



Interim Report

for the six months ended
30 November 2006

OUR VISION

TO BE THE LEADING SUPPLIER OF WORKFORCE MANAGEMENT SOLUTIONS IN OUR CHOSEN MARKETS

1

FORCE DEPLOYMENT IN THE EUROPEAN AND ASIA/PACIFIC DEFENCE MARKETS

2

CREW MANAGEMENT IN THE GLOBAL MARITIME INDUSTRY

3

STAFF ROSTERING IN THE GLOBAL HEALTHCARE INDUSTRY

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CHAIRMAN'S STATEMENT

for the six months ended 30 November 2006

INTRODUCTION

Manpower Software plc, the provider of workforce planning, staff scheduling and resource optimisation software, today announces its interim results for the six months ended 30 November 2006.

During the period, the Company has achieved the following significant milestones:

- In addition to supplying its software and support services to the UK, Europe and the USA, with the first sale of our software to a national military force overseas, the Company has extended its geographic footprint and is now also a supplier to the Asia-Pacific region.
- While the Company has grown and is actively investing in new products and markets, it has been profitable across all parts of its business.
- We have built on the foundations of success achieved last year in the Healthcare sector and have added a further six NHS Trusts to our customer base, which now totals 11.
- During the period we have achieved an exceptionally high level of customer satisfaction, evidenced by our ability to secure referenceable sites from our existing customer base and the financial savings these customers have achieved using our software products.

Key to the above is the Company's strategic vision: to be the leading global provider of workforce planning, staff scheduling and resource optimisation software to its chosen markets.

RESULTS

Revenue in the first half of the financial year was £4.05m (2005: £2.14m), resulting in a net trading profit (excluding the FRS 20

adjustment) of £0.6m (2005: £0.84m loss). Selling and operational expenses increased from £1.88m to £2.27m, as the Company continued to grow its sales and delivery capabilities to drive demand for its products. Despite the increases in revenue and associated direct costs, the office and administrative costs were held constant at £0.7m (2005: £0.7m).

SHARE-BASED PAYMENTS

The adoption of FRS 20, Share-Based Payments, which is effective for accounting periods beginning after 1 January 2006, requires a prior year adjustment to be made. This has created a share-based payment reserve at 30 November 2006 of £173,290 and increased retained losses by the same amount.

The charge for the 2006 interim period is £38,349 (2005: £29,975). This is an accounting adjustment, which has no impact on the Company's trading position, and is shown separately on the face of the Profit and Loss Account.

OPERATIONAL REVIEW

DEFENCE

We continue to sell software and services to the existing customer base and we are expanding to other customers in the UK and overseas. In addition to the sale to the Royal Australian Navy announced earlier this year, the Royal Air Force has selected MAPS Defence Suite to manage force planning, intelligent force selection and training for the RAF Reserves. The MAPS system is now used by all three UK Services. It was also used by NATO for the second year in succession at its Global Force Generation conference in November 2006. We are now providing NATO with a permanent solution for force generation that addresses its challenges and supports those of its member nations.

CHAIRMAN'S STATEMENT

continued

HEALTHCARE

In Healthcare, we signed new contracts for the sale of MAPS Healthroster with four NHS Trusts and two more shortly after the period-end. Our software was selected because of the size of potential savings identified, our track record of achievement at other Trusts and the unique quality and functionality offered by our products. There is now an increasing portfolio of NHS Trusts using our MAPS Healthroster software, each generating strong referenceable results. Currently, our software is being evaluated under contract by further Trusts. We are also building demand for our products across the NHS to fulfil their staffing requirements more efficiently, provide cost transparency, enable compliance with clinical governance requirements and improve patient care. The Company is focused on expanding the direct and indirect sales capabilities into this market, enhancing the product range and shortening procurement timescales.

MARITIME

Although no significant new contracts were signed during the period, one was closed shortly after the period-end which will contribute to the full year figures. In the first half, our sales efforts were successfully focused on building the sales pipeline, while maintaining the level of service to existing customers.

CLIENT SERVICES

During the period, management put considerable focus on delivering profitable services, essential to the Company's on-going financial health. Much progress has been made and the Client Services team now deliver profitably major projects to blue chip customers in all sectors of the business. The Cruise and Maritime customers continue to work with us to extend the use of MAPS Crew

Manning within their organisations. In Healthcare, the MAPS Healthroster implementations are delivering tangible benefits to our customers. There is a significant pipeline of NHS services revenue building for the second half and next financial year. In Defence, the team is supplying force generation capabilities (manning, planning and manpower optimisation) to international government military organisations.

RESEARCH AND DEVELOPMENT

All our MAPS products are based on the same common core platform, which we configure and brand for each of our market sectors. We continue to enhance the current product range, using clearly defined product road maps, to ensure we deliver products that meet the on-going demands of our customers. In Healthcare, MAPS Healthroster now includes a working ESR interface. In Defence, the new MAPS Defence Suite supports a single platform for capability management. In Cruise & Maritime, the next iteration of MAPS Maritime, including enhanced functionality, will be released shortly.

As our markets and geographic reach expand, we are evolving as a business. Our R&D activity ensures that we continue to meet the demands of both current and potential customers into the future.

BOARD CHANGES

Shortly after the period-end, we issued two announcements concerning changes to the composition of the Board.

On 18 December 2006, following the Company's Annual General Meeting, we announced that Mr Philip Morgan, President Manpower Software Inc, was appointed to spearhead the marketing of our healthcare products within the US market. As a result,

he was unable to devote sufficient of his time to Board activities and did not offer himself for re-election as a member of the Board.

On 17 January 2007, we announced that Mr Richard Morgan-Evans, Group Managing Director, had become a Non-executive Director of the Company. Mr Morgan-Evans has been an Executive Director of the Company since June 2004 and was appointed Group Managing Director in September 2004. In January 2006, Richard sustained a serious injury from which he has since recovered. However, in accordance with medical advice received, Richard has decided reluctantly it was no longer appropriate for him to return to work full time. Accordingly, he resigned his position as Group Managing Director, though he will remain a valuable member of the Board in his role as Non-executive Director. We have begun the search for a replacement Managing Director.

OUTLOOK

Our strategy remains to become the leading provider of workforce planning, staff scheduling and resource optimisation software products to our chosen markets.

Across all sectors, the following essential elements are in place to drive continued expansion:

- **Strategic vision.** Our vision remains fixed upon being the world's foremost supplier of workforce optimisation systems in our chosen markets, thereby enabling our customers to achieve effective and efficient use of their most important resource, their people.
- **Customer satisfaction.** The strongest sales multiplier we have is referenceable customers. We will not deviate from maintaining a high level of customer

satisfaction in each of our chosen markets in order to achieve further referenceable sites and a high level of individual customer satisfaction.

- **Integrated solution.** We offer our customers a product portfolio that meets the full range of their business needs across our core strength areas of workforce planning, staff scheduling and resource management.
- **Multiple growth drivers.** Our MAPS products lend themselves to other vertical markets and as opportunities arise we will add these to our portfolio. In addition to growing our direct sales and services teams, we plan to expand our capacity by the increasing use of strategic partnerships. These will enable us to extend our penetration of existing geographical markets and reach new territories.
- **Profitability.** We are focused on achieving profitable growth and positive cash flow, which will enable us to invest in new products and resources that advance our strategic vision.
- **A committed team.** From product development to sales and marketing, and through to customer service, we are committed to delivering world class product solutions to our customers. Recruiting and retaining world-class team members is key to our success.

Management has established the foundations for profitable growth. We have invested in our direct sales organisation and in a services business capable of fulfilling the increasing demands of our target markets. There is now a strong sales pipeline and the capability to deliver profitable services growth. We are also actively seeking new partnerships to assist with sales and delivery in our markets.

CHAIRMAN'S STATEMENT

continued

In Defence, we have opportunities to supply further products and support services to the UK Government and NATO. There is also interest in our products from more government and commercial organisations in the Asia Pacific region. The latest version of MAPS Defence Suite has been released to focus on Capability Management. It has been enthusiastically received by those organisations that have viewed it and we anticipate most of our customers migrating to it over the medium term.

In Healthcare, we continue to work in the UK with our industry partner, Specialist Computer Centres. There is an increasing focus throughout the NHS on improving productivity by controlling staff agency spend and on improving patient care. The completion of current pilots of Healthroster, together with an increased capability from our sales team, should enable continued expansion of the sales pipeline and further sales of the MAPS Healthroster product to other NHS Trusts.

In Cruise and Maritime, while we remain primarily focused upon the needs of our existing customers, we are targeting further penetration into the broader shipping market. Presently, we have opportunities to sell additional MAPS licences and services to our established customers as well as the mid-range cruise fleets and in the broader shipping market, where the successful implementation of our software at AP Møller-Maersk has generated interest.

In Services, there is now a strong pipeline of work to be delivered which stretches into next financial year.

We have reported previously that the Company is highly dependent on a small number of large contracts in markets where

considerable change is occurring, where the sales cycles are often long and complex, and where forecasting precise timing of closure has become more difficult. Deferral or acceleration of only a few of these can have a significant impact on the Company's results. While this remains true, the cumulative effect of the sales of MAPS Healthroster to the NHS Trusts is having a smoothing effect when compared to the larger and less predictable sales in our other two market sectors. The Directors note that, in the first half of this financial year, there has been strong performance, across all sectors of the business, with some key contract wins having been achieved. As a result, the Directors are confident of at least meeting current market expectations for the year and believe, also, there is now an opportunity to exceed those expectations.

TERRY OSBORNE

CHAIRMAN

15 February 2007

INDEPENDENT REVIEW REPORT

TO MANPOWER SOFTWARE PLC

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 30 November 2006 which comprises the consolidated profit and loss account, the statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 9. We have read the other information contained in the interim report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report and ensuring that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2006.

GRANT THORNTON UK LLP

Chartered Accountants

London

15 February 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 November 2006

	Note	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
Turnover		4,052,726	2,188,264	2,144,974
Cost of sales:				
Third party costs		(31,621)	(9,753)	(12,967)
R&D costs		(424,710)	(320,019)	(425,884)
Selling and operational expenses		(2,270,971)	(1,975,490)	(1,876,202)
Gross profit/(loss)		1,325,424	(116,998)	(170,079)
Administrative expenses		(702,253)	(745,379)	(694,950)
Exchange differences		(28,634)	(42,155)	13,921
Share-based payment		(38,349)	(39,860)	(29,975)
Operating profit/(loss)		556,188	(944,392)	(881,083)
Interest receivable		1,409	1,231	9,176
Interest payable		(3,804)	–	–
Profit/(loss) on ordinary activities before taxation		553,793	(943,161)	(871,907)
Taxation		–	(3,051)	(854)
Profit/(loss) on ordinary activities after taxation		553,793	(946,212)	(872,761)
Dividends		–	–	–
Profit/(loss) retained		553,793	(946,212)	(872,761)
Earnings/(loss) per share				
Basic	3	1.25p	(2.13)p	(1.96)p
Diluted	3	1.24p	n/a	n/a

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
Profit/(loss) for the financial period	553,793	(946,212)	(872,761)
Currency differences on opening reserves	13,277	20,862	(1,452)
	567,070	(925,350)	(874,213)

CONSOLIDATED BALANCE SHEET

at 30 November 2006

	(Unaudited) As at 30 Nov 2006 £	Restated (Unaudited) As at 31 May 2006 £	Restated (Unaudited) As at 30 Nov 2005
Fixed assets			
Tangible assets	123,135	89,124	104,479
Current assets			
Debtors	2,944,384	2,219,493	2,920,338
Cash at bank and in hand	276,577	355,394	266,690
	3,220,961	2,574,887	3,187,028
Creditors: amounts falling due within one year	(1,817,890)	(1,743,224)	(1,485,230)
Net current assets	1,403,071	831,663	1,701,798
Total assets less current liabilities	1,526,206	920,787	1,806,277
Creditors: amounts falling due after more than one year	–	–	–
Net assets	1,526,206	920,787	1,806,277
Capital and reserves			
Called up share capital	2,223,154	2,223,154	2,223,154
Share premium account	6,456,299	6,456,299	6,456,299
Share-based payment reserve	173,290	134,941	95,081
Profit and loss account	(7,326,537)	(7,893,607)	(6,968,257)
Equity shareholders' funds	1,526,206	920,787	1,806,277

CASH FLOW STATEMENT

for the six months ended 30 November 2006

	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
Net cash (outflow)/inflow from operating activities	(3,278)	112,238	(1,179,807)
Returns on investments and servicing of finance			
Interest received	1,409	1,231	9,176
Interest paid	(3,804)	–	–
Net cash (outflow)/inflow from returns on investments and servicing of finance	(2,395)	1,231	9,176
Taxation	–	(3,051)	(854)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(73,144)	(21,714)	(27,662)
(Decrease)/increase in cash	(78,817)	88,704	(1,199,147)

NOTES TO THE INTERIM REPORT

for the six months ended 30 November 2006

1 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies of the Company have remained unchanged from those set out in the Group's 31 May 2006 annual report and financial statements. The interim financial statements have been reviewed by the Group's auditors. A copy of the auditors' review report is attached to this interim report.

The Group has applied the requirements of FRS 20 (share-based payments), in accordance with the transitional provisions, to all equity instruments granted after 7 November 2002 and unvested at 1 June 2006.

2 TAXATION

There is no tax charge for the interim period to 30 November 2006.

3 EARNINGS PER SHARE

	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
Profit/(Loss) for the financial period	553,793	(946,212)	(872,761)
Weighted average number of shares	Number of shares	Number of shares	Number of shares
For basic earnings per share	44,463,086	44,463,086	44,463,086
For diluted earnings per share	44,753,678	n/a	n/a

In view of the significant impact of the FRS20 Share-based payment charge on earnings per share calculated in accordance with FRS22 (Earnings Per Share), an adjusted earnings per share figure has been provided based on profit on ordinary activities after taxation before the share-based payment charge of £38,349 (2005: £29,975).

	(Unaudited) 6 months ended 30 Nov 2006	(Unaudited) 6 months ended 31 May 2006	(Unaudited) 6 months ended 30 Nov 2005
Basic adjusted earnings per share	1.33p	(2.04)p	(1.90)p
Diluted adjusted earnings per share	1.32p	n/a	n/a

4 DIVIDENDS

No dividends have been paid or proposed for the period.

5 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures for the period ended 31 May 2006 have been calculated from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

6 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
Operating profit/(loss)	556,188	(944,392)	(881,083)
Depreciation and amortisation charges	38,466	36,547	43,658
Share-Based Payments	38,349	39,860	29,975
Exchange differences written off	(15,357)	6,170	12,469
(Increase)/decrease in debtors	(724,892)	700,845	65,134
Increase/(decrease) in creditors	103,968	273,208	(449,960)
Net cash (outflow)/inflow from operating activities	(3,278)	112,238	(1,179,807)

7 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
(Decrease)/increase in cash in the period	(78,817)	88,704	(1,199,147)
Net funds at the beginning of the period	355,394	266,690	1,465,837
Net funds at the end of the period	276,577	355,394	266,690

NOTES TO THE INTERIM REPORT

continued

8 ANALYSIS OF CHANGES IN NET FUNDS

	(Unaudited) 6 months ended 30 Nov 2006 £	Restated (Unaudited) 6 months ended 31 May 2006 £	Restated (Unaudited) 6 months ended 30 Nov 2005 £
Cash at bank and in hand	276,577	355,394	266,690

9 SHARE BASED PAYMENTS

The Company issues share-based payments to certain individuals, which are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the binomial valuation model. The expected life of the instrument used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The resulting value is charged to the consolidated profit and loss account over the vesting period of the share-based payments.

The adoption of FRS 20 has resulted in a new accounting policy for share-based payments. Until 31 May 2006 the provision of share options to individuals did not result in a charge to the profit and loss account. A prior year adjustment has been made to the financial information set out for the period ended 30 November 2005 and 31 May 2006 to apply charges to the profit and loss account for share options granted at these dates.

The Group recognised a total expense of £38,349 relating to equity settled share options scheme transactions in the period (2005: £29,975).

The adoption of FRS20 has resulted in a restatement of prior periods.

