

<b>Company</b>	<a href="#">Workplace Systems International PLC</a>
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Workplace Systems International PLC  
30 June 2010

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

### **Preliminary Results for the year ended 31 March 2010**

#### **Chairman's Statement**

Against a background of the difficult economic times of the 2009-2010 Financial Year, it is a pleasure to report a return to profit for WorkPlace, albeit a small one. In addition, an even more significant change occurred this year with the early entry of WorkPlace into the exciting and growing marketplace of software solutions delivered through the SaaS business model.

The WorkPlace Board had already acted promptly and decisively during the period February to April 2009 to address the ramifications of the global credit crisis and recession by reducing the Company's cost base significantly, as reported in my previous Chairman's Statement. With the exemplary support of our staff, the Company was able to negotiate successfully the extremely difficult trading conditions during the early part of the Financial Year and, at the same time, to invest in a new product range and business model which is forecast by the Technology and Business Sector to generate the most significant growth in the future.

In June 2009 the Company increased its interest in WorkBuddy Solutions Pty Ltd to 50% and purchased outright the Intellectual Property of that company. This product, with further development from WorkPlace, has become the core of our new SaaS product, WorkPlace OnLine. By 31 March 2010, WorkPlace OnLine already had more than 100 active customers across three Continents and was regularly processing schedules for over 30,000 users each week.

The economic uncertainty of the year presented the ideal opportunity for the Company to reassess its business model to take advantage of the significant opportunities presented with WorkPlace's Software-as-a-Service ("SaaS"), delivery model encompassed in the new OnLine product for Workforce Management which complements the existing WorkPlace product range.

WorkPlace OnLine is a SaaS Workforce Management solution, delivered over the internet to customers from our central facility. SaaS is a multi-tenanted method of processing and distributing software solutions with all customers accessing common outsourced software in a secure, scalable and managed environment. As a result of its centralised processing accessed by customers anywhere from normal internet connections, SaaS enables WorkPlace to pilot and roll out the OnLine application extremely quickly across national and international customers without the problems, delays and capital costs of hardware, infrastructure, configuration and network speeds. OnLine also provides real-time visibility of labour deployment at all sites and stores to customer management which is not possible with traditional systems and can lead to significant labour saving.

The new business model means that the WorkPlace OnLine SaaS offering can be licensed to customers on a "pay-as-you-go" basis with no upfront capital costs and recurring fees based upon number of employees or sites as well as in the traditional manner. This is particularly attractive to customers in the current climate and presents the opportunity to WorkPlace of an increasing proportion of recurring revenue.

Please visit the WorkPlace web site for detailed information on this exciting new product.

In addition to the exciting new OnLine product, WorkPlace maintains a strong customer base particularly in the UK, Europe, Australia and North America. This was demonstrated during the year by the survival and success of our customers and reasonable levels of recurring revenues, upgrades and consultancy business from them even in these difficult times where many new capital projects were put on hold or even cancelled.

During the Financial Year, the Company also developed a number of significant distribution channels for existing and new products, particularly in the US market. These Distribution Agreements provide access to over 3,000 US and Canadian customers with a particular emphasis on the WorkPlace Task Management product.

The reorientation of the Company's US Operation referred to in the previous statement continued during the early part of the Financial Year with the licensing of the Labour Standards business to Knightsbridge Human Capital Management Inc. in July 2009 thus creating a current and future royalty stream from this business and securing its future profitability. Following the launch of WorkPlace On-Line in North America and on the back of a successful rollout of the product to over 4,000 stores throughout the US within a four month timeframe in a high profile Tier 1 Retailer, the US WorkPlace Operation was relocated to Chicago and was able to deliver a profit contribution from North America for the first time in a number of years.

The Board believes that the underlying strength of the WorkPlace customer base together with the new OnLine product and business model can enable the Company to grow significantly in the future.

WorkPlace remains debt-free in a sound financial position and, as predicted, has retained cash balances in excess of £2m at the year-end. At a time of restricted credit, this could also create additional advantage for WorkPlace over a number of highly-g geared Workforce Management competitors in our market sector.

**Financial Results**

Revenue for the year to 31 March 2010 was £9.1 million (2009: £9.6 million). Gross margins reduced to 91% (2009: 97%) reflecting the initial move to a SaaS model. However, at 91% the Gross margin remains high reflecting the ongoing nature of the solutions business. Recurring Revenue received from Annual Use Licences and Managed Services rose slightly to £4.0 million (2009: £3.9million) and accounts for 44% of revenue (2009: 41%).

The profit from operations was £46,000 (2009: Loss £480,000). Finance income amounted to £4,000 (2009: £90,000) and Profit before Tax was £50,000 (2009: Loss £2.36million).

EPS was 0.03p per share (2009: 1.61p loss after adjusting for exceptional items).

**Cash Flow**

Cash balances at 31 March 2010 were £2.1 million (2009: £2.4 million). These balances were held on short term Sterling, Euro and US\$ deposits.

**Dividend**

The Board does not propose a dividend to be paid based on the results of the year to 31 March 2010. 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**

Whilst the first few months have continued to be difficult in closing business, the prospective business levels for OnLine particularly are at much higher levels than previously in the UK, North America and Australia with a much quicker implementation timescale and hence revenue.

**Ian Lenagan - Chairman**



## Chief Executive's Statement

### Introduction

Our company year 2009/10 heralded some very important events for the future including a major client breakthrough in North America; the investment and repositioning of the business in North America as a Software as a Service (SaaS) provider with WorkPlace OnLine, and the investment in WorkBuddy Pty and outright purchase of the Intellectual Property of that company which has given us control of our future SaaS direction.

The year was dominated by the continuing impact of the global recession and for much of the period a lack of demand was a key problem. After breaking even in the half year we expected to go on and make significant profit in the second half. However, conversion of pipeline continued to be an issue and ultimately WorkPlace made only a small profit which was disappointing but still confirmed a return to profitability.

During the year management focused on cost control and cash management. As a result WorkPlace ended the year with a cost base some £1.5m lower than in March 2009 and with in excess of £2m of cash in the bank.

The focus on cost and cash alongside the company's lack of debt remains a key asset to the business in these turbulent times.

I would in particular like to thank all our staff for their support during this time. We all took part in a voluntarily salary sacrifice scheme during the year, which enabled us to retain a higher headcount and that had the huge benefit of enabling us to continue to give great service to our clients.

### Business Review

Our major clients continued to invest with WorkPlace during the year albeit at a lower level, continuing to expand their solution either into new countries or divisions. Certain clients also took additional modules from us. Today we have some of the largest deployed workforce management solutions in the world delivered both On Premise and by SaaS.

New business was hard to win, very competitive and with much pressure on price. A significant proportion of our new name clients came from our SaaS product, WorkPlace OnLine. These clients were often in new areas of the market for WorkPlace, where the low cost of entry and the pay as you go model is attractive to potential clients.

The software world is changing. I believe there will be a trend away from large capital licences, with long deployments which WorkPlace and its competitors enjoyed for many years. Clients both large and small are demanding low cost of entry, pay as you go pricing models and above all a quick deployment that gives a return on investment in months if not weeks. Through our investment in WorkPlace Online, WorkPlace is well positioned to take advantage of this trend.

We now have over 100 clients using our SaaS product and many reference clients all over the world. WorkPlace Online has already proved particularly successful in the Retail, Hospitality, Contract Labour and Care markets.

### UK & Europe

Although markets in Europe were tough as the economies struggled to recover during 2009, we continued to make progress in Retail, Hospitality, Transport and Emergency Services.

We have expanded our Retail presence in our large clients such as Metro, H&M and NEXT and added major new clients including Claus Ohlson in the UK.

During the year we invested in marketing and supporting WorkPlace Online and have won and implemented new name clients. We have developed additional implementation and support services to enable us to provide fast high quality implementations alongside high system availability to our clients.

In UK & Europe we have seen pipeline growth in Q4 and we enter the new Financial Year as confidence in the future gradually returns.

### North America

It was a year of change as we transformed our business model in North America to become a workforce management SaaS solution provider.

In July 2009 we entered an agreement with Knightsbridge Human Capital Management Inc to manage sales and marketing of our LSI labour standards and consulting business. This has enabled WorkPlace to concentrate on growing its pipeline for the WorkPlace OnLine business.

With WorkPlace OnLine we made a major breakthrough in North America where, in 12 weeks, we deployed in over 4,000 stores for a very large retailer. The business was won after a competitive pilot exercise against local competitors.

This success augurs well for the future.

To take advantage of this success and growing pipeline in the USA we have invested in infrastructure. WorkPlace opened an office in Chicago in January 2010 and we have transferred management from the UK and recruited locally.

As part of our SaaS offering we have entered into a relationship with Navisite Inc. to provide first class resilient hosting facilities for our North American clients out of Andover.

Another North American partnership arrangement was entered into with Infor, one of the largest software companies in the world with over 70,000 clients. Infor will market our Task Management product and we are now seeing some good pipeline for the module.

Our investment in North America will continue in 2010/11.

### Australia

Our investment in WorkBuddy Solutions Pty and outright purchase of the Intellectual Property of that company, which supports a fully featured Workforce management solution using the latest technology, has enabled WorkPlace to control its future in the SaaS world and I believe we have a world leading product as the market moves towards this type of solution..

We continue to trade as WorkBuddy in Australia and to win business in the local market and I am particularly pleased to see us win and deploy larger clients than was possible prior to our investment.

#### **Product Development**

We continued to invest in product in three main areas during 2009/10.

Firstly we made investment in the road map for our on premise products.

- Many new features were developed and deployed but we also moved technology and infrastructure of these solutions forward to provide additional options in the SaaS environment.
- These products continue to attract clients and remain at the forefront of the workforce management software world.

Secondly our investment in Task Management continued and we released a new module in Store Communications which will help those clients who do not initially want to go to a full deployment of Task Management.

Lastly, we have invested in the WorkPlace Online platform which as outlined earlier is key to our future.

#### **Internal Process & Organisation**

We have continued to focus on our processes and management reporting. This has enabled us to keep a close watch on cash and costs as we have needed to invest in these difficult times to take advantage of the move to a SaaS business model.

From an organisational viewpoint we have transferred two senior managers to help rapidly grow our North American business. I see managing this growth as one of our challenges for the medium term, however, both the opportunity and potential rewards are great.

#### **Direction**

As we enter the new Financial Year our pipeline is substantial and growing. However, we are still seeing a very difficult competitive environment with many hurdles to overcome before customers are ready to make investments.

We are now in a different business model world with pay as you go and fast deployment key.

I believe our move forward with WorkPlace Online in the SaaS market will pay dividends as it addresses issues of concern to the market. We will need to invest further in infrastructure, product, sales and marketing however I believe this investment will reap rewards in the medium and long term.

Barney Quinn - Chief Executive



**Consolidated Statement of Comprehensive Income  
For the year ended 31 March 2010**

	Notes	2010 £'000	2009 £'000
<b>Continuing operations</b>			
Revenue	3	9,064	9,561
Cost of sales		(839)	(276)
Gross profit		8,225	9,285
Administration expenses		(8,179)	(9,765)
<b>Profit / (loss) from operations</b>		46	(480)
Finance income		4	90
Exceptional items		-	(1,976)
<b>Profit / (loss) before tax</b>	3	50	(2,366)
Tax		-	-
<b>Profit / (loss) for the year</b>		50	(2,366)
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign currency net investments and intercompany balances		(9)	(167)
<b>Total Comprehensive income for the year</b>		41	(2,533)
<b>Profit attributable to:</b>			
Equity holders of the company		49	(2,366)
Non-controlling interests		1	-
		50	(2,366)
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company		40	(2,533)
Non-controlling interests		1	-
		41	(2,533)
<b>Earnings / (loss) per share</b>			
Basic (pence per share)	3	0.03	(1.61)
Diluted (pence per share)	3	0.03	(1.45)



**Consolidated Statement of Financial Position  
For the year ended 31 March 2010**

	Notes	2010 £'000	2009 £'000
<b>Non-current assets</b>			
Goodwill		1,663	1,441
Other intangible assets		671	474
Property, plant and equipment		389	431
Investments		204	341
		<u>2,927</u>	<u>2,687</u>
<b>Current assets</b>			
Trade and other receivables		3,174	2,512
Cash and cash equivalents		2,077	2,374
		<u>5,251</u>	<u>4,886</u>
<b>Total assets</b>		<u>8,178</u>	<u>7,573</u>
<b>Current liabilities</b>			
Trade and other payables		(1,509)	(1,532)
Current tax payable		-	-
Deferred revenue		(2,523)	(2,261)
		<u>(4,032)</u>	<u>(3,793)</u>
<b>Non current liabilities</b>			
Trade and other payables		(194)	-
<b>Total liabilities</b>		<u>(4,226)</u>	<u>(3,793)</u>
<b>Net assets</b>		<u>3,952</u>	<u>3,780</u>
<b>Equity</b>			
Share capital		7,379	7,338
Capital redemption reserve	4	1,871	1,871
Share premium	4	8,811	8,811
Retained earnings	4	(14,577)	(14,618)
Share option reserve	4	488	378
<b>Equity: Attributable to equity holders of the parent</b>		<u>3,972</u>	<u>3,780</u>
Non controlling interests		(20)	-
<b>Total Equity</b>		<u>3,952</u>	<u>3,780</u>



**Consolidated Statement of Cash Flows**  
**For the year ended 31 March 2010**

	Notes	2010 £'000	2009 £'000
<b>Net cash generated from operating activities</b>	5	160	777
Income tax repayment		-	87
<b>Net cash generated from operating activities</b>		<u>160</u>	<u>864</u>
<b>Cash flows (used in)/from investing activities</b>			
Internally generated intangible assets		(371)	(502)
Net increase in cash on acquisition		77	-
Purchases of computer software		(59)	(21)
Purchases of property, plant and equipment		(67)	(120)
Purchase of investment		-	(204)
<b>Net cash flows used in investing activities</b>		<u>(420)</u>	<u>(847)</u>
<b>Cash flows from/(used in) financing activities</b>			
Issue of share capital		6	-
Finance income		4	90
Dividends paid		-	(293)
<b>Net cash flow (used in)/from financing activities</b>		<u>10</u>	<u>(203)</u>
<b>Decrease in cash and cash equivalents</b>		<u>(250)</u>	<u>(186)</u>
Cash and cash equivalents			
At the beginning of the year		2,374	2,727
Effect of foreign exchange rate changes		(47)	(167)
<b>At the end of the year</b>		<u><u>2,077</u></u>	<u><u>2,374</u></u>



## Notes to the Preliminary Report For the year ended 31 March 2010

### 1. Basis of preparation

The abridged financial information set out above does not constitute the Group's statutory accounts defined under Section 435 of the Companies Act 2006 for the year ended 31 March 2010 or 2009. The report of the auditors on the accounts for the years ended 31 March 2010 and 2009 were unqualified and there was no other statement as required by the Companies Act 2006. The accounts for the year ended 31 March 2009 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

#### Basis of consolidation

The Group financial statements comprise the financial statements of WorkPlace Systems International plc and all of its subsidiaries made up to 31 March 2010, on an acquisition accounting basis. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### 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 of 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.

#### Computer software and software rights and licences

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and to bring to use the specific software. These costs are amortised over their estimated useful economic lives of four years on a straight line basis and charged to Administration expenses in the Income Statement.

#### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the net book amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

### 2. Segmental Analysis

Management has determined the operating segments based on reports reviewed by the Board that are used to make strategic decisions. The Group uses three distinct operating geographical areas with different economic conditions and a different client base and client requirements. These are: United Kingdom and Europe, North America and Australia

The Board do not review information about total assets and total liabilities for each reportable segment and therefore this information is not separately provided.

Interest income and expense are not allocated to segments as this type of activity is driven on a central basis. Accordingly, this information is not separately reported to the Board for each reportable segment and therefore this information is not separately provided.

The Group does not report information to the Board about additions to property, plant and equipment and intangible assets within the information provided on segment assets.

An analysis of the Revenue invoiced to 3<sup>rd</sup> parties is given below:

	2010 £'000	2009 £'000
United Kingdom and Europe	7,280	8,713
North America	1,535	561
Australia	249	-
Rest of World	-	287
	<u>9,064</u>	<u>9,561</u>

All revenue is generated by sales, to external customers and represents the sale of software/related services.

An analysis of revenue by sales type is given below:

	2010 £'000	2009 £'000
Software licence and bespoke development charges	2,432	3,051
Recurring revenue from maintenance and hosted services	3,962	3,925
Consultancy and implementation services	2,207	2,443
Other	463	142
	<u>9,064</u>	<u>9,561</u>

An analysis of the operating profit / (loss) before transfer pricing, exceptional items and tax is given below:

	2010 £'000	2009 £'000
United Kingdom and Europe	(624)	67
North America	671	(547)
Australia	3	-
	<u>50</u>	<u>(480)</u>

### 3. Earnings per Share

	2010	2009
Basic Profit / (Loss) per share	<u>0.03p</u>	<u>(1.61p)</u>
Diluted Profit / (Loss) per share	<u>0.03p</u>	<u>(1.45p)</u>
Adjusted Profit / (Loss) per share	<u>0.03p</u>	<u>(0.26p)</u>
<b>Number of shares</b>	<b>2010 '000</b>	<b>2009 '000</b>
Weighted average number of shares	147,333	146,760
Effect of dilutive potential ordinary shares: Share options	15,770	15,515
Weighted average number of shares for calculating diluted profit per share	<u>163,103</u>	<u>162,275</u>
<b>Earnings</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Profit / (loss) for the financial year	50	(2,366)
Exceptional items	-	1,976
Adjusted Profit / (loss) for the financial year	<u>50</u>	<u>(390)</u>

### 4. Statement of changes in Equity

Group	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
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 1 April 2009	8,811	1,871	378	(14,618)	(3,558)
Total recognised income and expense				40	40
Share option costs			110		110
Non controlling interest				1	1
<b>At 31 March 2010</b>	<b>8,811</b>	<b>1,871</b>	<b>488</b>	<b>(14,577)</b>	<b>(3,427)</b>

### 5. Non controlling interests

The Non controlling interest of £20,000 represents the share of retained earnings relating to previously held ownership interest arising on business combinations.

#### 6. Notes to the Cash Flow Statement

	2010 £'000	2009 £'000
<b>Group</b>		
Profit/(loss) for the year	46	(2,456)
Depreciation of property, plant and equipment	109	116
Amortisation of intangibles	233	93
Impairment of goodwill provision	-	1,500
Share option schemes	110	133
(Increase)/decrease in receivables	(593)	1,229
Increase in payables	266	162
Exchange differences	(11)	
<b>Net cash flow from operating activities</b>	<b>160</b>	<b>777</b>

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