16th April 2008

DILLISTONE GROUP PLC

PRELIMINARY ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

Dillistone Group Plc ('Dillistone' or 'the Group'), the AIM listed supplier of Recruitment Software, is pleased to announce its preliminary results for the year ended 31st December 2007.

Highlights for the period:

		2007	2006
• Revenue	+23%	£4.07m	£3.30m
• Profit before tax	+30%	£1.20m	£923k
• Profit after tax	+26%	£804k	£637k
• Earnings per share (basic)	+24%	14.9p	12.0p
• Cash at Bank	+185%	£1.534m	£539k
• Operating Margin	+4%	29%	28%

- Recurring revenues increased by 29% to £1.67m, representing 41% of total turnover
- Proposed final dividend of 6p per share recommended, making total dividend for year of 8.5p
- Clients in over 50 countries world wide

Commenting on the results, Jason Starr, Managing Director said:

"We are very pleased with the continued global growth of Dillistone in 2007. Particularly significant is that 7 out of our 25 largest implementations within the period were into the world's 'emerging markets' and that many major contracts were won where clients moved over to Dillistone from direct competitors. This is an endorsement of our position as the market leader in the global Recruitment Software industry.

"Revenue growth has been complemented by an enhanced operating margin and strong profits, demonstrating a robust performance across the business. The Group has been very cash generative and gives us a strong platform to continue to develop in 2008 despite the economic uncertainty seen recently in world markets."

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CHAIRMAN'S STATEMENT

I am pleased to present the annual report of the company for the year ended 31 December 2007.

Financial Performance

The momentum we enjoyed in the year ended December 2006 flowed through into the year covered by this report, with record profits and turnover for the Group as a whole. We benefited from the considerable investment in the development of a new version of our FILEFINDER product which was launched in March 2007, winning some significant orders from new and existing clients. The financial results for the year ended 31 December 2007 show substantial growth in both turnover and profits over 2006.

Revenue in the year increased by 23% to £4,066,463 *(2006 - £3,301,362),* and profits before tax increased by 30% to £1,196,213 *(2006 - £923,118)* despite severe weakening of both the Australian and US Dollars against the pound, which together accounted for approximately 26% sales. Sales and profits growth in both the UK and European markets have been particularly strong. The USA saw the effects of a weakening dollar impact on the results, together with a slowdown in overall business activity. In late 2006 we decided to offer our product on a "Software as a Service" basis in the US market and, whilst this has a negative impact on both revenue and results in the short term, it has improved the proportion and value of the revenue earned on a recurring basis, which will have a positive long term impact on quality of earnings.

Recurring revenues (mainly arising from support agreements) increased by 29% in the year, from £1.288m to £1.666m, whilst non recurring revenues (mainly from new license sales) increased by 19% from £2.014m to £2.401m. Recurring revenues now comprise 41% of Group turnover (2006- 39%) and help to provide a cushion against any slowdown, which may arise in new business as a result of a slowdown in overall economic activities.

Operating margins were enhanced from 28% in 2006 to 29% in 2007, reflecting the strong sales growth together with tight control over operating costs.

Cashflow has continued to reflect the profitable performance of the business, and at the end of the year we held cash balances of £1,533,649, compared with £538,591 at the beginning of the year. The cash balance at 31 December 2007 reflects the payment of an interim dividend of £135,000, and capital expenditure of some £110,741. The Group has no borrowings whatsoever.

Earnings per share increased by 24% to 14.90p per share *(2006 –12.0p per share).* We paid an interim dividend of 2.5p per share in October 2007, and the board has recommended that a final dividend of 6p per share should be paid, subject to shareholder approval, on 23 May 2008 to holders on the register on 25 April. Shares will trade Ex-Dividend from 23 April 2008. The total dividend for the year will be 1.75 times covered by earnings, a little less than envisaged at the time of the flotation, but covered some 2.34 times by the cash generation of the business.

Staff

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 introduce these schemes on favourable terms for them, which is particularly important in a services business and I look forward to welcoming them as shareholders in due course. During the year we granted additional options to a small number of employees, and at the end of the year, our staff held options over 347,934 ordinary shares in the company, representing 6% of the current issued share capital after exercise of the options. These options will mature from May 2009, and demonstrate the value placed on our staff, who have performed outstandingly well throughout the year.

Prospects

We announced in February 2008 that the order intake in the final quarter of 2007 had been the highest ever recorded by the Group since its formation, and I am pleased to be able to confirm that this positive trend has continued. Order intake for the year as a whole was some 31% ahead of the previous year, and at the year end we held the highest value of confirmed orders we have ever experienced. This has led to a very good start to the current year. However, the effects of the global credit squeeze appear to have made larger clients currently more apprehensive about committing themselves to ordering new systems, certainly in the short term, and the outlook for the longer term in the financial recruitment markets is less visible at the present time.

Our strong balance sheet and substantial cash reserves at the year end, together with the increasing value of recurring revenue contracts means that the Group is relatively well protected against any short term slowdown in economic activity. The excellent start we have enjoyed in the first part of 2008 also assists in this regard, and the Board believes that the Group is well positioned for another successful year.

Jim McLaughlin
15 April, 2008

MANAGING DIRECTOR'S REPORT

2007 was another excellent year with significant improvements in revenues, profits and earnings.

Sales growth was achieved in both recurring and non recurring revenues. The 29% increase in recurring revenues was delivered as a result of both strong support sales and an increasing number of new system sales, delivered on a "Software as a Service" basis.

The period saw us win 153 new business contracts which were implemented in 37 countries. Our global spread is particularly pleasing – we now have clients in over 50 countries - with our largest ten implementations in 2007 featuring clients in UK, USA, Denmark, India, Asia Pacific and Russia along with a pan-EMEA business.

The emerging markets proved to be particularly important to us, with 7 of our 25 largest implementations coming from the Middle East, Asia, Eastern Europe and Central and Southern America. These contract wins are particularly significant as they often confer on us "market leadership" status in these regions. As these markets continue to grow, we should enjoy continued success as a result of these early wins.

Also pleasing was the fact that 2007 saw us attract a record number of clients from direct competitors. We believe that this is partly down to our ongoing product development, but also down to a desire amongst the leading search firms to invest in systems from a global leader. The corporate sector continues to be a small but growing niche for us, with a further Fortune 100 company introducing our system in 2007 for its internal talent acquisition.

DIVISIONAL REVIEW

UK, Middle East and India

Our home region once again generated excellent results, with a 52.22% increase in profit. It should be noted, however, that a number of the larger clients invoiced from the UK – particular Spengler Fox – featured significant international work. The results of these contracts therefore fall within the accounts of our UK subsidiary, even though the profits were actually earned overseas. In addition to Spengler Fox, significant contract wins in the UK also included Hays Executive – the Executive Search division of the UK's largest Recruitment firm – and Norman Broadbent. Each of these firms switched to FILEFINDER from a direct competitor.

Europe

Our European business also performed to an exceptional level, with year on year profits up 32%. European executive search firms are often smaller than their counterparts in the UK and US, and so this performance reflects volume of new business wins rather than scale. Our performance in Russia and Eastern Europe was particularly pleasing, with a number of significant contract wins.

Asia Pacific

Our Australia and Asia pacific business unit again performed very well, with year on year results up 46.8%. Strategically important contract wins in the region included The Wright Company and Jo Fisher Executive Search. The region also benefited from a major marketing push in November, when a conference organised by the Group in Hong Kong attracted over 200 delegates from 19 countries to discuss Executive Talent Acquisition in Asia. The event proved significant, and provided us with an opportunity for exclusive exposure to our FILEFINDER product to leading firms in the region whilst also contributing a small profit.

United States

Whilst the headline performance of our US business unit was disappointing, this does not reflect fully the actual achievements of the business. Profits fell by 9.3% based on sales which increased by 6%, but in practice, whilst realised revenues were relatively flat, incoming orders grew significantly. Our decision to offer FILEFINDER on a "software as a service" model in the US (where clients rent the software rather than purchase it) caused us some short term pain but means that 57% of revenues should recur in 2008. In 2007, the percentage was just 29%. Clearly, this decision should go a long way towards mitigating the effects of the economic downturn in the region. A number of major wins in the region are subject to non-disclosure agreements, but include a Fortune 100 company and a number of search firms – including one internationally known - which are switching to FILEFINDER from US based competitors.

PRODUCT STRATEGY

2007 was a major year in the development of FILEFINDER. In March, we launched FILEFINDER 8. FILEFINDER 8 is the latest iteration of our main product and features both a new interface and extensive new functionality. This was followed in September by the launch of a new release of our "FFImport" module. The new FFImport, compared to its predecessor, features significant additional functionality for our clients and a lower cost of implementation for us. As the year closed, our next generation tool for handheld devices, FFMobile, was in the final stages of beta testing and was released in January 2008. FFMobile is provided as an add-on to our core FILEFINDER platform.

We believe that FILEFINDER is used by more Executive Search firms than any other product, and are committed to a development path that will maintain that position.

Beyond FILEFINDER, we continue to develop a number of additional products and services which are designed to both increase brand awareness of our organisation whilst also providing additional revenue streams. In 2007 we ran conferences in London and Hong Kong and provided "executive search training skills" courses in a number of countries. Between the training we provide in FILEFINDER and our more generic courses in executive search skills, we believe we probably provide third party training to more retained executive search professionals than any other organization. 2008 will see us extend our conference and training portfolio with events in New York, Frankfurt and London and the launch of online webinar training.

PEOPLE

Our performance in 2007 reflects the fact that our group companies are made up of an exceptional team of people. I'd like to take this opportunity to thank them for all of their efforts during the year. For the business to continue to perform it is important that we retain and develop our staff and, to that end, we issued new options over 30,000 shares to new members of staff and existing option holders whose responsibilities within the business had increased since they were awarded their original options before the flotation. We are confident that if we can continue to retain our key staff, then our business will continue to perform better than others in our sector.

CORPORATE DEVELOPMENT

The board is acutely aware that the Group's future success is dependent on our ability to continue to meet the needs of the executive recruitment sector. As such, it continues to actively consider ways in which this may be done – through either the development of existing products or the creation of new ones. We have a strong balance sheet and high cash reserves with which to pursue these goals and we continue to consider opportunities to take advantage of these assets in a way which would enhance the overall group position, its earnings and overall profitability.

Jason Starr
15 April 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £	2006 £
Revenue	4,066,463	3,301,362
Cost of sales	(236,951)	(274,481)
Gross profit	3,829,512	3,026,881
Administrative expenses	(2,659,390)	(2,107,724)
Results from operating activities	1,170,122	919,157
Financial income	26,091	3,961
Profit before tax	1,196,213	923,118
Tax expense	(391,838)	(285,913)
Profit for the year	804,375	637,205

Earnings per share -
from continuing activities

Basic	14.90p	12.00p
Diluted	14.05p	11.63p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital £	Share premium £	Retained earnings £	Share option £	Foreign exchange £	Total £
Balance at 31 December 2005	105,000	106,237	427,238	-	14,822	653,297
Profit for the year ended 31 December 2006	-	-	637,205	-	-	637,205
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 equity settled share option expense	-	-	-	13,316	-	13,316
Exchange differences on Translation of overseas operations	-	-	-	-	(21,002)	(21,002)
Dividends paid	-	-	(535,096)	-	-	(535,096)
Balance at 31 December 2006	270,000	-	479,648	13,316	(6,180)	756,784
Profit for the year ended 31 December 2007	-	-	804,375	-	-	804,375
Fair value of equity settled share option expense	-	-	-	13,462	-	13,462
Exchange differences on translation of overseas operations	-	-	-	-	23,916	23,916
Dividends paid	-	-	(135,000)	-	-	(135,000)
Balance at 31 December 2007	270,000	-	1,149,023	26,778	17,736	1,463,537

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Group	
	2007	**2006**
	£	**£**
ASSETS		
Non-current assets		
Intangible assets	639,835	630,271
Property plant and equipment	155,390	181,476
Investments	-	-
	795,225	811,747
Current assets		
Inventories	2,334	21,210
Trade and other receivables	1,284,190	827,633
Cash and cash equivalents	1,533,649	538,591
	2,820,173	1,387,434
Total assets	3,615,398	2,199,181
EQUITY AND LIABILITIES		
Equity		
Share capital	270,000	270,000
Retained earnings	1,149,023	479,648
Share option reserve	26,778	13,316
Translation reserve	17,736	(6,180)
Total equity	1,463,537	756,784
Liabilities		
Non current liabilities		
Deferred tax liability	3,000	8,603
Current liabilities		
Trade and other payables	1,848,038	1,205,219
Current tax payable	300,823	228,575
Total liabilities	2,151,861	1,442,397
Total liabilities and equity	3,615,398	2,199,181

CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 DECEMBER 2007

	2007 £	2007 £	2006 £	2006 £
Operating activities				
Profit from operations	1,170,122		919,157	
Less taxation paid	(319,590)		(287,323)	
Adjustment for				
Depreciation and amortisation	126,606		94,582	
Share option expense	13,462		13,316	
Loss on disposal	657		1,117	
Operating cash flows before movement in working capital	991,257		740,849	
(Increase) in receivables	(456,557)		(122,501)	
Decrease in inventories	18,876		11,204	
Increase in payables	637,216		201,735	
Net cash generated from operating activities		1,190,792		831,287
Investing activities				
Interest received	26,091		3,961	
Purchase of property plant and equipment	(35,653)		(191,485)	
Investment in development costs	(75,088)		(73,888)	
Net cash used in investing activities		(84,650)		(261,412)
Financing activities				
Proceeds from issue of share capital	-		250,000	
Share capital issue costs	-		(240,936)	
Dividends paid	(135,000)		(535,096)	
Net cash used by financing activities		(135,000)		(526,032)
Net increase in cash and cash equivalents		971,142		43,843
Cash and cash equivalents at beginning of year		538,591		515,750
Effect of foreign exchange rate changes		23,916		(21,002)
Cash and cash equivalents at end of year		1,533,649		538,591

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. Basis of Accounting

The above financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The above figures for the year ended 31 December 2007 are an abridged version of the company's accounts which will be reported on by the auditors, despatched to the shareholders and filed with the Registrar of Companies shortly.

The audited accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies and the report of the auditors was unqualified and did not contain statements under Section 237(2) or (3) Companies Act 1985.

The financial information in this announcement has been prepared on the basis of the accounting policies set out in the interim financial statements for the 6 months ended 30 June 2007.

The announcement was approved by the board of directors on 15 April 2008.

2. Segment reporting

Geographical segments

The following tables provide an analysis of the Group’s revenue.

	2007 £	2006 £
UK	2,180,172	1,747,803
Europe	845,745	640,483
USA	633,597	598,807
Asia-Pacific	406,949	314,269
	4,066,463	3,301,362

Business segment

The following table provides an analysis of the Group’s revenue by business segment

	2007 £	2006 £
Recurring income	1,665,870	1,287,531
Non-recurring income	2,400,593	2,013,831
	4,066,463	3,301,362

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.

3. Earnings per share

Basic earnings per share

	2007	**2006**
Profit attributable to ordinary shareholders	£804,375	£637,205
Weighted average number of shares	5,400,000	5,309,890
Basic earnings per share	14.90p	12.00p
Weighted average number of shares after dilution	5,726,811	5,481,201
Fully diluted earnings per share	14.05p	11.63p

4. Copies of accounts

The annual report will be sent to shareholders in due course. Copies of this announcement and the full statutory accounts can be obtained, when available, free of charge, from the Company's registered office at Third Floor, 50-52 Paul Street, London EC2A 4LB or on the Company's website: www.dillistone.com