



Strong, Growing, Profitable

Manpower Software plc

Interim Report for the Six Months Ended 30 November 2007



MANAGEMENT STRATEGY:

- » *Linearity of licence revenue growth through consecutive periods*
- » *Strong margins in services and support revenues*
- » *Investments directed only in high productivity activities*
- » *Diligent expense management*

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"The strategy, which the company adopted two years ago, continues to deliver in line with expectations."

INTRODUCTION

Manpower Software plc, the leading provider of workforce management solutions, today announces its interim results for the six months ended 30 November 2007.

I am pleased to report the continued progress of the company towards achieving its objective of becoming a world class software company. The strategy, which the company adopted two years ago, continues to deliver in line with expectations.

RESULTS

Revenue in the first half of the financial year advanced 31% to £5.3m (2006: £4.05m), resulting in a net trading profit of £0.6m (2006: £0.55m). Licence revenue grew 17% in comparison to the first half of 2006/7, while Services revenue grew by 48%. By sector, Healthcare revenue increased 171%, reflecting the company's rapid expansion within the NHS and its position as the supplier of choice for nurse rostering products. Maritime revenues also increased by a healthy 47%. Defence revenues were 42% less than the prior period which included the sale to the Royal Australian Navy. Excluding this, like for like Defence revenues show a 3% increase.

Cost-of-sales increased from £2.7m to £3.7m as the company developed its services business and we continued to add to our existing sales capability. General and Administrative ("G&A") costs increased from £0.77m to £1.0m, primarily reflecting the strengthening of the company's management structure and appointment of our new CEO.

Net operating margin was 11% (2006: 14%) reflecting the greater weighting of Services revenues in the period and the increase in G&A costs.

Cash at the period-end increased to £2.66m.

SIGNIFICANT ACTIVITY

The following significant activity occurred during the period.

- » **Healthcare.** We added a further twelve NHS Trusts to our customer base, making a total at the period-end of 27, in addition to the contract with the independent healthcare provider, HCA International. We also maintained our competitive position and developed a strong pipeline for the second half.
- » **Defence.** We received significant new contracts to extend the use of MAPS in the British Army's HQ

Land Command and The Royal Fleet Auxiliary. In addition, NATO Supreme Headquarters Allied Powers Europe (SHAPE) invested in MAPS Defence Suite to address a new requirement for the NATO Special Forces Coordination Centre (NSCC), the focal point for NATO Special Operations. This is the third deployment of MAPS into NATO.

- » **Maritime.** The company secured its first French customer when CMA CGM, the largest French shipping company, purchased MAPS Maritime Suite. AP Møller-Maersk extended its existing contract and purchased additional licences.

- » **Service and Support.** Revenues grew 48%, driven both by deliveries to new customers and by growth in the installed base in the three principal vertical markets.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The company has prepared these interim results in accordance with the recognition and measurement principles of IFRS in issue and as adopted by the European Union. The adoption of IFRS does not result

in any material changes to the Group's accounting practices, although the policy framework under IFRS has changed. There are no adjustments to the income statement as a consequence of the first time adoption of IFRS, and there are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP. The charge for share-based payments is shown separately on the face of the income statement, as previously. It is an accounting adjustment, which has no impact on the company's trading position.

STRATEGY

The management team continues to focus on the four core structural elements of a successful software business, as set out in the 2006/7 annual report. Achievement of these should enable us to optimise growth and financial returns to shareholders over the long term.

» **Linearity of licence revenues through consecutive periods.** Revenue growth is driven principally by the sale of new licences. Linear growth is therefore at the heart of management's objectives and the company's determination to drive shareholder value. First half licence revenues increased versus both the previous first half and,

importantly, the second half of 2006/7, while a strong forward pipeline exists for the second half of 2007/8.

- » **Appropriate margins in service and support.** Management continues to focus on client delivery, support and customer satisfaction. There was high growth in Services revenue while profitability was maintained at the best industry standards.
- » **Investment.** The company continues to target financial returns commensurate with the best software companies worldwide. We continue to invest in our people, the product, services and support, as well as new markets. This focus on improving productivity at all levels continues to underpin the long-term development of the company. We use appropriate incentive structures, rigorous quarterly targets and demanding criteria for all investment, thereby driving revenue growth and optimising operating margins and free cash flow. While the company is growing and actively investing in new products and markets, we continue to be profitable across all parts of the business.

- » **Strict financial management.** We continue to measure and monitor carefully all financial ratios, maintaining a strict emphasis on achieving agreed operating plans.

OUTLOOK

The Directors note that, in the first half of this financial year, there has been strong performance across all sectors of the business with a strong pipeline entering the second half. As a result, the Directors are confident of meeting current market expectations for the year.

Finally, I would like to thank and recognise all Manpower Software's people for their total commitment to the company's continuing success.

TERRY OSBORNE

CHAIRMAN

6 February 2008

HEALTHCARE

Healthcare is now our fastest growing market sector. MAPS Healthroster continues to be the leading product within the NHS for rostering systems. During the period we signed contracts with twelve new NHS trusts, making a total of twenty-seven contracts with NHS trusts at the period-end, and we increased the number of NHS wards where MAPS Healthroster is live to over 300. MAPS Healthroster has developed a reputation within the NHS for delivering effective staff rostering, which benefits staff and patients while delivering significant cost savings to hospital management.

In addition to the twenty-seven contracted acute and mental health trusts, we are now also working with primary care trusts. This considerably expands our market for rostering software within the NHS.

DEFENCE

We continue to sell software and services to our existing customer base, while looking to expand the deployment of the core MAPS defence Suite into other defence customers in the UK and overseas.

HQ Land Command of the British Army is currently implementing MAPS to manage their Operational Commitments over time, and to review and compare those commitments with their supporting training events. The consequent end-user training demand for MAPS is now so great that a second full-time trainer has been appointed under contract from MSW, with capacity for over 300 military personnel to be trained every month.

The Royal Fleet Auxiliary (RFA), our longest standing defence customer, recognised that MAPS has become the most business-critical application in support of their on-going operations. As a result they are in the process of a major and full-scale migration up to the latest version of the MAPS defence Suite, to manage effectively all of their 17 ships and the associated manpower planning and deployment requirements.

NATO's operational military headquarters, Supreme Headquarters Allied Powers Europe ("SHAPE"), based in Mons, Belgium, has contracted MSW to supply an integrated software solution to help manage its Special Operations Force (SOF) requirements.

MARITIME

During the period, A. P. Møller-Mærsk, the world's largest shipping company, extended its existing contract and invested in additional licences of MAPS Maritime Suite, taking their user population to more than 300 active users worldwide.

CMA-CGM, the world's third largest shipping company headquartered in France, purchased MAPS Maritime Suite and will use it as a complete crew planning and scheduling system. This emphasises the suitability of MAPS for the shipping industry generally. Building on the successful deployments of MAPS Maritime Suite at A. P. Møller-Maersk, Acergy and CMA CGM, we will focus our efforts for new licence sales in the off-shore and shipping market sector over the coming months.

CLIENT SERVICES

Client Services has continued to grow revenues rapidly and improve profitability in line with management targets. Quality projects continue to be delivered to clients, providing tangible operational benefits and maintaining high levels of customer satisfaction. Our use of partners to complement our own services capabilities in the UK (Healthcare) and Asia Pacific (Defence) has worked well and will continue to be a cornerstone of our services delivery strategy going forward. There is a strong services pipeline across all sectors from both our existing client base wishing to expand the use of the MAPS software within their operations and from new clients undertaking first time implementations.

RESEARCH AND DEVELOPMENT

Products continue to be developed both on the core MAPS platform and, where appropriate, in web-based technologies. In Healthcare, a new version of the MAPS Healthroster solution was released, which enhanced the functionality of the Bank (temporary staffing) module and added support for rolling rosters to enable NHS staff groups on fixed shift patterns to be rostered within the system. The web-based management dashboard, which enables NHS Trust executives to monitor the effectiveness of ward rostering, was also released. In Maritime, enhancements to the standard MAPS maritime platform (version 5.5) were released, alongside a new standard

configuration, MAPS Maritime Suite, for use in off-shore and shipping. Our defence product offering, MAPS Defence Suite, was enhanced with a modelling capability and the introduction of the capability to interact between MAPS systems on differing security-classified domains.

PARTNERSHIPS

In addition to the management focus on the four disciplines of a successful software company, we are increasing our focus on developing key partnerships with organisations which can help us achieve our objective of becoming the foremost supplier of workforce optimisation applications to our chosen markets. Presently, we have partnership agreements with ST Electronics (Info-Software Systems) Pte. Ltd in Singapore and Alphawest Services Pty Limited (part of Optus, Australia's second largest Telco) in Australia. These and other partnerships will help to expand the breadth and depth of our capability in our vertical markets, as well as expanding our geographical reach.

OUTLOOK

Our strategy is to become the leading provider of workforce management solutions within our chosen markets and a world class software company. The elements of strategic vision, customer satisfaction, an integrated solution, multiple growth drivers and a committed management team are in place across the business. The foundations for profitable growth, to which we have referred in previous statements,

are firmly in place and enabling encouraging progress. We have a direct sales organisation and a services business capable of fulfilling the increasing demands of our target markets. There is 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.

In Defence, we have opportunities to supply further products and support services to the UK Armed Forces and to government authorities in Asia Pacific. The latest version of MAPS Defence Suite has been enthusiastically received by other organisations which have viewed it. We are seeking to generate further interest from other European, Commonwealth and NATO nations, partly driven by the extension of MAPS into member nations by NATO itself.

In Healthcare, there is an increasing focus throughout the NHS on improving productivity by controlling staff and agency spend and on improving patient care. The quality of our product offering and strong competitive position, together with our investment in sales capability should enable substantial further sales of MAPS Healthroster to other NHS Trusts. While we continue to focus our efforts on the UK NHS, we will seek opportunities to expand our market for MAPS Healthroster overseas.

In Cruise and Maritime, we have opportunities to sell additional licences and services for MAPS Maritime Suite to our

established customers, as well as the mid-range cruise fleets and in the broader shipping and offshore markets.

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

Although we have reported previously that the company is highly dependent on a small number of large contracts in markets where the sales cycles are often long and complex, the cumulative effect of the sales of MAPS Healthroster to the NHS Trusts and our growing base of services and support is having a smoothing effect, providing more predictable and reliable revenue and profit growth.

Overall, there has been strong performance in the first half of the year across all sectors of the business and we have a strong pipeline entering the second half. As a result, the Directors are confident of meeting current market expectations for the year.

IAN BOWLES

CHIEF EXECUTIVE OFFICER

6 February 2008

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 November 2007, which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement. 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.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company 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, for our review work, for this report, or for the conclusion we have formed.

DIRECTORS' RESPONSIBILITIES

The interim financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with the basis of preparation.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons

responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim financial report for the six months ended 30 November 2007 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

GRANT THORNTON UK LLP AUDITOR

London

6 February 2008

Condensed Consolidated Income Statement

	Note	6 months to 30 November 2007 £'000	6 months to 30 November 2006 £'000	Year to 31 May 2007 £'000
Revenue		5,325	4,053	8,306
Selling and operational expenses		(3,743)	(2,728)	(5,680)
Gross profit		1,582	1,325	2,626
Administrative expenses		(967)	(731)	(1,556)
Profit before share-based payment, interest and tax		615	594	1,070
Share-based payment		(56)	(38)	(75)
Total administrative expenses including share-based payments		(1,023)	(769)	(1,631)
Operating profit		559	556	995
Finance charge		–	(4)	(4)
Finance income		53	2	19
Net interest		53	(2)	15
Profit for the period before taxation		612	554	1,010
Tax on profit for the period		3	–	–
Profit for the period		615	554	1,010
Earnings per share	5			
Basic (pence per share)		1.38p	1.25p	2.27p
Diluted (pence per share)		1.29p	1.24p	2.20p

Condensed Consolidated Balance Sheet

	30 November 2007 £'000	30 November 2006 £'000	31 May 2007 £'000
Non-current assets			
Property, plant and equipment	176	123	153
Trade and other receivables	–	–	102
Total non-current assets	176	123	255
Current assets			
Trade and other receivables	2,290	2,944	1,636
Cash and cash equivalents	2,661	277	2,410
Total current assets	4,951	3,221	4,046
Total assets	5,127	3,344	4,301
Equity and liabilities			
Equity			
Share capital	2,234	2,223	2,227
Share premium account	6,492	6,456	6,465
Share-based payment reserve	266	173	210
Retained earnings	(6,188)	(7,326)	(6,808)
Total equity	2,804	1,526	2,094
Current liabilities			
Trade and other payables	2,323	1,818	2,207
Total current liabilities	2,323	1,818	2,207
Total equity and liabilities	5,127	3,344	4,301

The financial statements were approved by the Board of Directors on 5 February 2008.

I J Bowles – Director

S C Thorne – Director

Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2006	2,223	6,456	135	(7,893)	921
Exchange differences on opening reserves				13	13
Net income recognised directly in equity				13	13
Result for the period				554	554
Total recognised income and expense				567	567
Equity settled share options			38		38
At 30 November 2006	2,223	6,456	173	(7,326)	1,526
Exchange differences on opening reserves				62	62
Net income recognised directly in equity				62	62
Result for the period				456	456
Total recognised income and expense				518	518
Issue of shares	4	9			13
Equity settled share options			37		37
At 31 May 2007	2,227	6,465	210	(6,808)	2,094
Exchange differences on opening reserves				5	5
Net income recognised directly in equity				5	5
Result for the period				615	615
Total recognised income and expense				620	620
Issue of shares	7	27			34
Equity settled share options			56		56
At 30 November 2007	2,234	6,492	266	(6,188)	2,804

Condensed Consolidated Cash Flow Statement

	6 months to 30 November 2007 £'000	6 months to 30 November 2006 £'000	Year to 31 May 2007 £'000
Cash flow from operating activities			
Profit for the period	615	554	1,010
Adjustments for:			
Finance charges	(53)	2	(14)
Income tax charge/(credit)	(3)	–	–
Depreciation	47	38	82
Share option charges	56	38	75
Decrease/(increase) in trade and other receivables	(549)	(725)	481
(Decrease)/increase in trade and other payables	130	105	465
Net cash (used in)/generated from operations	243	12	2,099
Finance charges	–	(4)	(4)
Net cash (used in)/generated by operating activities	243	8	2,095
Cash flows from investing activities			
Interest received	53	2	18
Payments for property, plant and equipment	(69)	(73)	(149)
Net cash (used in)/generated by investing activities	(16)	(71)	(131)
Cash flows from financing activities			
Proceeds from the issue of equity shares	34	–	13
Net cash (used in)/generated by financing activities	34	–	13
Net increase in cash and cash equivalents	261	(63)	1,977
Foreign exchange differences	(9)	(15)	77
Cash and cash equivalents at the start of the period	2,409	355	355
Cash and cash equivalents at the end of the period	2,661	277	2,409

1. BASIS OF PREPARATION

These unaudited consolidated interim financial statements have been prepared in respect of the six month period ended 30 November 2007. They have been prepared in accordance with the accounting policies set out below, which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) in issue as adopted by the European Union (EU) and effective at 31 May 2008, or expected to be adopted and effective at 31 May 2008, the company's first reporting date at which it is required to use IFRS accounting standards adopted by the EU. The interim financial information does not include all of the information required for full annual financial statements.

From 1 June 2006 the group has adopted IFRS in the preparation of its consolidated financial statements. Comparative financial information previously published under UK Generally Accepted Accounting Principles (UK GAAP) has been restated on an IFRS basis for the opening balance sheet as at 1 June 2006, interim accounts as at 30 November 2006 and for the year ended 31 May 2007. The change in the group's reported performance and financial position on adopting IFRS is fully disclosed in these interim consolidated financial statements.

The interim financial statements have not been audited, nor have they been reviewed under ISRE 24/10 of the Auditing Practices Board. The financial information set out herein does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The group's statutory financial statements for the year ended 31 May 2007 prepared under UK GAAP have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Sections 237(2) or 237(3) of the Companies Act 1985.

2. FIRST TIME ADOPTION

The opening IFRS balance sheet as at the date of transition on 1 June 2006 has been prepared in accordance with the measurement and recognition rules of IFRS.

It should be noted that:

- » The adoption of IFRS does not result in any material changes to the Group's accounting practices although the policy framework under IFRS has changed.
- » There are no adjustments to the balance sheet or income statement as a consequence of the first time adoption of IFRS other than purely presentational changes.
- » There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP, other than to reclassify certain cash movements between categories of cash flows.

3. ACCOUNTING POLICIES

Revenue recognition

Revenue is the fair value of the total amount receivable by the group for supplies of products and services which are provided in the normal course of business. VAT or similar local taxes and trade discounts are excluded.

The group licenses software under non-cancellable licence agreements and provides services which include installation, consulting, training and product support. Licence fee revenues are generally recognised when a non-cancellable licence agreement has been signed, there are no uncertainties surrounding product acceptance, there are no significant vendor obligations, the fees are fixed and determinable and collection is considered probable. Where licence fees are attributable to contracts extending over more than one period, revenue is taken based upon the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs to completion.

3. ACCOUNTING POLICIES continued

Where appropriate, the group allocates a portion of contracted fees to post-contract activities covered under the contract, which may include installation assistance, training services and first year maintenance.

Revenues for training or consulting services are recognised as the services are performed. Revenues from support agreements are recognised rateably over the support period.

Intangible assets

An internally generated intangible asset arising from the development of software is recognised only if all of the following conditions are met:

- » it is probable that the asset will create future economic benefits;
- » the development costs can be measured reliably;
- » the technical feasibility of completing the intangible asset can be demonstrated;
- » there is the intention to complete the asset and use or sell it;
- » there is the ability to use or sell the asset; and
- » adequate technical, financial and other resources to complete the development and to use or sell the asset are available.

Intangible assets are amortised over their estimated useful lives, which is between 3-6 years. Where no intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred. Research expenditure is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Segmental reporting

A business segment is a group of assets and operations engaged in production that is subject to risks and returns that are different from those of other business segments. A geographical segment is also a group of assets and operations engaged in production but in a particular economic environment that is different from those of other economic environments.

The group's primary reporting analysis is by business stream. The group's principal activities are:

- a. the provision of software under a licence agreement; and
- b. the provision of services such as installation, consulting, training and product support.

The group's secondary reporting analysis is geographical. As the activities of the group are predominantly all within the UK, the directors do not provide additional analysis.

4. SEGMENTAL ANALYSIS

The group's primary reporting analysis is by business stream based on products, as follows:

	Revenue		
	30 November 2007 £'000	30 November 2006 £'000	31 May 2007 £'000
Licences	2,476	2,123	3,787
Services	2,849	1,930	4,519
	5,325	4,053	8,306

4. SEGMENTAL ANALYSIS continued

Under IAS 14 there is a requirement to show operating profit for the primary segmental analysis on the basis of the business stream as above. However, the directors are unable to allocate costs on a reasonable basis to the segments. As a result the segmental analysis is limited to the group revenue.

In addition to the requirements of IAS 14 the directors present a schedule of revenue analysed by vertical business sector:

	Revenue		
	30 November 2007 £'000	30 November 2006 £'000	31 May 2007 £'000
Defence	1,296	2,229	3,861
Healthcare	2,934	1,081	2,454
Maritime	1,095	743	1,991
	5,325	4,053	8,306

5. EARNINGS PER SHARE

	30 November 2007 £'000	30 November 2006 £'000	31 May 2007 £'000
Profit for the year	615	554	1,010
Earnings per share			
Basic (pence per share)	1.38p	1.25p	2.27p
Diluted (pence per share)	1.29p	1.24p	2.20p

Weighted average number of shares	Number of shares	Number of shares	Number of shares
Shares in issue at opening	44,539,813	44,463,086	44,463,086
Shares issued during the period	144,812	–	76,727
Shares at closing	44,684,625	44,463,086	44,539,813
Weighted average shares for basic earnings per share	44,547,831	44,463,086	44,539,813
Effect of dilutive potential ordinary shares	2,963,195	290,592	1,304,372
Weighted average shares for diluted earnings per share	47,511,026	44,753,678	45,844,185

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