

# **Dillistone Group Plc**

**Company No. 4578125**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2008**

# Dillistone Group Plc

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## Chairman's Statement

I am very pleased to be able to report further significant progress in the 6 Months ended 30<sup>th</sup> June 2008, with record Interim results for the group, and continued cash generation during the period.

### Financial Performance

The financial results for the 6 Months ended 30<sup>th</sup> June show excellent growth in both sales and profitability. Overall sales increased by some 30% over the same period in 2007, underpinned by an increase of some 30% in non recurring revenues partly as a result of orders taken towards the end of 2007 which were implemented during the early part of 2008. Recurring revenues, mainly support contracts, increased by some 31% over the same period in 2007, and now comprise 43% of total revenues.

Total turnover in the period increased by 30% to £2,515,902 (*6 Months ended 30 June 2007 £1,927,943*), and profits before tax increased by 44% to £948,577 (*2007 - £658,853*). Geographically, sales in all operations grew well, with Asia posting an impressive increase of 47% over the same period last year, Europe 36%, the UK 29% and the USA a more modest 21%. However the nature of the US operation is now benefiting significantly from our initiative to offer SaaS product in the region, and now some 57% of the revenues in this region are recurring, which has contributed to an increase in profits attributable of some 82%.

The UK, which now has a higher level of costs than the rest of the group increased its revenues by 29%, and operating profits by 33%. Overall group operating margins increased from 34% in the first half of 2007 to 37% in the current year.

Cashflow has continued to reflect the profitable performance of the business, and at the end of the period we held net cash balances of £2,041,885, compared with £1,533,649 at the year end. There was a cash inflow of over £767,000 in the period (excluding foreign exchange effects), after the payment of corporation tax of some £250,000 reflecting the Group's tight controls over its working capital. The Group continues to have no borrowings whatsoever, and from this inflow paid a dividend of £324,000 in May 2008.

Earnings per share amounted to 12.3p in the period (*2007 - 8.42p*) an increase of 46% over the same period in 2007, and the board has decided to pay an interim dividend of 3.5p per share on 3<sup>rd</sup> October 2008 to holders on the register on 12<sup>th</sup> September 2008. The cost of this dividend will be £189,000 and will be met from the cash resources of the Group. Shares will trade ex-dividend from 10<sup>th</sup> September 2008. In the absence of unforeseen circumstances, a further dividend of some 6.5p per share is expected to be paid following the publication of the final accounts and approval of shareholders at the Annual General Meeting.

### Prospects

We enjoyed a very high level of orders towards the end of 2007 and our strong performance in the first half of 2008 reflects this. Whilst there is general economic uncertainty and I do not expect our performance in the second half to match that of the first half, I do however anticipate that trading for the full year will be somewhat ahead of current market expectations. Following the launch of our latest product release,

# **Dillistone Group Plc**

FILEFINDER 8, we have increased our market share and have won some significant and highly regarded new clients.

Jim McLaughlin

1 September 2008

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## Independent Review Report

### Introduction

We have reviewed the accompanying balance sheet of Dillistone Group Plc as of 30 June 2008 and the related statements of income, changes in equity and cash flows for the half-year then ended, and summary of significant accounting policies and other related notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent 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 conclusions we have formed.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". 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 and therefore 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 accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at 30 June 2008, and of its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

### Saffery Champness

Chartered Accountants

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2 Beaufort Road  
Clifton  
Bristol  
BS8 2AE

1 September 2008

# Dillistone Group Plc

## CONSOLIDATED INCOME STATEMENT

	<i>6 Months ended 30 June</i>		<i>Year Ended</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>£</i>
<b>Revenue</b>	2,515,902	1,927,943	4,066,463
Cost of sales	(119,473)	(145,082)	(236,951)
Gross profit	2,396,429	1,782,861	3,829,512
Administrative expenses	(1,464,798)	(1,130,268)	(2,659,390)
Profit from operations	931,631	652,593	1,170,122
Investment income	16,946	6,260	26,091
<b>Profit before tax</b>	948,577	658,853	1,196,213
Tax expense	(284,573)	(204,244)	(391,838)
<b>Profit for the period/year</b>	664,004	454,609	804,375
<b>Earnings per share (pence)</b>			
Basic	12.30	8.42	14.90
Diluted	11.60	7.96	14.05

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## CONSOLIDATED BALANCE SHEET

	<i>As at 30 June</i>		<i>As at</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2007</i>
<b>ASSETS</b>			<i>£</i>
<b>Non-current assets</b>			
Intangible assets	655,862	632,180	639,835
Property plant & equipment	147,877	171,708	155,390
	803,739	803,888	795,225
<b>Current assets</b>			
Inventories	21,506	48,322	2,334
Trade and other receivables	1,333,539	1,118,048	1,284,190
Cash and cash equivalents	2,041,885	1,190,608	1,533,649
	3,396,930	2,356,978	2,820,173
<b>Total Assets</b>	4,200,669	3,160,866	3,615,398
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	270,000	270,000	270,000
Share option reserve	36,476	18,071	26,778
Retained earnings	1,489,027	934,257	1,149,023
Translation reserve	82,939	(17,478)	17,736
<b>Total Equity</b>	1,878,442	1,204,850	1,463,537
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	1,982,768	1,473,904	1,848,038
Current tax payable	336,459	277,868	300,823
	2,319,227	1,751,772	2,148,861
<b>Non-current liabilities</b>			
Deferred tax liability	3,000	7,328	3,000
Non-current tax payable	-	196,916	-
<b>Total Liabilities</b>	2,322,227	1,956,016	2,151,861
<b>Total Liabilities and Equity</b>	4,200,669	3,160,866	3,615,398

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## CONSOLIDATED CASH FLOW STATEMENT

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2007</i>
			<i>£</i>
<b>Operating Activities</b>			
Profit for the year / period	931,631	652,593	1,170,122
Less taxation paid	(248,937)	(204,244)	(319,590)
Adjustment for			
Depreciation	52,938	61,079	126,606
Share option expense	9,698	4,755	13,462
Loss on disposal	-	-	657
Operating cash flows before movements in working capital	745,330	514,183	991,257
(Increase) in receivables	(49,349)	(290,415)	(456,557)
(Increase) / decrease in inventories	(19,172)	(27,112)	18,876
Increase in payables	134,730	513,619	637,216
Net cash used in operating activities	<u>811,539</u>	<u>710,275</u>	<u>1,190,792</u>
<b>Investing Activities</b>			
Interest received	16,946	6,260	26,091
Purchases of property plant and equipment	(22,941)	(18,549)	(35,653)
Investment in development costs	(38,400)	(34,671)	(75,088)
Net cash used in investing activities	<u>(44,395)</u>	<u>(46,960)</u>	<u>(84,650)</u>
<b>Financing Activities</b>			
Dividends paid	(324,000)	-	(135,000)
Net cash used by financing activities	<u>(324,000)</u>	<u>-</u>	<u>(135,000)</u>
Net increase in cash and cash equivalents	443,144	663,315	971,142
Cash and cash equivalents at beginning of year / period	1,533,649	538,591	538,591
Effect of foreign exchange rate changes	65,092	(11,298)	23,916
Cash and cash equivalents at end of year / period	<u><u>2,041,885</u></u>	<u><u>1,190,608</u></u>	<u><u>1,533,649</u></u>



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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i>	<i>Share option reserve</i>	<i>Retained earnings</i>	<i>Foreign exchange</i>	<i>Total</i>
	£	£	£	£	£
Balance at 31 December 2006	270,000	13,316	479,648	(6,180)	756,784
Profit for the 6 months ended 30 June 2007	-	-	454,609	-	454,609
Share option expense	-	4,755	-	-	4,755
Exchange differences on translation of overseas operations	-	-	-	(11,298)	(11,298)
Balance at 30 June 2007	<u>270,000</u>	<u>18,071</u>	<u>934,257</u>	<u>(17,478)</u>	<u>1,204,850</u>
Profit for the 6 months ended 31 December 2007	-	-	349,766	-	349,766
Share option expense	-	8,707	-	-	8,707
Exchange differences on translation of overseas operations	-	-	-	35,214	35,214
Dividends paid	-	-	(135,000)	-	(135,000)
Balance at 31 December 2007	<u>270,000</u>	<u>26,778</u>	<u>1,149,023</u>	<u>17,736</u>	<u>1,463,537</u>
Profit for the 6 months ended 30 June 2008	-	-	664,004	-	664,004
Share option expense	-	9,698	-	-	9,698
Exchange differences on translation of overseas operations	-	-	-	65,203	65,203
Dividends paid	-	-	(324,000)	-	(324,000)
Balance at 30 June 2008	<u>270,000</u>	<u>36,476</u>	<u>1,489,027</u>	<u>82,939</u>	<u>1,878,442</u>

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## NOTES TO THE INTERIM REPORT

### 1. Basis of Preparation

The financial information for the six months ended 30 June 2008 included in this interim report comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes on pages 10 - 12. This statement has been prepared in accordance with IAS 34 "Interim Financial Reporting".

This interim financial information is unaudited but has been reviewed by the auditors and their review opinion is included in this interim report. The financial information set out in this report does not constitute statutory accounts as defined by the Companies Act 1985. Financial information for the year ended 31 December 2007 included herein is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

### 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, adjusted to take into account sub-optimal exercise factor and other flaws in Black-Scholes, and taking into account the terms and conditions upon which the incentives were granted.

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## 3. Revenue and Result

### *Geographical Segments*

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

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2007</i>
UK	1,285,633	999,395	2,180,172
Europe	570,005	420,036	845,745
USA	407,702	336,158	633,597
Asia Pacific	252,562	172,354	406,949
	<u>2,515,902</u>	<u>1,927,943</u>	<u>4,066,463</u>

### *Business Segment*

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

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2007</i>
Recurring	1,071,388	816,914	1,665,870
Non Recurring	1,444,514	1,111,029	2,400,593
	<u>2,515,902</u>	<u>1,927,943</u>	<u>4,066,463</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.

### *Result*

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>2007</i>
UK	456,307	343,366	536,428
Europe	440,668	308,427	656,827
USA	156,840	86,322	185,339
Asia Pacific	141,860	99,443	258,064
	<u>1,195,675</u>	<u>837,558</u>	<u>1,636,658</u>
Unallocated Expenses	(264,044)	(184,965)	(466,536)
Profit from Operations	<u>931,631</u>	<u>652,593</u>	<u>1,170,122</u>

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## 4. Dividends

A dividend of 3.5 pence per share, totalling £189,000 has been approved by the board, and will be paid on 3<sup>rd</sup> October 2008 to holders on the register on 12<sup>th</sup> September 2008.

## 5. Earnings per Share

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
	<i>2008</i>	<i>2007</i>	<i>31 December</i>
			<i>2007</i>
<b>Basic earnings per share</b>			
Profit attributable to ordinary shareholders	£664,004	£454,609	£804,375
Weighted average number of shares	5,400,000	5,400,000	5,400,000
Basic earnings per share (pence)	<u>12.30</u>	<u>8.42</u>	<u>14.90</u>
<b>Diluted Earnings per share</b>			
Profit attributable to ordinary shareholders	£666,427	£455,359	£804,385
Diluted weighted average number of shares	5,745,449	5,723,876	5,726,811
Diluted earnings per share (pence)	<u>11.60</u>	<u>7.96</u>	<u>14.05</u>