



DSG

Dillistone Group Plc

**UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2021**

Company No. 4578125



Contents

	Page
Key Points of Unaudited Interim Results	3
Chairman's Statement	4
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Cash Flows	9
Consolidated Statement of Changes in Equity	10
Notes to the Unaudited Interim Report	11



Key points of the unaudited interim report for the six months ended 30 June 2021

- Revenue declined by 17% to £2.801m due primarily to the unwinding of the impact of the Pandemic.
- Recurring revenues represented 90% (2020: 90%) of Group revenue.
- Recurring revenue covered 99% (2020 H1: 101%: 2020 H2: 93%) of administrative expenses before acquisition related and other costs.
- Improving order book in Q2 2021. First quarter down on pre-covid period, but Q2 showed 67% year on year growth.
- Loss for the period of £0.101m (2020: loss £0.088m).
- Net Cash at period end was £1.039m, with an increase in net cash generated by operating activities of 39%.
- Continued investment in product development.
- Successful launch of Talentis executive search software (<https://www.talentis.global/recruitment-software/insights/>) in January 2021.
- Talentis TalentGraph doubled in size since launch.

Commenting on the results and prospects, Giles Fearnley, Non-Executive Chairman, said:

“In my statement a year ago, I reported a strong start to 2020 prior to the impact of Covid. In our business, where a large part of our revenue is contracted annually in advance, the impact of a sudden shock can take time to impact through to revenue and profits. As a result of this, our first half results show the expected fall in revenue and profitability compared to last year.”

“Our business model is such that the impact of Covid 19 will continue to unwind through the remainder of 2021 and this will be evident in our full year results and the level of recurring revenue that we carry into 2022. Nevertheless, the business is seeing improved new business sales, improved orders from existing clients, and improved operating cash flow.

We therefore expect to deliver a significantly reduced loss before tax in 2021, compared with the prior year. Our cash position as at 31 August 2021 was £1.092m.”



Dillistone Group Plc

Chairman's Statement

In my statement a year ago, I reported a strong start to 2020 prior to the impact of Covid. In our business, where a large part of our revenue is contracted annually in advance, the impact of a sudden shock can take time to impact through to revenue and profits. As a result of this, our first half results show the expected fall in revenue and profitability compared to last year.

What is clear, however, is that the Group and the markets it serves, are showing improved performance. While orders in Q1 of 2021 were down on a very strong opening period in 2020, total incoming orders were 67% higher in Q2 – reflecting both growth in new business sales and existing clients starting to add licences as confidence returns to the economy.

Our investment in product development was maintained throughout the pandemic, and we are confident that this decision was the right one. In January we announced the launch of Talentis (<https://www.talentis.global/recruitment-software/insights/>) and continue to invest across our portfolio of recruitment solutions.

As previously announced our Group Finance Director, Julie Pomeroy, retires from executive leadership on 30 September 2021 but will remain with us as a non executive Director for 12 months to ensure a smooth handover to Joanne Curd who joins the Board on 1 October 2021. We are also saying goodbye to Alex James as an Executive Director on 30 September, and he will leave the business on or before 31 January 2022. I would like to thank both Alex and Julie for their work on behalf of the Group.

Operational Review

Over the course of H1 2021, the Group has made significant progress on a number of fronts.

Our Talentis product, announced in January, has been very well received among its target audience. While its impact on revenue in 2021 will be very small, our expectation is that it will make a growing and significant contribution to the business in future years.

Talentis is a cross between a CRM and a candidate sourcing tool and operates in a manner that the Board believes is unique within its sector. At its core is the Talentis TalentGraph, which contains detailed profiles of millions of individuals - including profiles associated with senior executives who may not be found on everyday social media platforms. The scale of the TalentGraph itself has more than doubled since launch, with approximately 50 million profiles currently included in the Index. The TalentGraph has the ability to recognise and interpret executive information across more than 1 billion distinct webpages.

Talentis was launched in January and was initially available on a free basis. First revenues were generated in late April and the platform is now used as a sourcing tool alongside the Group's existing products, as well as on a standalone basis by firms that were not previously clients of the Group. User and client numbers are growing each month, and



Dillistone Group Plc

internal metrics suggest that our users are finding increasing value in the platform and this should continue as new functionality is being added on an ongoing basis.

The Group continues also to develop its established products. A major project is underway to convert our FileFinder product to a more modern cloud platform. While this has increased our Cloud costs in 2021, this is primarily down to the running of duplicated platforms. The cost should fall in 2022.

Our Infinity CRM has continued to perform well and is increasingly competitive in the temporary staff sector, a fast growing niche where we also provide our Mid Office product. We are in the process of porting clients from our legacy VDQ platform to Infinity, and this process should be completed by June 2022.

Our GatedTalent division has extended its B2C product offerings in the first half and continues to provide career support to executives across the globe. Via our inhouse team and our external partners, we now provide services ranging from interview coaching to profile optimisation.

Candidate testing is an important part of the hiring process, and our skills testing product, ISV.Online, continues to be used by the majority of the UK's largest recruiting firms.

Financial Performance

Revenue in the six months ended 30 June 2021 amounted to £2.801m, down £0.558m (17%) (2020: £3.359m) and reflecting the ending of client contracts entered into pre-covid. Recurring revenues decreased by 17% to £2.522m over the comparable period last year (2020: £3.029m) and represented 90% of total revenues (2020: 90%). Non-recurring revenues were down at £0.200m (2020: £0.290m).

Cost of sales were broadly in line with 2020 at £0.336m (2020: £0.328m). Cost of sales were impacted by duplicating hosting costs for our FileFinder SaaS product as we moved to a new platform, a process which is expected to be largely completed in 2021 and will allow us to deliver a better user experience at a lower cost. Excluding amortisation and depreciation and one-off type costs, administration expenses reduced by £0.299m to £2.006m (2020: £2.305m) reflecting the impact of Covid-19 and cost reductions. The Group also continued to take advantage of the flexible furlough scheme during the period. The above administration expenses were covered 126% by recurring revenue (2020: 131%). Excluding acquisition related items, depreciation and amortisation administrative costs decreased by 19% to £0.549m (2020: £0.678m).

Administrative costs also included £0.107m (2020: £0.106m) relating to the amortisation of acquisition intangibles), and other items of credit £(0.092)m (2020: £nil made up of the write-off of a US payroll protection loan which was forgiven in the period and a Covid-19 related grant.

The loss for the period increased to £0.141m (2020: loss £0.110m) before taxation and £(0.101m) (2020: £(0.088m)) after taxation.



Dillistone Group Plc

There is a tax credit for the period of £0.040m (2020: credit £0.022m). The 2020 and 2021 tax credits have benefited from claims in the UK for research and development reflecting the continuing development of our products. Also, the tax credit was impacted through the increase in the rate for deferred tax to 25% (2020:19%).

Cash generated from operating activities increased to £0.562m (2020: £0.403m). Total cash flows in the 6 months ended 30 June 2021 showed a net outflow of £0.110m (2020: inflow £1.043m). The main elements of non-operating expenditure related to investment in new product development of £0.504m (2020: £0.499m) and loan repayments of £0.213m. In 2020 we received a CBIL loan of £1.5m. The 2019 bank loan was also fully repaid in the period. At 30 June 2021, we had gross cash reserves of £1.175m (2020: £1.732m) and £1.964m in borrowings (2020: £2.309m).

Strategy

Our strategy is unchanged. We are excited by the opportunity provided by our new Talentis product and continue to invest across our product range and services, consistently delivering sector leading reviews on services like TrustPilot.

Outlook

As explained above, our business model is such that the impact of Covid 19 will continue to unwind through the remainder of 2021 and this will be evident in our full year results and the level of recurring revenue that we carry into 2022. Nevertheless, the business is seeing improved new business sales, improved orders from existing clients, and improved operating cash flow.

We therefore expect to deliver a significantly reduced loss before tax in 2021, compared with the prior year. Our cash position as at 31 August 2021 was £1.092m.

Giles Fearnley

22 September 2021

Dillistone Group Plc



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months ended 30 June		Year
				ended 31
		2021	2020	Dec
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Revenue	4	2,801	3,359	6,332
Cost of sales		(336)	(328)	(584)
Gross profit		2,465	3,031	5,748
Administrative expenses		(2,570)	(3,089)	(6,569)
Result from operating activities	4	(105)	(58)	(821)
Analysed as:				
Result from operating activities before acquisition related, reorganisation and other items		(90)	48	(166)
Acquisition related, reorganisation and other items	5	(15)	(106)	(655)
Result after acquisition related items		(105)	(58)	(821)
Financial cost		(36)	(52)	(93)
(Loss) before tax		(141)	(110)	(914)
Tax income	6	40	22	251
(Loss) for the period		(101)	(88)	(663)
Other comprehensive income net of tax:				
Currency translation differences		2	(15)	12
Total comprehensive (loss) for period net of tax		(99)	(103)	(651)
Earnings per share (pence)				
Basic	8	(0.51)	(0.45)	(3.37)
Diluted		(0.51)	(0.45)	(3.37)

Dillistone Group Plc



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>As at 30 June 2021</i>	<i>As at 30 June 2020</i>	<i>As at 31 Dec 2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
ASSETS			
Non-current assets			
Goodwill	3,415	3,415	3,415
Intangible assets	3,274	4,022	3,362
Right of use assets	646	735	680
Property plant & equipment	18	38	24
	<hr/> 7,353	<hr/> 8,210	<hr/> 7,481
Current assets			
Trade and other receivables	843	1,159	883
Current tax receivable	67	-	186
Cash and cash equivalents	1,175	1,732	1,291
	<hr/> 2,085	<hr/> 2,891	<hr/> 2,360
Total assets	<hr/> 9,438	<hr/> 11,101	<hr/> 9,841
EQUITY AND LIABILITIES			
Equity			
Share capital	983	983	983
Share premium	1,631	1,631	1,631
Merger reserve	365	365	365
Convertible loan reserve	14	14	14
Retained earnings	107	783	208
Share option reserve	124	106	110
Translation reserve	61	32	59
Total equity	<hr/> 3,285	<hr/> 3,914	<hr/> 3,370
Liabilities			
Non current liabilities			
Trade and other payables	237	341	271
Lease liabilities	604	690	638
Borrowings	1,600	1,995	1,749
Deferred tax	299	323	296
Total non-current liabilities	<hr/> 2,740	<hr/> 3,349	<hr/> 2,954
Current liabilities			
Trade and other payables	2,808	3,410	2,953
Lease liabilities	105	100	103
Borrowings	364	314	461
Utilisation of banking facility	136	-	-
Current tax payable	-	14	-
Total non-current liabilities	<hr/> 3,413	<hr/> 3,838	<hr/> 3,517
Total liabilities	<hr/> 6,153	<hr/> 7,187	<hr/> 6,471
Total liabilities and equity	<hr/> 9,438	<hr/> 11,101	<hr/> 9,841

The interim report was approved by the Board of directors and authorised for issue on 22 September 2021. They were signed on its behalf by:

JS Starr

J P Pomeroy

Dillistone Group Plc



CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 30 June		As at 31 December
	2021	2020	2020
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating Activities			
(Loss) before tax	(141)	(110)	(914)
Adjustment for			
Financial cost	36	51	93
Depreciation and amortisation	656	784	1,984
Share option expense	15	12	16
Other including foreign exchange adjustments arising from operations	(4)	16	(28)
Operating cash flows before movements in working capital	562	753	1,151
Increase in receivables	20	65	360
Decrease in payables	(184)	(730)	(1,120)
Net taxation repaid	164	315	314
Net cash generated from operating activities	562	403	705
Investing Activities			
Purchases of property plant and equipment	(4)	(2)	(2)
Investment in development costs	(504)	(499)	(969)
Net cash used in investing activities	(508)	(501)	(971)
Financing Activities			
Finance cost	(36)	(49)	(84)
Lease payments made	(51)	(68)	(114)
Loan proceeds	-	1,586	1,500
Bank loan repayments	(213)	(40)	(166)
Utilisation of banking facility	136	(288)	(288)
Net cash generated from financing activities	(164)	1,141	848
Net change in cash and cash equivalents	(110)	1,043	582
Cash and cash equivalents at beginning of the period	1,291	690	690
Effect of foreign exchange rate changes	(6)	(1)	19
Cash and cash equivalents at end of period	1,175	1,732	1,291

Dillistone Group Plc



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Retained earnings £'000	Convertible loan reserve £'000	Share option £'000	Foreign exchange £'000	Total £'000
Balance at 31 December 2020	983	1,631	365	208	14	110	59	3,370
Comprehensive income								
Loss for the 6 months ended 30 June 2021	-	-	-	(101)	-	-	-	(101)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	2	2
Total comprehensive (loss)	-	-	-	(101)	-	-	2	(99)
Transactions with owners								
Share option charge	-	-	-	-	-	14	-	14
Balance at 30 June 2021	983	1,631	365	107	14	124	61	3,285
Balance at 31 December 2019	983	1,631	365	871	14	94	47	4,005
Comprehensive income								
Loss for the 6 months ended 30 June 2020	-	-	-	(88)	-	-	-	(88)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(15)	(15)
Total comprehensive (loss)	-	-	-	(88)	-	-	(15)	(103)
Transactions with owners								
Share option charge	-	-	-	-	-	12	-	12
Balance at 30 June 2020	983	1,631	365	783	14	106	32	3,914



Dillistone Group Plc

NOTES TO THE UNAUDITED INTERIM REPORT

1. Basis of Preparation

The financial information for the six months ended 30 June 2021 included in this condensed interim report comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes.

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with UK adopted international accounting standards but does not include all of the disclosures that would be required under International Financial Reporting Standards (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2020 and are those which will form the basis of the 2021 financial statements.

The comparative financial information presented herein for the year ended 31 December 2020 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Going concern and the impact of COVID-19

The Group has seen many of its clients shrink with some clients closing and this has been reflected in the Group's 2021 budgets and subsequent years' forecasts. The forecasts also assume that clients will start to grow as 2021 progresses.

The Group derives much of its revenue from the recruitment sector and this is a sector that has suffered during the period of the Pandemic. However, there are strong signs that the market is recovering and this, in the fullness of time, should benefit the Group.

In this context, the directors have continued to perform detailed forecasting on a regular basis taking into account current trading and expectations and cash balances and, having reflected upon these forecasts, the directors of the Company continue to adopt the going concern basis of accounting in preparing the financial statements.

Dillistone Group Plc is the Group's ultimate parent company. It is a public listed company and is domiciled in the United Kingdom. The address of its registered office and principal place of business is 12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD. Dillistone Group Plc's shares are listed on the Alternative Investment Market (AIM).



2. Share Based Payments

The Company operates two share option schemes. The fair value of the options granted under these schemes is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period at the end of which the option holder may exercise the option. The fair value of the options granted is measured using the Black-Scholes model.



3. Reconciliation of adjusted operating profits to consolidated statement of comprehensive income

30 June 2021 and 30 June 2020

	Adjusted operating profits	Acquisition related items	30-Jun-2021	Adjusted operating profits	Acquisition and reorganisation related items	30-Jun-2020
	30-Jun-2021	2021*		30-Jun-2020	2020*	
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,801	-	2,801	3,359	-	3,359
Cost of sales	(336)	-	(336)	(328)	-	(328)
Gross profit	2,465	-	2,465	3,031	-	3,031
Administrative expenses	(2,555)	(15)	(2,570)	(2,983)	(106)	(3,089)
Results from operating activities	(90)	(15)	(105)	48	(106)	(58)
Financial cost	(36)	-	(36)	(52)	-	(52)
(Loss) before tax	(126)	(15)	(141)	(4)	(106)	(110)
Tax expense/(income)	36	4	40	23	(1)	22
(Loss)/profit for the year	(90)	(11)	(101)	19	(107)	(88)
Other comprehensive income net of tax:						
Currency translation differences	2	-	2	(15)	-	(15)
Total comprehensive (loss)/income/ for the year net of tax	(88)	(11)	(99)	4	(107)	(103)

* see accounts note 5

Earnings per share – from continuing activities

Basic	(0.46)p	(0.51)p	0.10p	(0.45)p
Diluted	(0.46)p	(0.51)p	0.10p	(0.45)p

Dillistone Group Plc



31 December 2020

	Adjusted operating profits	Acquisition and reorganisation related items	
	31 December 2020	2020*	31 December 2020
	£'000	£'000	£'000
Revenue	6,332	-	6,332
Cost of sales	(584)	-	(584)
Gross profit	5,748	-	5,748
Administrative expenses	(5,914)	(655)	(6,569)
Results from operating activities	(166)	(655)	(821)
Financial cost	(93)	-	(93)
Loss before tax	(259)	(655)	(914)
Tax income	143	108	251
Loss for the year	(116)	(547)	(663)
Other comprehensive income net of tax:			
Currency translation differences	12	-	12
Total comprehensive loss for the year net of tax	(104)	(547)	(651)

* see accounts note 5

Earnings per share – from continuing activities

<i>Basic</i>	<i>(0.59)p</i>	<i>(3.37)p</i>
<i>Diluted</i>	<i>(0.59)p</i>	<i>(3.37)p</i>



Dillistone Group Plc

4. Segment reporting

Results

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2021</i>	<i>2020</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2020</i>
			<i>£'000</i>
Results from operating activities			
Ikiru People	(61)	70	(123)
Central	(29)	(22)	(43)
Reorganisation and other costs	92	-	(442)
Amortisation of acquisition intangibles and reorganisation costs	(107)	(106)	(213)
Result from operating activities	<u>(105)</u>	<u>(58)</u>	<u>(821)</u>

Geographical segments

The following table provides an analysis of the Group's revenues by geographical market.

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2021</i>	<i>2020*</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2020</i>
			<i>£'000</i>
UK	1,928	2,091	3,717
Europe	441	607	877
Americas	242	436	1,074
Australia	76	67	295
ROW	114	158	369
	<u>2,801</u>	<u>3,359</u>	<u>6,332</u>

* restated to included ROW



4. Segment reporting (continued)

Business Segment

The following table provides an analysis of the Group's revenues by products and services.

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2021</i>	<i>2020</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2020</i>
			<i>£'000</i>
Recurring	2,522	3,029	5,745
Non recurring	200	290	485
Third party revenues	79	40	102
	<u>2,801</u>	<u>3,359</u>	<u>6,332</u>

'Recurring income' represents all income recognised over time, whereas 'Non-recurring income' represents all income recognised at a point in time. Recurring income includes all support services, software as a service income (SaaS) and hosting income. Non-recurring income includes sales of new licenses, and income derived from installing those licenses including training, installation, and data translation. Third party revenues arise from the sale of third party software.

5. Acquisition related items and other one off costs

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2021</i>	<i>2020</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2020</i>
			<i>£'000</i>
Reorganisation costs	-	-	78
Grants received from overseas jurisdictions	(6)	-	(71)
Overseas loan waived	(86)	-	-
Amortisation of acquisition intangibles	107	106	213
Write-off of capitalised development	-	-	435
Total	<u>15</u>	<u>106</u>	<u>655</u>

Dillistone Group Plc



6. Tax

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2021</i>	<i>2020</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2020</i>
			<i>£'000</i>
Current tax	(43)	(5)	(99)
Prior year adjustment – current tax	-	-	(108)
Deferred tax release	(11)	(18)	(123)
Prior year adjustment – deferred tax	-	-	80
Deferred tax rate change to 25% (19% in 2020)	34	-	40
Deferred tax re acquisition intangibles	(20)	1	(41)
Tax credit for the period	<u>(40)</u>	<u>(22)</u>	<u>(251)</u>

The tax charge is calculated for each jurisdiction based on the estimated position for the year. Deferred tax has been provided at rates of between 19% and 25% (2020: 19%).

7. Dividends

The Board has decided not to pay an interim dividend (2020: nil per share).

8. Earnings per Share

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2021</i>	<i>2020</i>	<i>31 Dec</i>
			<i>2020</i>
Basic earnings per share			
(Loss) attributable to ordinary shareholders	£(101,000)	£(88,000)	£(663,000)
Weighted average number of shares	19,668,021	19,668,021	19,668,021
Basic (loss) per share (pence)	<u>(0.51)</u>	<u>(0.45)</u>	<u>(3.37)</u>

As the Group is in a loss position shares options are anti-dilutive.



Dillistone Group Plc

9. Related party transactions

The Company has related party relationships with its subsidiaries, its directors, and other employees of the Company with management responsibility. There were no transactions with these parties during the period outside the usual course of business.

The Directors participated in the issue of convertible loan notes in 2017 which carry interest at 8.15% per annum payable quarterly in arrears.

There were no transactions with any other related parties.

10. Cautionary statement

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for these strategies to succeed. The Interim Report should not be relied on by any other party or for any other purpose. The Interim Report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Company. These statements are made in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution as they involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The continuing uncertainty in global economic outlook inevitably increases the economic and business risks to which the Company is exposed. Nothing in this announcement should be construed as a profit forecast.