



**DSG**

Dillistone Group Plc

**UNAUDITED INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30 JUNE 2019**

**Company No. 4578125**



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## Key points of the unaudited interim report for the six months ended 30 June 2019

- *Reorganisation progressing well*
- *Recurring revenue of £3.5m (2018: £3.6m)*
- *Recurring revenues represent 83% of total revenue (2018: 81%)*
- *Both Dillistone Systems and Voyager Software divisions profitable*
- *Reduced loss in <https://www.GatedTalent.com> division of £(0.257m) (2018: loss of £0.315m) based on significant revenue growth to of £0.134m (2018: £0.014m). Division now approximately at EBITDA breakeven (before Group charges) on a monthly basis.*
- *Operating loss of £0.044m before acquisition and reorganisation related items (2018 profit: £0.17m)*
- *Group is cash generative at an operational level*
- *Reorganisation costs incurred in period totalled £0.115m*
- *Cash balances of £0.769m at 30 June 2019 (30 June 2018: £1.065m)*
- *Bank loan of £0.5m received in June 2019 to finance reorganisation*

### **Commenting on the results and prospects, Mike Love, Non-Executive Chairman, said:**

*“The reorganisation and transfer of operations to Basingstoke is progressing to plan and we are on track with delivering the anticipated cost savings and improved efficiencies within the business. We anticipate that our two largest divisions, Dillistone Systems and Voyager Software, will both be profitable in 2019. GatedTalent is now enjoying month on month revenue growth and while – as expected - it will be loss making in the full year, we anticipate that it will make a profit at EBITDA level (before Group charges) in the fourth quarter. We are confident that the Group will move back into sustained profitable trading with positive cashflows next year. However, with the continuing uncertainty over Brexit in the UK, and ongoing economic uncertainty in the wider world, the Group does expect revenue to be down on its previous expectations and this will result in a loss in the year to 31 December 2019.”*

*Dr Mike Love, Chairman*



## **Chairman's Statement**

The Group reorganisation exercise announced in February is progressing well with the expanded office space in Basingstoke fully functional. Our London facility largely closed on 30 August, and we will have exited the building prior to the year end, in line with our plan. We are in the process of relocating our Eastleigh offices and this will be completed in Q4.

We are now beginning to see the benefits of the reorganisation with teams across the businesses being increasingly integrated. The ability to leverage knowledge across the Group is helping to accelerate performance and improve the quality of our services to our clients. This is particularly noticeable in our product development effort, which allows us to use skills developed for one product to be more rapidly deployed into other products. We expect to launch additional functionality for our Dillistone, Voyager and GatedTalent divisions later this year, with a significant amount of 'cross team' effort having underpinned this work.

In the six months to June 2019 we have incurred £0.115m in reorganisation costs, which include redundancy and severance payments as well as duplicate running costs. These costs will continue to be incurred with the closure of the office in London and the final steps in the reorganisation being completed in the second half of the year. We've previously stated that these costs are likely to be in the region of £0.500m-£0.900m. Our current expectations are that these costs are likely to be less than £0.600m. The reorganisation is being funded through our own cash resources and from a bank loan of £0.500m taken out in June 2019. Starting in 2020, the reorganised business will allow us to deliver improved results to our shareholders and improved services to our clients.

Revenue amounted to £4.183m, down £0.267m (6%) of which £0.130m related to the previously announced loss of a major client in 2018. Recurring revenues represented 83% of revenues (2018: 81%). Loss for the period was £(0.320m) (2018: £(0.173m) and incorporated the loss in the GatedTalent division of £0.257m (2018: loss of £0.315m). Orders in the 6 months to 30 June 2019 significantly benefited from the introduction of the GDPR in May 2018 and accordingly 2019 orders are down on the same period in 2018. However, orders are broadly in line with those in the second half of 2018.

### **Divisional review**

*Dillistone Systems (<https://www.dillistone.com>) reported revenues of £2.101m (2018: £2.122m). Divisional profits have doubled to £0.200m (2018: £0.100m). The period has seen development work focussed on enhancing the product such that it is easier to deploy and with improved usability. The initial release of these developments will commence later in the year.*

*Voyager Software (<https://www.voyagersoftware.com>) reported revenues of £1.948m (2018: £2.314m) with recurring revenue down £0.224m to £1.588m due mainly to the loss of the major legacy contract in February 2018. The fall in revenue is also, in part, due to a change in business model on the sale of one of the Voyager products which has resulted in*

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lower revenues but higher margins. The overall effect of this change is essentially neutral in the period. Divisional profits reduced to £0.139m (2018: £0.307m) in the period.

GatedTalent's (<https://www.gatedtalent.com>) revenue increased significantly in the period rising to £0.134m (2018: £0.014m) and continues to grow on a monthly basis. An increasing proportion of revenue comes from sale of services to individuals rather than to businesses. In the period, it made a loss of £(0.257m) (2018: loss of £0.315m). While we anticipate continue healthy growth in revenues, GatedTalent is nevertheless expected to be loss making in 2019.

## **Financial Performance**

Revenue in the six months ended 30 June 2019 decreased by 6% to £4.183m (2018: £4.450m). Recurring revenues decreased by 4% to £3.469m over the comparable period last year (2018: £3.626m) and represented 83% of total revenues (2018: 81%). Non-recurring revenues were down at £0.549m (2018: £0.601m).

Cost of sales reduced by £0.153m in H1 2019 due to lower third-party costs resulting from the change in business model of two of the Voyager products and in part due to the loss of the major contract in 2018. Excluding amortisation and depreciation, administration expenses reduced by £0.195m in H1 2019, again in part due to the lost contract and also through appropriate cost savings. In addition, the impact of IFRS 16 was to reduce administration costs in 2019 by £0.060m, while increasing amortisation by £0.051m and interest cost by £0.017m. Excluding acquisition related items, depreciation and amortisation increased 24% to £0.729m (2018: £0.587m) including the IFRS 16 adjustment. Administrative costs also include £0.198m (2018: £0.235m) relating to the amortisation of acquisition intangibles and reorganisation costs of £0.115m (2018: £nil). The loss for the period before taxation increased to £0.397m (2018: £0.234m).

There is a tax credit for the period of £0.077m (2018: credit £0.061m). The 2018 and 2019 tax credits have benefited from claims in the UK for research and development tax credits reflecting the continuing development of our products.

Cash generated from operating activities was £0.225m (2018: £0.617m). Total cash flows in the 6 months ended 30 June 2019 showed a net inflow of £0.063m (2018: outflow £0.318m). The main elements of non-operating expenditure related to investment in new product development of £0.615m (2018: £0.748m) and the net receipt of £0.493m from the bank loan. At 30 June 2019, we had cash reserves of £0.769m (2018: £1.065m) and £0.885m in borrowings (2018: £0.401m).

In view of the short term cost associated with the restructuring process, the Board has decided not to pay an interim dividend this year.

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## Strategy

*The Group is well down the path of streamlining our business, as announced in 2019. However, we continue to invest in our future, with significant new product functionality expected on our FileFinder, Infinity and GatedTalent platforms in the coming months.*

## Outlook

*While we have some final steps still to complete, we are pleased to report that the cost of our restructuring process is expected to be at the lower end of expectations. Additionally, our anticipation is that the level of running costs taken out of the business will be as good if not better than we had previously hoped. We expect both Dillistone Systems and Voyager Software to be profitable in the full year, with GatedTalent reporting reduced losses on higher revenue. However, with the continuing uncertainty over Brexit in the UK, and ongoing economic uncertainty in the wider world, the Group does expect revenue to be down on its previous expectations and this will result in a loss in the year to 31 December 2019. In the longer term, the reduced cost base of the Group, along with the improved operating structure and our ongoing investment in product development will deliver growth in the business.*

*Next year, we fully expect to trade profitably and to generate cash.*

*Mike Love*

*26 September 2019*

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months ended 30 June		Year ended 31 Dec
		2019	2018	2018
		Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	4	4,183	4,450	8,692
Cost of sales		(419)	(572)	(1,054)
Gross profit		3,764	3,878	7,638
Administrative expenses		(4,121)	(4,096)	(8,052)
Result from operating activities	4	(357)	(218)	(414)
<i>Analysed as:</i>				
Result from operating activities before acquisition related items		(44)	17	55
Acquisition and reorganisation related items	5	(313)	(235)	(469)
Result after acquisition related items		(357)	(218)	(414)
Financial income		-	-	1
Financial cost		(40)	(16)	(38)
<b>(Loss) before tax</b>		<b>(397)</b>	<b>(234)</b>	<b>(451)</b>
Tax income	6	77	61	191
<b>(Loss) for the period</b>		<b>(320)</b>	<b>(173)</b>	<b>(260)</b>
<b>Other comprehensive income net of tax:</b>				
Currency translation differences		(26)	(3)	(30)
<b>Total comprehensive (loss) for period net of tax</b>		<b>(346)</b>	<b>(176)</b>	<b>(290)</b>
<b>Earnings per share (pence)</b>				
Basic	8	(1.63)	(0.88)	(1.32)
Diluted		(1.63)	(0.88)	(1.32)

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>As at 30 June</i>	<i>As at</i>
	<i>2019</i>	<i>31 Dec 2018</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>£'000</i>	<i>£'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	3,415	3,415
Intangible assets	4,542	4,728
Right of use assets	763	-
Property plant & equipment	69	279
	<hr/> 8,789	<hr/> 8,422
<b>Current assets</b>		
Inventories	2	3
Trade and other receivables	1,750	1,883
Cash and cash equivalents	769	1,065
	<hr/> 2,521	<hr/> 2,951
<b>Total assets</b>	<hr/> <b>11,310</b>	<hr/> <b>11,373</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	983	983
Share premium	1,631	1,631
Merger reserve	365	365
Convertible loan reserve	14	14
Retained earnings	1,367	1,872
Share option reserve	112	99
Translation reserve	37	90
<b>Total equity</b>	<hr/> 4,509	<hr/> 5,054
<b>Liabilities</b>		
<b>Non current liabilities</b>		
Trade and other payables	559	732
Lease liabilities	772	-
Borrowings	645	388
Deferred tax	393	543
<b>Current liabilities</b>		
Trade and other payables	4,265	4,886
Lease liabilities	39	-
Borrowings	240	13
Current tax (receivable)/payable	(112)	(243)
<b>Total liabilities</b>	<hr/> 6,801	<hr/> 6,319
<b>Total liabilities and equity</b>	<hr/> <b>11,310</b>	<hr/> <b>11,373</b>

The interim report was approved by the Board of directors and authorised for issue on 26 September 2019. They were signed on its behalf by:

JS Starr

J P Pomeroy



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## CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 30 June		
	2019 Unaudited £'000	2018 Unaudited £'000	2018 Audited £'000
<b>Operating Activities</b>			
(Loss) before tax	(397)	(234)	(451)
Adjustment for			
Financial income	-	-	(1)
Financial cost	40	16	38
Depreciation and amortisation	918	822	1,714
Share option (gain)/expense	6	(2)	5
Other including foreign exchange adjustments arising from operations	(20)	4	70
<b>Operating cash flows before movements in working capital</b>	<b>547</b>	<b>606</b>	<b>1,375</b>
(Decrease)/increase in receivables	(234)	(219)	171
Decrease in inventories	1	1	-
Increase/(decrease) in payables	(229)	206	(471)
Add taxation repaid	140	23	65
<b>Net cash generated from operating activities</b>	<b>225</b>	<b>617</b>	<b>1,140</b>
<b>Investing Activities</b>			
Interest received	-	-	1
Purchases of property plant and equipment	(7)	(36)	(55)
Proceeds from sale of assets	10	-	-
Investment in development costs	(615)	(748)	(1,481)
Contingent consideration paid	-	(146)	(146)
<b>Net cash used in investing activities</b>	<b>(612)</b>	<b>(930)</b>	<b>(1,681)</b>
<b>Financing Activities</b>			
Finance cost	(23)	(5)	(33)
Payment of lease obligations	(20)	-	-
Bank Loan less repayments	493	-	-
Dividends paid	-	-	(98)
<b>Net cash generated from/(used in) financing activities</b>	<b>450</b>	<b>(5)</b>	<b>(131)</b>
<b>Net change in cash and cash equivalents</b>	<b>63</b>	<b>(318)</b>	<b>(672)</b>
Cash and cash equivalents at beginning of the period	725	1,390	1,390
Effect of foreign exchange rate changes	(19)	(7)	7
<b>Cash and cash equivalents at end of period</b>	<b>769</b>	<b>1,065</b>	<b>725</b>

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## 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
<b>Balance at 31 December 2018</b>	<b>983</b>	<b>1,631</b>	<b>365</b>	<b>1,687</b>	<b>14</b>	<b>106</b>	<b>63</b>	<b>4,849</b>
<b>Comprehensive income</b>								
Loss for the 6 months ended 30 June 2019	-	-	-	(320)	-	-	-	(320)
<b>Other comprehensive income</b>								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(26)	(26)
<b>Total comprehensive (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(320)</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>(346)</b>
<b>Transactions with owners</b>								
Share option charge	-	-	-	-	-	6	-	6
<b>Balance at 30 June 2019</b>	<b>983</b>	<b>1,631</b>	<b>365</b>	<b>1,367</b>	<b>14</b>	<b>112</b>	<b>37</b>	<b>4,509</b>
<b>Balance at 31 December 2017</b>	<b>983</b>	<b>1,631</b>	<b>365</b>	<b>2,045</b>	<b>14</b>	<b>101</b>	<b>93</b>	<b>5,232</b>
<b>Comprehensive income</b>								
Loss for the 6 months ended 30 June 2018	-	-	-	(173)	-	-	-	(173)
<b>Other comprehensive income</b>								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(3)	(3)
<b>Total comprehensive (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(173)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(176)</b>
<b>Transactions with owners</b>								
Share option charge	-	-	-	-	-	(2)	-	(2)
<b>Balance at 30 June 2018</b>	<b>983</b>	<b>1,631</b>	<b>365</b>	<b>1,872</b>	<b>14</b>	<b>99</b>	<b>90</b>	<b>5,054</b>



## NOTES TO THE UNAUDITED INTERIM REPORT

### 1. Basis of Preparation

The financial information for the six months ended 30 June 2019 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 2018 and are those which will form the basis of the 2019 financial statements other than IFRS 16 which came into force on 1 January 2019.

IFRS 16 requires the recognition of a right-of-use asset and lease liability for all leases. The Group has adopted the standard in full using the modified retrospective approach, whereby the right-of-use asset is recognised at the date of initial application (1 January 2019) and the lease liability is measured based on remaining payments. There is no effect on prior year figures and no need to re-state comparatives (refer to note 9 for further details).

The comparative financial information presented herein for the year ended 31 December 2018 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2018 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.

In preparing the interim financial statements the directors have considered the Group's financial projections, borrowing facilities and other relevant financial matters, and the board is satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis 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.

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

30 June 2019 and 30 June 2018

	Adjusted operating profits	Acquisition and reorganisation related items		Adjusted operating profits	Acquisition and reorganisation related items	
	30-Jun-19	2019*	30-Jun-19	30-Jun-18	2018*	30-Jun-18
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4,183	-	4,183	4,450	-	4,450
Cost of sales	(419)	-	(419)	(572)	-	(572)
<b>Gross profit</b>	<b>3,764</b>	<b>-</b>	<b>3,764</b>	<b>3,878</b>	<b>-</b>	<b>3,878</b>
Administrative expenses	(3,808)	(313)	(4,121)	(3,861)	(235)	(4,096)
Results from operating activities	(44)	(313)	(357)	17	(235)	(218)
Financial income	-	-	-	-	-	-
Financial cost	(38)	(2)	(40)	(16)	-	(16)
<b>Profit/(loss) before tax</b>	<b>(82)</b>	<b>(315)</b>	<b>(397)</b>	<b>1</b>	<b>(235)</b>	<b>(234)</b>
Tax expense/(income)	40	37	77	16	45	61
<b>Profit/(loss) for the year</b>	<b>(42)</b>	<b>(278)</b>	<b>(320)</b>	<b>17</b>	<b>(190)</b>	<b>(173)</b>
<b>Other comprehensive income net of tax:</b>						
Currency translation differences	(26)	-	(26)	(3)	-	(3)
<b>Total comprehensive income/ (loss) for the year net of tax</b>	<b>(68)</b>	<b>(278)</b>	<b>(346)</b>	<b>14</b>	<b>(190)</b>	<b>(176)</b>

### Earnings per share – from continuing activities

Basic	(0.21)p	(1.63)p	0.09p	(0.88)p
Diluted	(0.21)p	(1.63)p	0.09p	(0.88)p

\* see accounts note 5

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31 December 2018

	Adjusted operating profits	Acquisition and reorganisation related items	
	31 December 2018	2018*	31 December 2018
	£'000	£'000	£'000
<b>Revenue</b>	8,692	-	8,692
Cost of sales	(1,054)	-	(1,054)
<b>Gross profit</b>	7,638	-	7,638
Administrative expenses	(7,583)	(469)	(8,052)
Results from operating activities	55	(469)	(414)
Financial income	1	-	1
Financial cost	(38)	-	(38)
<b>Profit/(loss) before tax</b>	18	(469)	(451)
Tax income	102	89	191
<b>Profit for the year</b>	120	(380)	(260)
<b>Other comprehensive income net of tax:</b>			
Currency translation differences	(30)	-	(30)
<b>Total comprehensive income/(loss) for the year net of tax</b>	<b>90</b>	<b>(380)</b>	<b>(290)</b>

## Earnings per share – from continuing activities

<i>Basic</i>	0.61p	(1.32)p
<i>Diluted</i>	0.61p	(1.32)p

\* see accounts note 5

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## 4. Segment reporting

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2019</i>	<i>2018</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2018</i>
			<i>£'000</i>
<b>Revenue</b>			
Dillistone Systems	2,101	2,122	4,195
GatedTalent	134	14	68
Voyager Software	1,948	2,314	4,429
Total revenue	4,183	4,450	8,692

### Results by division

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2019</i>	<i>2018</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2018</i>
			<i>£'000</i>
<b>Results from operating activities</b>			
Dillistone Systems	200	100	79
GatedTalent	(257)	(315)	(612)
Voyager Software	139	307	528
	82	92	(5)
Central	(126)	(75)	60
Amortisation of acquisition intangibles and reorganisation costs	(313)	(235)	(469)
Result from operating activities	(357)	(218)	(414)

### 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>2019</i>	<i>2018</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2018</i>
			<i>£'000</i>
UK	2,888	3,189	6,188
Europe	480	518	1,007
US	624	562	1,118
Australia	191	181	379
	4,183	4,450	8,692



## 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>2019</i>	<i>2018</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2018</i>
			<i>£'000</i>
Recurring	3,469	3,626	7,154
Non recurring	549	601	1,169
Third party revenues	165	223	369
	<u>4,183</u>	<u>4,450</u>	<u>8,692</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 reorganisation costs

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2019</i>	<i>2018</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2018</i>
			<i>£'000</i>
Reorganisation costs	115	-	-
Amortisation of acquisition intangibles	198	235	469
	<u>313</u>	<u>235</u>	<u>469</u>
Interest on bank loan to finance reorganisation	2	-	-
Total	<u>315</u>	<u>235</u>	<u>469</u>

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## 6. Tax

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2019</i>	<i>2018</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2018</i>
			<i>£'000</i>
Current tax	18	(96)	(165)
Prior year adjustment – current tax	-	-	(7)
Deferred tax charge/(release)	(58)	80	64
Prior year adjustment – deferred tax	-	-	6
Deferred tax re acquisition intangibles	(37)	(45)	(89)
Tax (income) for the period	<u>(77)</u>	<u>(61)</u>	<u>(191)</u>

The tax charge is impacted by the higher rates of corporation tax payable in the US and Australia offset by the R&D tax credits available to both Dillistone Systems and Voyager Software and GatedTalent Limited. Deferred tax has been provided at rates between 19% and 17%.

## 7. Dividends

In view of its continuing investment in GatedTalent, the Board has decided not to pay an interim dividend (2018: nil per share).

## 8. Earnings per Share

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2019</i>	<i>2018</i>	<i>31 Dec</i>
			<i>2018</i>
<b>Basic earnings per share</b>			
(Loss) attributable to ordinary shareholders	£(320,000)	£(173,000)	£(260,000)
Weighted average number of shares	19,668,021	19,668,021	19,668,021
Basic (loss) per share (pence)	<u>(1.63)</u>	<u>(0.88)</u>	<u>(1.32)</u>
<b>Diluted earnings per share</b>			
(Loss) attributable to ordinary shareholders	£(320,000)	£(173,000)	£(260,000)
Diluted weighted average number of shares	19,668,021	19,668,021	19,668,021
Diluted (loss) per share (pence)	<u>(1.63)</u>	<u>(0.88)</u>	<u>(1.32)</u>





## 9. Effect of IFRS 16

The Group adopted IFRS16 "Leases" with effect from 1 January 2019. For relevant transactions this has resulted in the group recognising right-of-use assets and lease liabilities in the statement of financial position, and finance costs and depreciation in the statement of comprehensive income. Leases classified as operating leases under previous accounting requirements did not require recognition of related assets or liabilities. Instead the lease payments were recognised in the statement of comprehensive income on a straight-line basis over the lease term.

The Group has applied the modified retrospective approach method with recognition of transitional adjustments on the date of initial application, being 1 January 2019, without restatement of comparative figures. In addition, IFRS 16 allows for a practical expedient not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application, which the Group has applied.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space. The right-of-use assets were recognised by reference to the measurement of the lease liability on that date. Lease liabilities were measured at the present value of the remaining lease payments, including estimates for items such as dilapidation cost obligations under the lease, discounted using the Group's incremental borrowing rate (being the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions). The rate applied was 5%. Right-of-use assets are amortised on a straight-line basis.

The effects of adopting IFRS 16 for the periods ending 30 June 2019 are as follows:

Impact on the Consolidated Interim Statement of Comprehensive Income:

(Unaudited)	As reported	IFRS16 adjustments	Amounts without adoption of IFRS16
	£000	£000	£000
Revenue	4,183	-	4,183
Cost of sales	(419)	-	(419)
Gross profit	3,764	-	3,764
Administrative expenses	(4,121)	(9)	(4,130)
Profit from operations	(357)	(9)	(366)
Finance expense	(40)	17	(23)
Profit before tax	(397)	8	(389)
Tax income	77	-	77
Total comprehensive income for the year	(320)	8	(312)
<b>Earnings per ordinary share:</b>			
Basic	(1.63)p	-	(1.59)p
Diluted	(1.63)p	-	(1.59)p

# Dillistone Group Plc



## Impact on the Consolidated Interim Statement of Financial Position:

(Unaudited)	As reported	IFRS16 adjustments	Amounts without adoption of IFRS16
	£'000	£'000	£'000
<b>Non-current assets</b>			
Goodwill	3,415	-	3,415
Other intangible assets	4,542	-	4,542
Property, plant and equipment	69	-	69
Right-of-use assets	763	(763)	-
	8,789	(763)	8,026
<b>Current assets</b>			
Inventories	2	-	2
Trade and other receivables	1,750	-	1,750
Cash and cash equivalents	769	-	769
<b>Total current assets</b>	2,521	-	2,521
<b>Total assets</b>	11,310	(763)	10,547
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	(4,265)	(40)	(4,305)
Lease liabilities	(39)	39	-
Corporation tax	112	-	112
Current borrowings	(240)	-	(240)
<b>Total current liabilities</b>	(4,432)	(1)	(4,433)
<b>Non-current liabilities</b>			
Trade and other payables	(559)	-	(559)
Lease liabilities	(772)	772	-
Borrowings	(645)	-	(645)
Deferred tax liabilities	(393)	-	(393)
<b>Net assets</b>	4,509	8	4,517
<b>Equity</b>			
Share capital	983	-	983
Share premium	1,631	-	1,631
Merger reserve	365	-	365
Convertible loan reserve	14	-	14
Retained earnings	1,367	8	1,375
Share option reserve	112	-	112
Translation reserve	37	-	37
<b>Total equity</b>	4,509	8	4,517

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## Impact on the Consolidated Interim Statement of Cash Flows:

Unaudited	As reported	IFRS16 adjustments	Amounts without adoption of IFRS16
	£'000	£'000	£'000
<b>Operating Activities</b>			
(Loss) before tax	(397)	8	(389)
Adjustment for			
Financial cost	40	(17)	23
Depreciation and amortisation	918	(51)	867
Share option (gain)/expense	6	-	6
Other including foreign exchange adjustments arising from operations	(20)	-	(20)
<b>Operating cash flows before movements in working capital</b>	<b>547</b>	<b>(60)</b>	<b>487</b>
(Decrease) in receivables	(234)	-	(234)
Decrease in inventories	1	-	1
Increase/(decrease) in payables	(231)	40	(191)
Add taxation repaid	140	-	140
<b>Net cash generated from operating activities</b>	<b>223</b>	<b>(20)</b>	<b>203</b>
<b>Investing Activities</b>			
Purchases of property plant and equipment	(7)	-	(7)
Proceeds from sale of assets	10	-	10
Investment in development costs	(615)	-	(615)
Contingent consideration paid	-	-	-
<b>Net cash used in investing activities</b>	<b>(612)</b>	<b>-</b>	<b>(612)</b>
<b>Financing Activities</b>			
Finance cost	(23)	-	(23)
lease payments	(20)	20	-
Bank Loan less repayments	495	-	495
<b>Net cash used by financing activities</b>	<b>452</b>	<b>20</b>	<b>472</b>
<b>Net change in cash and cash equivalents</b>	<b>63</b>	<b>-</b>	<b>63</b>



## **10. 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 and certain key management 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.

## **11. 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.