for 41% of turnover (2008: 38%).

The loss from operations was £480,000 (2008: £1.1 million profit). An exceptional loss of £1.98 million arose from the £480,000 cost of restructuring and associated redundancy costs in the UK and US operations together with a provision of £1.5million for the impairment of consolidated goodwill that had arisen on the 2005/6 acquisition of LSI. This latter provision was a non-cash item and reflected the Board's view that the carrying value of the original goodwill had diminished in the light of the change in the company's direction since 2007 to concentrate on software implementation and the integration and sale of software solutions in the US markets. Finance income amounted to £90,000 (2008: £91,000) and Loss before Tax was £2.36million (2008: Profit £1.3million).

A tax claim for Research and Development amounted to £243,000 which was offset against the corporation tax liability arising in the year ended 31 March 2008. (2008: £230,000 was reclaimed in cash).

EPS after adjusting for exceptional items was 0.26p loss (2008: 0.90p gain per share).

Cash Flow

Cash balances at 31 March 2009 were £2.4 million (2008: £2.7 million). These balances were held on short term sterling deposits.

Dividend

The Board does not propose a dividend to be paid based on the results of the year to 31st March 2009. In the current economic climate the Board considers it prudent to conserve cash within the company in the expectation of resuming dividend payments in future periods when trading conditions improve.

Outlook

Despite the UK and international recession and the impact that it continues to have on many of the sectors on which the Company focus, there have been recent signs of activity driven by an easing of the budget constraints that were evident throughout the previous six months. Whilst it is too early to predict a recovery, the internal restructuring carried out by the Board in the third quarter together with the anticipated contribution of our new products, in particular WorkPlace OnLine, provide the basis for cautious optimism for a recovery in 2010 and growth in the future.

Ian Lenagan - Chairman

Chief Executive's Statement

Introduction

2009 was a very different year to the Company's initial expectations as planned in April 2008 and was ultimately even different to its expectations as at the half year in September. WorkPlace ended the first half profitable, having a strong pipeline and a major contract concluded with H&M for further rollout of our workforce management solution to new countries.

The global change in business conditions from October 2008 was so sudden it made it challenging to plan and react to such a rapid slowdown in demand. Our clients and prospects "kept their hands in their pockets" resulting in WorkPlace becoming loss making in the second half and undertaking a cost cutting exercise, which was concluded in February 2009, to reduce the total cost base by an annualised £1.4million and reposition the Company for the uncertain economic climate.

As the year ended the Company continued to focus on cost control and sales activity, working very hard to win business. Our great strength during this difficult period is that we continue to have no debt and a strong cash position.

We have all had to make sacrifices during these times and I would like in particular to thank our staff for both their great efforts to help our clients but also for their loyalty and understanding.

Business Review UK & Europe

WorkPlace continued to deliver to its clients throughout Europe with deployment successes in several new countries in the retail sector and further developed relationships in existing countries where additional software was delivered. The Company also delivered its new Task Management module to Metro. This completes our product range of modules to market in the retail sector and will allow WorkPlace to capitalise on this as we go forward.

A large deployment was successfully made at the BBC who rolled out our solution to many thousands of staff.

During the year WorkPlace extended its product range with the successful installation of our SaaS solution WorkPlace OnLine. The Directors believe that WorkPlace OnLine will take your Company into new markets and, because of the low initial start up costs, reflects the market needs of today.

In the fire services market the Company made a breakthrough with the sale and delivery of our emergency services software solution at Strathclyde Fire Service. This augurs well for the future with the seventeen Fire Services to whom we already provide consultancy services and this software sale opens up a new vertical market for us.

Overall markets in Europe were tough in the second half and the Company saw slippage in the timing of decisions and investment both of pipeline prospects and in existing projects.

Business Review North America

WorkPlace made a software breakthrough in North America retail this year with implementations at Armani Exchange and Tacoma Goodwill. Again this places us well for the future as we develop our software business in the North American markets as we now have two recognised reference sites in the North American retail sector.

As in Europe the second half was difficult in North America with many new opportunities being delayed..

In the financial year 2010, the Company will leverage the success we have had at Tacoma Goodwill and Armani Exchange and the Board believes that the Company will see further sales as the retail market in North America recovers..

Product Development

The Board continued to invest in new product, updating technology and adding new features and functionality to our range. This investment will enable the Company to remain competitive in these difficult times. Clients are looking for shorter implementation timescales which deliver business benefit earlier and at WorkPlace we are concentrating on product enhancements that will enable early wins.

From a product viewpoint we added and delivered our new Task Management module and brought WorkPlace OnLine to market. We will expect to see benefit from both of these products in the years ahead.

In February 2009, to help the business move forward in an increasingly global workforce management software market the Company hired a Chief Technology Officer, Alex Davis who is very familiar with the challenges and solutions needed in the international deployment field. Alex has joined the Board and following his appointment all group IT services have been merged under his control.

Internal Processes and Organisation

We continue to refine our processes and systems. The update of our internal processes which was started two years ago was completed in the year under review. We use our own workforce management product which has been particularly useful in enabling us to track costs and monitor projects.

In March 2009 the Company moved to a new office in Reading which not only provides a better working environment for development of software, but also provides us with client presentation facilities and is particularly useful for clients and prospects that travel via Heathrow. Arrangements

with other properties allowed us to take this space at no additional cost to the Company.

Direction

As we enter the new financial year the Company is seeing new projects initiated by organisations in all sectors in which WorkPlace is active. However, the market is now dominated by a low or limited capital spend attitude which is why, the Board has added to our investment in the SaaS solution WorkPlace OnLine. We have already made four sales of WorkPlace OnLine since the year-end. Due to the nature of the sales model to provide ongoing recurring revenue, the benefits will be seen in the second half and beyond. We have also made a new name sale of StaffPlanner and a number of client upgrades.

The Board will continue to keep a close watch on costs as we see if the early signs of recovery are sustained.

Barney Quinn - Chief Executive

Consolidated Income Statement For the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Continuing operations			
Revenue	2	9,561	10,844
Cost of sales		<u>(276)</u>	<u>(300)</u>
Gross profit		9,285	10,544
Administration expenses		<u>(9,765)</u>	<u>(9,407)</u>
(Loss)/profit from operations		(480)	1,137
Finance income		90	91
Exceptional items	3	<u>(1,976)</u>	<u>112</u>
Loss)/profit before tax		(2,366)	1,340
Tax		<u>-</u>	<u>75</u>
(Loss)/profit for the year		<u><u>(2,366)</u></u>	<u><u>1,415</u></u>
Attributable to:			
Equity holders of the company		<u><u>(2,366)</u></u>	<u><u>1,415</u></u>
(Loss)/Earnings per share			
Basic (pence per share)	4	<u>(1.61)</u>	<u>0.98</u>
Diluted (pence per share)	4	<u>(1.45)</u>	<u>0.89</u>

Consolidated Statement of Recognised Income and Expense

	Notes	2009	2008
		£'000	£'000
Exchange differences arising on translation of foreign currency net investments and intercompany balances		(167)	(14)
Net loss recognised directly in equity		(167)	(14)
(Loss)/profit for the year		(2,366)	1,415
Total recognised (expense)/income for the year	19	(2,533)	1,401
Attributable to:			
Equity holders of the company		(2,533)	1,401

Consolidated Balance Sheet
As at 31 March 2009

	Notes	2009	2008
		£'000	£'000
Non-current assets			
Goodwill		1,441	2,941
Other intangible assets		474	44
Property, plant and equipment		431	215
Assets held for sale		-	212
Investments		341	137
		<u>2,687</u>	<u>3,549</u>
Current assets			
Trade and other receivables		2,512	3,740
Current tax receivable		-	243
Cash and cash equivalents		2,374	2,727
		<u>4,886</u>	<u>6,710</u>
Total assets		<u>7,573</u>	<u>10,259</u>
Current liabilities			
Trade and other payables		(1,532)	(1,493)
Current tax payable		-	(155)
Deferred revenue		(2,261)	(2,140)
		<u>(2,261)</u>	<u>(2,140)</u>

Total liabilities		(3,793)	(3,788)
		<u> </u>	<u> </u>
Net assets		3,780	6,471
		<u> </u>	<u> </u>
Equity			
Share capital		7,338	7,336
Capital redemption reserve	5	1,871	1,871
Share premium	5	8,811	8,811
Retained earnings	5	(14,618)	(11,792)
Share option reserve	5	378	245
		<u> </u>	<u> </u>
Total equity: Attributable to equity holders of the parent		3,780	6,471
		<u> </u>	<u> </u>

Consolidated Cash Flow
For the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Net cash generated from operating activities	6	777	28
Income tax repayment		86	262
		<u> </u>	<u> </u>
Net cash generated from operating activities		863	290
Cash flows (used in)/from investing activities			
Internally generated intangible assets		(502)	(42)
Purchases of computer software		(21)	-
Purchases of property, plant and equipment		(120)	(88)
Proceeds from sale of property, plant and equipment		-	729
Purchase of investment		(204)	(137)
		<u> </u>	<u> </u>
Net cash flows (used in)/from investing activities		(847)	462
Cash flows (used in)/from financing activities			
Finance income		90	91
Dividends paid		(293)	-
		<u> </u>	<u> </u>
Net cash flow (used in)/from financing activities		(203)	91
		<u> </u>	<u> </u>
(Decrease)/Increase in cash and cash equivalents		(187)	843
Cash and cash equivalents			
At the beginning of the year		2,727	1,898
Effect of foreign exchange rate changes		(167)	(14)
		<u> </u>	<u> </u>
At the end of the year		2,374	2,727
		<u> </u>	<u> </u>

Notes to the Preliminary Report
For the year ended 31 March 2009

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 for the year ended 31 March 2009 or 2008. The report of the auditors on the accounts for the years ended 31 March 2008 and 2009 were unqualified and there was no statement under either section 237(2) or 237(3). The accounts for the year ended 31 March 2008 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

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.

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 transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Internally-generated intangible assets - development expenditure

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.

2. SEGMENTAL ANALYSIS

The Group has elected to segment its operations on the basis of "geographical segment of operation". The Group has determined that this is the most appropriate segmental split to reflect the nature of the Group's operations. The Group uses two distinct operating geographical areas with different economic conditions and a different client base and client requirements. These are:

Workplace Systems plc - United Kingdom
Labor Solutions International Inc - USA

Geographical segmental information

An analysis of revenue by destination is given below:

	2009 £'000	2008 £'000
United Kingdom	5,440	6,673
Europe	3,273	3,196
North America	561	659
Rest of world	<u>287</u>	<u>316</u>
	<u>9,561</u>	<u>10,844</u>

3. EXCEPTIONAL ITEMS

	2009 £'000	2008 £'000
Exceptional items:		
Redundancy payments	476	58
Impairment provision against consolidated goodwill	1,500	-
(Profit) on disposal of property	-	(170)
	<u>1,976</u>	<u>(112)</u>

The exceptional redundancy payment in 2009 arose due to a cost reduction programme across the WorkPlace Group in February 2009. This exceptional item is allowable as a deduction in arriving at the Group's corporation tax charge for the year.

The Impairment provision against Consolidated Goodwill is a non cash item reflecting the Board's view that the carrying value of the purchased goodwill that arose on the 2005/06 acquisition of LSI had diminished in the light of the change in that company's direction since acquisition to concentrate on software implementation and integration and the sale of software solutions in the US markets.

4. EARNINGS PER SHARE

	2009 £'000	2008 £'000
Earnings		
(Loss) / profit for the financial year	(2,366)	1,415
Exceptional items	<u>1,976</u>	<u>(112)</u>
Adjusted (loss) / profit for the financial year	<u>(390)</u>	<u>1,303</u>

Number of shares	2009 '000	2008 '000
Weighted average number of shares	146,760	144,781
Effect of dilutive potential ordinary shares:		
Share options	15,515	13,854
Weighted average number of shares for calculating diluted profit per share	<u>162,275</u>	<u>158,635</u>
	2009	2008
Basic (loss)/profit per share	<u>(1.61p)</u>	<u>0.98p</u>
Diluted (loss)/profit per share	<u>(1.45p)</u>	<u>0.89p</u>
Adjusted (loss)/profit per share	<u>(0.26p)</u>	<u>0.90p</u>

5. STATEMENT OF CHANGES IN EQUITY

Group	Share premium	Capital redemption reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2007	8,607	1,871	140	(13,193)	(2,575)
Total recognised income and expense	-	-	-	1,401	1,401
Share option costs	-	-	105	-	105
Premium arising on issue of equity shares	204	-	-	-	204
At 1 April 2008	8,811	1,871	245	(11,792)	(865)
Total recognised income and expense	-	-	-	(2,533)	(2,533)
Dividend paid	-	-	-	(293)	(293)
Share option costs	-	-	133	-	133
At 31 March 2009	8,811	1,871	378	(14,618)	(3,558)

6. NOTES TO THE CASH FLOW STATEMENT

	2009 £'000	2008 £'000
(Loss)/profit for the year	(2,456)	1,249
Profit on disposal of property, plant and equipment	-	(170)
Depreciation of property, plant and equipment	116	139
Amortisation of intangibles	93	1
Impairment of goodwill provision	1,500	
Share option schemes	133	105
Decrease/(increase) in receivables	1,229	(942)
Increase/(decrease) in payables	162	(354)
Net cash flow from operating activities	<u>777</u>	<u>28</u>

This information is provided by RNS
The company news service from the London Stock Exchange