

# **Dillistone Group Plc**

Company No. 4578125

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2006**

# Dillistone Group Plc

## Contents

	<b>Page</b>
Chairman's Statement	1
Independent Review Report to Dillistone Group Plc	3
Consolidated Income Statements	4
Consolidated Balance Sheet	5
Consolidated Cash Flow Statement	6
Consolidated Statement of Changes in Equity	7
Notes to the Interim Report	8-10

# Dillistone Group Plc

## Chairman's Statement

I am pleased to present the first interim report of the company following its admission to trading on the Alternative Investment Market of the London Stock Exchange on 15<sup>th</sup> June this year. This report covers the 6 months ended 30<sup>th</sup> June 2006.

### Financial Performance

The financial results for the 6 Months ended 30<sup>th</sup> June 2006 show substantial growth in both turnover and profits over the corresponding period in 2005 despite the distractions caused by the considerable workload associated with the company's admission to AIM.

Turnover in the period increased by 54% to £1,685,121 (*6 Months ended 30 June 2005 £1,094,139*), and profits before tax increased by 105% to £554,050 (*2005 - £269,818*) despite severe weakening of both the Australian and US Dollars against the pound. Sales and profits growth in both the UK and European markets has been particularly strong, although the UK result is flattered by the completion of a contract amounting to some £80,000 which commenced prior to the year end, but was completed in February.

Operating Margins were enhanced from 25% in the same period in 2005 to 33% in the 6 months ended 30<sup>th</sup> June 2006, reflecting the strong sales growth together with control over operating costs.

Cashflow has continued to reflect the profitable performance of the business, and at the end of the period we held cash balances of £585,531, compared with £515,750 at the year end. The cash balance at 30<sup>th</sup> June reflects the non-recurring pre-flotation dividend payment to the investors who supported the management buy out in January 2003.

Earnings per share increased by 111% to 7.49p per share (*2005 – 3.55p per share*). At the time of the flotation in June, we indicated that we anticipated paying an additional dividend of some £100,000 (approximately 1.85 pence per share) following the publication of these results. The board has decided that, in the light of these excellent results, this dividend should be increased to 2.5p per share, which will be paid on 10<sup>th</sup> October 2006 to holders on the register on 6<sup>th</sup> October 2006. Shares will trade ex-dividend from 4<sup>th</sup> October 2006. The total cost of this dividend will be £135,000.

### Flotation

On 15<sup>th</sup> June 2006 the company's shares were admitted to trading on the AIM market of the London Stock Exchange. 200,000 new ordinary shares of 5p each were issued at a price of £1.25, raising £250,000 for the company. The costs of the issue amounted to £240,936, leaving the company net proceeds from the issue of £9,064. I would like to record my thanks to all our staff and professional advisers in this matter for their commitment to ensuring that the issue and admission to AIM went as smoothly as it did.

As part of the flotation process, share options were granted to all our staff through both EMI approved and unapproved share schemes. I am pleased that we were able to

# Dillistone Group Plc

introduce these schemes on favourable terms for them, and I look forward to them becoming shareholders in due course.

## **Offices**

In August 2006 we relocated both our London head office and our Asia-pacific offices. The move of the London office, in particular, has enhanced the working environment for our staff.

## **Prospects**

Order intake in all our markets remains reasonably strong, and consistent with the latter half of 2005 and the first half of 2006. In addition, support renewals on 1<sup>st</sup> July 2006 were higher than budgeted, and this should favourably impact on the result for the latter half of 2006 and the first half of 2007. The short lead time between taking an order and completing the installation, however, means that predicting the outcome for the year as a whole is particularly difficult.

We are working towards the release of version 8 of our “Filefinder” software. This will be the first major release for 2 years and experience suggests that the build up to the launch can have an effect on the performance of the business in the short term. Specifically, the introduction of the new version of “Filefinder” will necessarily require our own staff to be trained for both support and installation.

The outlook for the retained executive search market remains positive throughout the world, and the Board believes that the outcome for the year as a whole will be very satisfactory.

Looking beyond 2006, the trend for the adoption of our “Filefinder” software by large corporate clients gives comfort that the group will continue to deliver further growth.

Jim McLaughlin  
28<sup>th</sup> September 2006.

# Dillistone Group Plc

## Independent Review Report

### Introduction

We have been instructed by the company to review the financial information for the six months ended 30<sup>th</sup> June 2006 which comprises the consolidated income statements, the consolidated balance sheets, the consolidated cash flow statements, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### 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 in accordance with the Listing Rules of the United Kingdom Listing Authority which require 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 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group 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 Auditing Standards in the United Kingdom 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 June 2006.

### Saffery Champness

Chartered Accountants

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2 Beaufort Road  
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BS8 2AE

28<sup>th</sup> September 2006

# Dillistone Group Plc

## CONSOLIDATED INCOME STATEMENTS

	<i>6 Months Ended</i>		<i>Year Ended</i>
	<i>30/06/06</i>	<i>30/06/05</i>	<i>31</i>
	<i>£</i>	<i>£</i>	<i>December</i>
			<i>2005</i>
			<i>£</i>
<b>Revenue</b>	1,685,121	1,094,139	2,530,313
Cost of Sales	(159,909)	(120,927)	(271,171)
Gross Profit	1,525,212	973,212	2,259,142
Administrative Expenses	(973,177)	(704,555)	(1,629,994)
Profit From Operations	552,035	268,657	629,148
Investment Income	2,015	1,161	2,699
<b>Profit before tax</b>	554,050	269,818	631,847
Tax expense	(163,445)	(85,310)	(199,776)
<b>Profit for the Period/Year</b>	390,605	184,508	432,071

# Dillistone Group Plc

## CONSOLIDATED BALANCE SHEETS

	<i>As at 30th June</i>		<i>As at</i>
	<i>2006</i>	<i>2005</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2005</i>
			<i>£</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	494,393	494,393	494,393
Property plant & equipment	42,436	25,301	25,345
	<u>536,829</u>	<u>519,694</u>	<u>519,738</u>
<b>Current Assets</b>			
Inventories	6,290	22,300	32,414
Trade and other receivables	720,520	503,943	708,187
Cash and cash equivalents	585,531	321,817	515,750
	<u>1,312,341</u>	<u>848,060</u>	<u>1,256,351</u>
<b>Total assets</b>	<u><u>1,849,170</u></u>	<u><u>1,367,754</u></u>	<u><u>1,776,089</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	270,000	105,000	105,000
Share premium	-	106,237	106,237
Share Option reserve	2,743	-	-
Retained Earnings	245,809	214,840	304,903
Translation reserve	(23,264)	3,203	14,822
<b>Total equity</b>	<u>495,288</u>	<u>429,280</u>	<u>530,962</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other Payables	1,029,283	761,474	1,015,142
Current tax payable	161,154	91,690	229,985
	<u>1,190,437</u>	<u>853,164</u>	<u>1,245,127</u>
<b>Non current liabilities</b>			
Non-current tax payable	163,445	85,310	-
<b>Total Liabilities</b>	<u>1,353,882</u>	<u>938,474</u>	<u>1,245,127</u>
<b>Total liabilities and equity</b>	<u><u>1,849,170</u></u>	<u><u>1,367,754</u></u>	<u><u>1,776,089</u></u>

# Dillistone Group Plc

## CONSOLIDATED CASH FLOW STATEMENTS

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
	<i>2006</i>	<i>2005</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>£</i>
<b>Operating activities</b>			
Profit for the year / period	390,605	184,508	432,071
Adjustment for			
Depreciation	12,000	8,757	20,366
Share Option Charge	2,743	-	-
Operating cash flows before movements in working capital	405,348	193,265	452,437
(Increase)/decrease in receivables	(12,333)	139,721	(63,254)
Decrease/(increase) in inventories	26,124	6,884	(3,230)
Increase in payables	108,754	67,897	374,550
Net cash used in operating activities	527,893	407,767	760,503
<b>Investing activities</b>			
Purchases of property plant and equipment	(28,700)	(8,840)	(21,762)
Net cash used in investing activities	(28,700)	(8,840)	(21,762)
<b>Financing activities</b>			
Capital contributions	9,064	-	-
Dividends paid	(400,000)	(210,000)	(367,500)
Net cash provided by financing activities	(390,936)	(210,000)	(367,500)
Net increase in cash and cash equivalents	108,257	188,927	371,241
Cash and cash equivalents at beginning of year /period	515,750	124,125	124,125
Effect of foreign exchange rate changes	(38,475)	8,765	20,384
Cash and cash equivalents at end of year /period	585,531	321,817	515,750



# Dillistone Group Plc

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Share option reserve</i> £	<i>Retained earnings</i> £	<i>Foreign exchange</i> £	<i>Total</i> £
Balance at 31 December 2004	105,000	106,237		240,332	(5,562)	446,007
Profit for the 6 months ended 30 June 2005	-	-	-	184,508	-	184,508
Exchange differences on translation of Overseas operations	-	-	-	-	8,765	8,765
Dividends Paid	-	-	-	(210,000)		(210,000)
Balance at 30 June 2005	<u>105,000</u>	<u>106,237</u>	<u>-</u>	<u>214,840</u>	<u>3,203</u>	<u>429,280</u>
Profit for the 6 months ended 31 December 2005	-	-	-	247,563	-	247,563
Exchange differences on translation of Overseas operations	-	-	-	-	11,619	11,619
Dividends Paid	-	-	-	(157,500)		(157,500)
Balance at 31 December 2005	<u>105,000</u>	<u>106,237</u>	<u>-</u>	<u>304,903</u>	<u>14,822</u>	<u>530,962</u>
Profit for the 6 months ended 30 June 2006				390,605		390,605
Bonus issue from reserves	155,000	(106,237)	-	(48,763)	-	
Issue of share capital	10,000	240,000	-	-	-	250,000
Costs of the issue	-	(240,000)	-	(936)	-	(240,936)
Fair value of share option expense	-	-	2,743	-	-	2,743
Exchange differences on translation of Overseas operations	-	-	-	-	(38,086)	(38,086)
Dividends Paid	-	-	-	(400,000)	-	(400,000)
Balance at 30 June 2006	<u>270,000</u>	<u>-</u>	<u>2,743</u>	<u>245,809</u>	<u>(23,264)</u>	<u>495,288</u>

# Dillistone Group Plc

## NOTES TO THE INTERIM REPORT

### 1. Basis of Preparation

The comparative figures for the year ended 31 December 2005 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not contain statements under sections 237(2) or (3) (accounting record or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations) of the Companies Act 1985.

On 7 June 2006, Dillistone Group Limited changed its name to Dillistone Group Plc.

The interim financial statements have been prepared on the basis of the accounting policies set out in the financial statements included in the Short Form Report for Dillistone Group Plc.

### 2. Revenue and result

#### *Geographical segments*

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

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
	<i>2006</i>	<i>2005</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2005</i>
UK	915,174	531,184	1,213,607
Europe	338,722	225,017	520,377
USA	285,537	199,125	460,499
Australia and Asia Pacific	145,688	138,813	321,018
Africa	-	-	14,812
	<u>1,685,121</u>	<u>1,094,139</u>	<u>2,530,313</u>

#### *Business Segment*

The following table provides an analysis of the Group's sales by business segment.

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
	<i>2006</i>	<i>2005</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2005</i>
Recurring	612,888	422,775	977,713
Non Recurring	1,072,233	671,364	1,552,600
	<u>1,685,121</u>	<u>1,094,139</u>	<u>2,530,313</u>

Recurring income includes all support services, and web hosting income. Non-recurring income includes sales of new licenses, and income derived from installing those licenses including training, installation, and data translation.

# Dillistone Group Plc

## NOTES TO THE INTERIM REPORT (CONTINUED)

### 2. Revenue and result (continued)

#### Result

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

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
			<i>31 December</i>
	<i>2006</i>	<i>2005</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
UK	299,883	98,507	227,137
Europe	233,935	153,003	352,795
USA	68,216	73,278	168,965
Australia and Asia Pacific	66,847	57,240	131,982
Africa	-	-	13,676
	668,881	382,028	894,555
Unallocated Expenses	116,846	113,371	265,407
Profit from Operations	552,035	268,657	629,148

### 3. Dividends

Dividends of the equivalent of 7.692 pence per share amounting to £400,000 have been paid in respect of the year ending 31<sup>st</sup> December 2006 on 24<sup>th</sup> May 2006. A further dividend of 2.5 pence per share, totaling £135,000 is will be paid on 10<sup>th</sup> October 2006 to holders on the register on 6<sup>th</sup> October 2006.

### 4. Earnings per share

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
			<i>31 December</i>
	<i>2006</i>	<i>2005</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Profit attributable to ordinary shareholders	390,605	184,508	432,071
Weighted average number of shares	5,217,778	5,200,000	5,200,000
Basic earnings per share (pence)	7.49	3.55	8.31

For comparative purposes, earnings per share have been calculated on the basis that the subdivision and bonus issue of share which took place on 6<sup>th</sup> June 2006 had taken place on 1<sup>st</sup> January 2005.

# Dillistone Group Plc

## NOTES TO THE INTERIM REPORT (CONTINUED)

### 5. Reconciliation from UK GAAP to IFRS

These accounts are the Group's first consolidated interim financial statements for part of the period that the first annual consolidated financial statements will be prepared in accordance with IFRS. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position and financial performance is set out in the following tables. There have been no changes to the Group's cash flows as a result of the transition.

	<i>As at 30 June 2006</i>	<i>As at 30 June 2005</i>	<i>As at 31 December 2005</i>
	£	£	£
<b><i>Balance sheet reconciliation</i></b>			
Total equity reported under UK GAAP	408,768	367,479	457,452
Amortisation of goodwill eliminated	86,520	61,800	74,160
Other adjustments	-	-	(650)
Total equity reported under IFRS	<u>495,288</u>	<u>429,279</u>	<u>530,962</u>
	<i>Period ended 30 June 2005</i>	<i>Year ended 31 December 2005</i>	
	£	£	
<b><i>Income statement reconciliation</i></b>			
Profit for the period reported under UK GAAP	172,148	408,992	
Amortisation of goodwill eliminated	12,360	24,720	
Other adjustments	-	(1,641)	
Profit for the period reported under IFRS	<u>184,508</u>	<u>432,071</u>	