

23 September 2020

Dillistone Group Plc
("Dillistone", the "Company" or the "Group")
Interim Results

Dillistone Group Plc, the AIM quoted supplier of software for the international recruitment industry, announces its results for the six months ended 30 June 2020.

Key points of the unaudited interim report:

- *The management of our cost base and better operational performance, has led to improved performance in H1 2020, versus the same period in 2019, despite Covid-19 having a significant negative impact on our clients and therefore our revenue*
- *Operating profit of £0.048m before acquisition related items (2019: loss £0.044m)*
- *Group is cash generative at an operational level*
- *Cash balances of £1.732m at 30 June 2020 (2019: £0.769m)*
- *CBIL loan of £1.5m received in June 2020*
- *Recurring revenue of £3.0m (2019: £3.5m)*
- *Recurring revenue covers 101% of operational overheads (2019: 91%)*
- *Recurring revenues represent 90% of total revenue (2019: 83%)*
- *NED Mike Love to retire from the Board, in line with long term plan, on the announcement of the interim results.*

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

“Any business serving the recruitment sector is going to find a global pandemic to be a difficult environment to operate through. However, despite this, the Group is delighted to report significantly improved operational performance in the period under review.

“Whilst Covid-19 will continue to impact our revenues, the steps we’ve taken to manage our costs while also continuing to invest in product development will benefit the business through the medium and long term.

“I would like to take this opportunity to sincerely thank Dr Mike Love for his services to the Company. Mike was our Chairman for many years, prior to stepping into the role of NED in January, with a view to retiring at the time of our Interim results announcement. Mike remains fully supportive of the Board strategy and a committed shareholder.”

Enquiries:**Dillistone Group Plc**

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Julie Pomeroy Finance Director

Via Walbrook PR**WH Ireland Limited** (Nominated adviser)

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Notes to Editors:

Dillistone Group Plc is a leader in the supply and support of software and services to the recruitment industry. Dillistone operates through the Ikiru People brand.

The Group develops, markets and supports the FileFinder, Infinity, Midoffice, ISV and GatedTalent products.

Dillistone was admitted to AIM, a market operated by the London Stock Exchange plc, in June 2006. The Group employs around 100 people globally with offices in Basingstoke, Southampton, New Jersey and Sydney.

Recruitment Software: <https://www.voyagersoftware.com/recruitment-software-blog/best-recruitment-software-agencies/>

Temporary Recruitment Software: <https://www.voyagersoftware.com/temporary-recruitment-agency-software/>

ISV Skills Testing: <https://www.isv.online>

GatedTalent: <https://www.talentis.global>

FileFinder: <https://www.dillistone.com>

Chairman's Statement

2020 started well for the Group with our early months delivering results ahead of internal expectations. The Covid-19 pandemic has obviously had a significant impact on our clients (predominantly recruitment companies) and therefore our business.

Nevertheless, I am able to report a significantly improved set of results following the steps taken in 2019 to reorganise the business and the decisive action by management in the early days of the pandemic.

The business has returned to profit (before acquisition related items) and has put in place a cost base that reflects current revenues. The streamlined operating structure has allowed us to do this without negatively impacting on our service levels. Indeed, our Trustpilot scores since January 1st have seen us achieve an excellent rating with 4.5 stars out of a maximum of 5.

Government support clearly played a part in our H1 results and, with this expecting to be ending, we have now taken further steps to minimise our cost base. This will lead to some reorganisation costs being reported in H2.

Following the 2019 reorganisation, the previous divisional structure has been amalgamated under one trading name, Ikiru People, and therefore divisional results will no longer be reported.

Financial Performance

Revenue in the six months ended 30 June 2020 amounted to £3.359m, down £0.824m (20%) (2019: £4.183m) due to Covid-19 and loss of clients and / or reductions in users, coupled with the withdrawal of a product in December 2019. Recurring revenues decreased by 13% to £3.029m over the comparable period last year (2019: £3.469m) and represented 90% of total revenues (2019: 83%). Non-recurring revenues were down at £0.290m (2019: £0.549m).

Cost of sales reduced to £0.328m (2019: £0.419m). Excluding amortisation and depreciation, administration expenses reduced by £0.774m to £2.305m (2019: £3.079m) in part reflecting the 2019 reorganisation and in part the impact of Covid-19. Such administration expenses are covered 131% by recurring revenue (2019: 113%). Excluding acquisition related items, depreciation and amortisation decreased by 7% to £0.678m (2019: £0.729m). Including such operational amortisation in administrative costs they are covered 101% by recurring revenue (2019: 91%).

Administrative costs also include £0.106m (2019: £0.198m) relating to the amortisation of acquisition intangibles. In 2019, administration costs also included reorganisation costs of £0.115m (2020: £nil). The loss for the period before taxation reduced to £0.110m (2019: loss £0.397m). The Group generated a profit after tax and before acquisition related costs of £0.019m. The loss for the period was £(0.088m) (2019: £(0.320m)).

There is a tax credit for the period of £0.022m (2019: credit £0.077m). The 2019 and 2020 tax credits have benefited from claims in the UK for research and development tax credits reflecting the continuing development of our products. Also, the tax credit was impacted through the increase in the rate for deferred tax to 19% (2019:17%).

Cash generated from operating activities was £0.403m (2019: £0.225m). Total cash flows in the 6 months ended 30 June 2020 showed a net inflow of £1.043m (2019: inflow £0.063m). The main elements of non-operating expenditure related to investment in new product development of £0.499m (2019: £0.615m) and the receipt of £1.500m from the CBIL loan scheme and a loan under the US payroll protection program of £0.086m. At 30 June 2020, we had cash reserves of £1.732m (2019: £0.769m) and £2.309m in borrowings (2019: £0.885m).

In view of the Covid-19 pandemic and the uncertainty this has brought, the Board has decided not to pay an interim dividend this year (2019: nil).

Strategy

The Group continues to invest in its products which it sees as fundamental to the future success of the Group. Dillistone is an innovator and thought leader in the recruitment sector, designing and launching technology solutions for recruiters whose working practices are ever evolving.

The Board restructured our product portfolio in 2019, withdrawing certain products from the market, and refocussing our development expenditure on projects that, we believe, will deliver long term benefits to shareholders. We expect to begin to see the benefit of this strategy in 2021.

Outlook

Development remains high on our agenda and we are continuing to invest in both current and new products which will enable the recruiters of the future. We are excited by the opportunities that this investment will deliver and look forward to updating the market further.

While Covid-19 will continue to impact upon our revenues, with a stable core business through our long-term underlying client base, a strong balance sheet as a result of our £1.5m CBIL loan, administrative overheads (excluding depreciation, amortisation and other one off costs) that are covered by our recurring revenue, improved operational performance and ongoing investment in product development, we believe we are well positioned to deliver growth as we emerge from the current crisis.

Giles Fearnley

Non-Executive Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months ended 30 June		Year ended 31 Dec
		2020	2019	2019
		Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	4	3,359	4,183	8,027
Cost of sales		(328)	(419)	(849)
Gross profit		3,031	3,764	7,178
Administrative expenses		(3,089)	(4,121)	(8,268)
Result from operating activities	4	(58)	(357)	(1,090)
<i>Analysed as:</i>				
Result from operating activities before acquisition related items		48	(44)	(207)
Acquisition and reorganisation related items	5	(106)	(313)	(883)
Result after acquisition related items		(58)	(357)	(1090)
Financial cost		(52)	(40)	(91)
(Loss) before tax		(110)	(397)	(1,181)
Tax income	6	22	77	339
(Loss) for the period		(88)	(320)	(842)
Other comprehensive income net of tax:				
Currency translation differences		(15)	(26)	(16)
Total comprehensive (loss) for period net of tax		(103)	(346)	(858)
Earnings per share (pence)				
Basic	8	(0.45)	(1.63)	(4.28)
Diluted		(0.45)	(1.63)	(4.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>As at 30 June 2020</i>	<i>As at 30 June 2019</i>	<i>As at 31 Dec 2019</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	4,022	4,542	4,234
Right of use assets	735	763	754
Property plant & equipment	38	69	54
	<hr/> 8,210	<hr/> 8,789	<hr/> 8,457
Current assets			
Inventories	-	2	-
Trade and other receivables	1,159	1,750	1,222
Current tax receivable	-	112	293
Cash and cash equivalents	1,732	769	690
	<hr/> 2,891	<hr/> 2,633	<hr/> 2,205
Total assets	<hr/> 11,101	<hr/> 11,422	<hr/> 10,662
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	783	1,367	871
Share option reserve	106	112	94
Translation reserve	32	37	47
Total equity	<hr/> 3,914	<hr/> 4,509	<hr/> 4,005
Liabilities			
Non current liabilities			
Trade and other payables	341	559	443
Lease liabilities	690	772	741
Borrowings	1,995	645	523
Deferred tax	323	393	340
Total non-current liabilities	<hr/> 3,349	<hr/> 2,369	<hr/> 2,047
Current liabilities			
Trade and other payables	3,410	4,265	3,977
Lease liabilities	100	39	82
Borrowings	314	240	551
Current tax payable	14	-	-
Total non-current liabilities	<hr/> 3,838	<hr/> 4,544	<hr/> 4,610
Total liabilities	<hr/> 7,187	<hr/> 6,913	<hr/> 6,657
Total liabilities and equity	<hr/> 11,101	<hr/> 11,422	<hr/> 10,662

The interim report was approved by the Board of directors and authorised for issue on 22 September 2020. They were signed on its behalf by:

JS Starr

J P Pomeroy

CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 30 June		
	2020	2019	2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating Activities			
(Loss) before tax	(110)	(397)	(1,181)
Adjustment for			
Financial cost	51	40	91
Depreciation and amortisation	784	918	1,794
Share option expense	12	6	14
Other including foreign exchange adjustments arising from operations	16	(20)	(33)
Operating cash flows before movements in working capital	753	547	685
increase / (decrease) in receivables	65	(234)	282
Decrease in inventories	-	1	3
(decrease) in payables	(730)	(229)	(603)
Taxation repaid	315	140	167
Net cash generated from operating activities	403	225	534
Investing Activities			
Purchases of property plant and equipment	(2)	(7)	(29)
Proceeds from sale of assets	-	10	2
Investment in development costs	(499)	(615)	(1,070)
Net cash used in investing activities	(501)	(612)	(1,097)
Financing Activities			
Finance cost	(49)	(23)	(83)
Lease payments made	(68)	(20)	(49)
New loan	1,586	500	500
Bank loan repayments	(40)	(7)	(126)
Utilisation of banking facility	(288)	-	288
Net cash generated from financing activities	1,141	450	530
Net change in cash and cash equivalents	1,043	63	(33)
Cash and cash equivalents at beginning of the period	690	725	725
Effect of foreign exchange rate changes	(1)	(19)	(2)
Cash and cash equivalents at end of period	1,732	769	690

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 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
Balance at 31 December 2018	983	1,631	365	1,687	14	106	63	4,849
Comprehensive income								
Loss for the 6 months ended 30 June 2019	-	-	-	(320)	-	-	-	(320)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(26)	(26)
Total comprehensive (loss)	-	-	-	(320)	-	-	(26)	(346)
Transactions with owners								
Share option charge	-	-	-	-	-	6	-	6
Balance at 30 June 2019	983	1,631	365	1,367	14	112	37	4,509

NOTES TO THE UNAUDITED INTERIM REPORT

1. Basis of Preparation

The financial information for the six months ended 30 June 2020 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 the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs) but does not include all of the disclosures that would be required under 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 2019 and are those which will form the basis of the 2020 financial statements.

The comparative financial information presented herein for the year ended 31 December 2019 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2019 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 uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. The Group has seen many of its clients shrink and with some clients closing. It has additionally supported many clients through agreeing discounted periods and deferred terms. Accordingly, the Group will see a reduction in revenue in 2020. However, the Group has acted quickly, taking advantage of various government schemes, including furloughing, and staff unanimously supporting a temporary pay-cut, including all executive and non-executive directors. The Group also agreed a 6 month payment holiday on its existing bank loan. The Company has also secured a loan of £1.5m under the UK Government's Business Interruption Loan (CBIL) scheme.

The Board has considered various downside scenarios on the Group's results as a result of the COVID-19 outbreak. In preparing this analysis the following assumptions were made for the base case: a reduction in recurring revenue and non recurring revenue in 2020 with some recovery in the second half of 2020 but with revenue not returning to full pre Covid-19 levels in 2020 or 2021. A further scenario was modelled ("stress test scenario") that reduced revenue further by £0.275m. On this basis, the Group's cash reserves would be reduced to £0.293m in September 2021. The Group also has an overdraft facility of £0.200m.

Based on current trading, the stress test scenario is considered unlikely. However, it is difficult to predict the overall impact and outcome of COVID-19 at this stage, particularly with the concerns of a second wave this autumn. Nevertheless, after making enquiries, and considering the uncertainties described above and after receiving a CBIL loan of £1.5m, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 2020 and 30 June 2019

	Adjusted operating profits		Acquisition related items		Adjusted operating profits		Acquisition and reorganisation related items	
	30-Jun-20	2020*	30-Jun-20	30-Jun-19	2019*	30-Jun-19		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Revenue	3,359	-	3,359	4,183	-	4,183		
Cost of sales	(328)	-	(328)	(419)	-	(419)		
Gross profit	3,031	-	3,031	3,764	-	3,764		
Administrative expenses	(2,983)	(106)	(3,089)	(3,808)	(313)	(4,121)		
Results from operating activities	48	(106)	(58)	(44)	(313)	(357)		
Financial cost	(52)	-	(52)	(38)	(2)	(40)		
Profit/(loss) before tax	(4)	(106)	(110)	(82)	(315)	(397)		
Tax expense/(income)	23	(1)	22	40	37	77		
Profit/(loss) for the year	19	(107)	(88)	(42)	(278)	(320)		
Other comprehensive income net of tax:								
Currency translation differences	(15)	-	(15)	(26)	-	(26)		
Total comprehensive income/ (loss) for the year net of tax	4	(107)	(103)	(68)	(278)	(346)		

Earnings per share – from continuing activities

Basic	0.10p	(0.45)p	(0.21)p	(1.63)p
Diluted	0.10p	(0.45)p	(0.21)p	(1.63)p

* see accounts note 5

31 December 2019

	Adjusted operating profits	Acquisition and reorganisation related items	
	31 December 2019	2019*	31 December 2019
	£'000	£'000	£'000
Revenue	8,027	-	8,027
Cost of sales	(849)	-	(849)
Gross profit	7,178	-	7,178
Administrative expenses	(7,385)	(883)	(8,268)
Results from operating activities	(207)	(883)	(1,090)
Financial cost	(91)	-	(91)
Profit/(loss) before tax	(298)	(883)	(1,181)
Tax income	268	71	339
Profit for the year	(30)	(812)	(842)
Other comprehensive income net of tax:			
Currency translation differences	(16)	-	(16)
Total comprehensive loss for the year net of tax	(46)	(812)	(858)

Earnings per share – from continuing activities

<i>Basic</i>	<i>(0.15)p</i>	<i>(4.28)p</i>
<i>Diluted</i>	<i>(0.15)p</i>	<i>(4.28)p</i>

* see accounts note 5

4. Segment reporting

Following the group reorganisation in 2019, there is only one trading segment in 2020, Ikiru People.

Results

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2020</i>	<i>2019</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2019</i>
			<i>£'000</i>
Results from operating activities			
Ikiru People	70	82	(72)
Central	(22)	(126)	(135)
Reorganisation costs			(578)
Amortisation of acquisition intangibles and reorganisation costs	(106)	(313)	(305)
Result from operating activities	<u>(58)</u>	<u>(357)</u>	<u>(1,090)</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>2020</i>	<i>2019</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2019</i>
			<i>£'000</i>
UK	2,286	2,888	5,700
Europe	529	480	928
US	394	624	1,034
Australia	150	191	365
	<u>3,359</u>	<u>4,183</u>	<u>8,027</u>

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>2020</i>	<i>2019</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2019</i>
			<i>£'000</i>
Recurring	3,029	3,469	6,593

Non recurring	290	549	1,160
Third party revenues	40	165	274
	<u>3,359</u>	<u>4,183</u>	<u>8,027</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>2020</i>	<i>2019</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2019</i>
Reorganisation costs	-	115	578
Amortisation of acquisition intangibles	106	198	305
	<u>106</u>	<u>313</u>	<u>883</u>
Interest on bank loan to finance reorganisation	-	2	-
Total	<u>106</u>	<u>315</u>	<u>883</u>

6. Tax

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2020</i>	<i>2019</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2019</i>
Current tax	(5)	18	(50)
Prior year adjustment – current tax	-	-	(140)
Deferred tax release	(18)	(58)	(67)
Prior year adjustment – deferred tax	-	-	(24)
Deferred tax re acquisition intangibles	1	(37)	(58)
Tax (income) for the period	<u>(22)</u>	<u>(77)</u>	<u>(339)</u>

The tax charge is impacted by the higher rates of corporation tax payable in the US offset by the R&D tax credits available in the UK. Deferred tax has been provided at the rate of 19% (2019: rates between 17% and 19%).

7. Dividends

The Board has decided not to pay an interim dividend (2019: nil per share).

8. Earnings per Share

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2020</i>	<i>2019</i>	<i>31 Dec</i>
			<i>2019</i>
Basic earnings per share			
(Loss) attributable to ordinary shareholders	£(88,000)	£(320,000)	£(842,000)
Weighted average number of shares	19,668,021	19,668,021	19,668,021
Basic (loss) per share (pence)	<u>(0.45)</u>	<u>(1.63)</u>	<u>(4.28)</u>
Diluted earnings per share			
(Loss) attributable to ordinary shareholders	£(88,000)	£(320,000)	£(842,000)
Diluted weighted average number of shares	19,668,021	19,668,021	19,668,021
Diluted (loss) per share (pence)	<u>(0.45)</u>	<u>(1.63)</u>	<u>(4.28)</u>

9. Related party transactions

The Company has a related party relationship 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.