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Dillistone Group Plc

UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2018

Company No. 4578125

Dillistone Group Plc

Contents

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Key points of the unaudited interim report for the six months ended 30 June 2018

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- *Order intake ahead of same period in 2017*
- *Revenue of £4.4m (2017: £4.9m) reflecting previously announced loss of client on legacy platform and exchange rate movements*
- *Recurring revenue of £3.6m (2017: £3.9m)*
- *Recurring revenues represent 81% of total revenue*
- *Both Dillistone Systems and Voyager Software divisions profitable*
- *As expected GatedTalent division made a loss of £(0.315m) (2017: loss of £0.182m)*
- *Cash generated from operating activities was £0.617m (2017: £1.064m)*
- *Operating profit of £0.017m before acquisition related items (2017: £0.186m)*
- *Cash balances of £1.065m at 30 June 2018 (30 June 2017: £1.114m)*
- *September saw next stage of GatedTalent project launch successfully*
- *GatedTalent membership growth in September ahead of previous best month*
- *First "Enterprise" contract for GatedTalent access signed.*

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

"We are happy to report that both Dillistone Systems and Voyager Software delivered a profit and that the Group made an operating profit before acquisition related items, despite the significant investment in GatedTalent.

"Voyager delivered an excellent order book in the first half and enters the second half with a strong delivery pipeline. Dillistone Systems also saw year on year growth in order intake during that period and is additionally set to benefit from the next phase of GatedTalent which, we believe, will impact positively on both client retention and new business wins in the executive search sector."

Dr Mike Love, Chairman

Chairman's Statement

Most notably, this period has seen the Group, across all divisions, focusing on delivering solutions to its clients to enable them to meet the requirements of the General Data Protection Regulations ("GDPR") which came into force in May 2018. GDPR has had a significant impact on all suppliers in our space and we have invested significant time and resources across our Group in ensuring that our clients were able to stay compliant with these new regulations. The divisions have also expended a significant amount of time in educating clients on the ramifications of GDPR.

GatedTalent was launched against this background and, after a slow start, is now seeing accelerating growth in executive registrations. Our clients have sent millions of messages through the platform, and compliancy notes continue to flow through the platform every working day. In addition, we are increasingly seeing executives registering directly with the platform and as a result, we are now seeing well over 1,000 new registrations on the platform every week.

The membership base is exceptionally senior, with approximately 10% of its members being currently employed in a CEO role. Furthermore, the database is highly diverse, with executives registered from more than 100 nations, with the United States being the largest single source of registrations.

The continuing growth of the membership pool meant that, in September, GatedTalent was able to turn on the monetisation element of the platform, although it will generate only minimal revenue in 2018. This is however a significant milestone for the division and Group. As previously noted, the GatedTalent division expects to be loss making in both 2018 and 2019.

Incoming orders have been strong in the 6 months to 30 June, with both Voyager Software and Dillistone Systems reporting orders ahead of the same period in 2017. As expected, the previously announced loss of a major client and the impact of exchange rates have had a negative impact on recurring revenues compared to the same period in the previous year.

Revenue is down £0.446m (9%) to £4.450m of which £0.219m related to the loss of the major client and £0.052m related to the negative impact of exchange rate movement compared to the prior year. Recurring revenues represented 81% of revenues (2017 restated: 81%). Loss after tax, acquisition related items, and the loss in the GatedTalent division of £0.315m (2017: loss of £0.182m), was £(0.173m) (2017 restated profit: £0.033m).

Divisional review

Dillistone Systems has seen orders in the 6 months to June 2018 ahead of that in the same period in 2017. We believe that the accelerating growth of the GatedTalent membership will start to support sales of the Dillistone FileFinder CRM platform as the year progresses. FileFinder benefits from exclusive integration with GatedTalent.

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Dillistone Systems (www.dillistone.com) reported revenues of £2.122m (2017 restated: £2.241m). Divisional profits are up to £0.100m (2017 restated: £0.027m). The period saw a significant amount of divisional resource diverted to work on initiatives associated with our GatedTalent product– with resources associated with sales and marketing, implementation, support and development all being diverted from purely FileFinder related activities over this period. This continued into the summer. Over the longer term, the two divisions will have a symbiotic relationship – success in one will lead to success in the other – but there is no question that the diverted resource had an impact on the first half performance of our Dillistone Systems division and has continued throughout the summer period. We believe that, with the recent of launch of the GatedTalent "Search and Connect" functionality, we are now moving into a period where Dillistone Systems will begin to benefit from this investment.

Voyager Software (www.voyagersoftware.com) reported revenues of £2.314m (2017 restated: £2.655m) with recurring revenue down 12% to £1.791m due mainly to the loss of the major legacy contract in February 2018 which accounts for £0.219m of the fall in revenue. The Voyager division has enjoyed significant growth in new orders in the first half of the year and will see the benefit of this as the year develops. Divisional profits reduced by £0.113m to £0.307m in the period, in part due to the contract loss offset by cost saving measures.

Although GatedTalent generated its first revenues in the period of £0.014m, revenues are expected to remain at a low level for the remainder of 2018. In the period, it made a loss of £(0.315m) (2017: loss of £0.182m). GatedTalent is expected to be loss making in 2018 and 2019.

Financial Performance

Revenue in the six months ended 30 June 2018 decreased by 9% to £4.450m (2017 restated: £4.896m). Recurring revenues decreased by 8% to £3.626m over the comparable period last year (2017 restated: £3.943m) and represented 81% of total revenues (2017 restated: 81%). Non-recurring revenues were down at £0.601m (2017 restated: £0.708m). Revenue suffered slightly from the strengthening in sterling; using 2017 rates revenue for the period would have been £0.052m higher.

Cost of sales reduced by £0.210m in H1 2018 in part due to the direct costs relating to the lost contract and also due to reallocation of certain IT costs to administration costs. Administration expenses reduced by £0.021m in H1 2018, again in part due to the lost contract and also through appropriate cost savings. Excluding acquisition related items, depreciation and amortisation increased 7% to £0.587m (2017: £0.551m). Administrative costs also included £0.235m (2017: £0.189m) relating to the amortisation of acquisition intangibles. The loss for the period before taxation increased to £0.234m (2017 restated: loss £0.008m).

There is a tax credit for the period of £0.061m (2017: credit £0.041m). The 2017 and 2018 tax credits have benefited from claims in the UK for research and development tax credits reflecting the continuing development of our products. In addition, the full IFRS 15 adjustment became tax deductible on 1 January 2018 and has resulted in a deferred tax asset as at 1 January 2017 and has been reflected in the 2017 and 2018 tax credit.

Cash generated from operating activities was £0.617m (2017: £1.064m). Total cash flow in the 6 months ended 30 June 2018 showed a net outflow of £0.318m (2017: outflow £0.434m). The main elements of non-operating expenditure related to investment in new product development of £0.748m (2017: £0.595m) and deferred consideration payments in respect of acquisitions of £0.146m (2017: £0.220m). At 30 June 2018, we had cash reserves of £1.065m (2017: £1.114m) and £0.400m in borrowings (2017: £0.072m).

In view of the continuing investment in GatedTalent, the Board has decided not to pay an interim dividend. Future dividends will depend on Group performance.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 came into force on 1 January 2018. The impact on the Group in 2018 is set out in note 5. Prior year periods have been restated to reflect the impact of IFRS 15.

Strategy

The Group continues to believe that GatedTalent has the potential to be transformational for the Group, taking it from a supplier of CRM solutions in a crowded market to potentially being the custodian of one of the World's largest private pools of executive drafted biographical information. If successful, this new platform has the potential to be highly profitable in its own right, whilst also delivering a very significant competitive advantage to other Group products.

Outlook

The Group continues to invest across its full range of products to ensure that they remain relevant for the changing market place and retain the confidence of our client base. The Group currently expects that the full year profit before tax and acquisition related items will be in line with market expectations. The Group continues to have a strong balance sheet.

Mike Love

27 September 2018

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	*6 Months ended 30 June*		*Year ended 31 Dec*
		2018	***2017***	***2017***
		Unaudited	***Unaudited (restated)***	***Unaudited (restated)***
		£'000	***£'000***	***£'000***
Revenue	4	4,450	4,896	9,732
Cost of sales		(572)	(782)	(1,536)
Gross profit		3,878	4,114	8,196
Administrative expenses		(4,096)	(4,117)	(8,560)
Result from operating activities	4	(218)	(3)	(364)
Analysed as:				
Result from operating activities before acquisition related items		*17*	*186*	*459*
Acquisition related items	6	*(235)*	*(189)*	*(823)*
Result after acquisition related items		*(218)*	*(3)*	*(364)*
Financial income		-	1	1
Financial cost		(16)	(6)	(12)
(Loss) before tax		**(234)**	**(8)**	**(375)**
Tax income	7	61	41	432
(Loss) /profit for the period		**(173)**	**33**	**57**
Other comprehensive income net of tax:				
Currency translation differences		(3)	(7)	(24)
Total comprehensive income for period net of tax		**(176)**	**26**	**33**
Earnings per share (pence)				
Basic	9	(0.88)	0.16	0.29
Diluted		(0.88)	0.16	0.29

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June		As at 31 Dec
	2018	*2017*	*2017*
	Unaudited	*Unaudited (Restated)*	*Unaudited(Restated)*
ASSETS	*£'000*	*£'000*	*£'000*
Non-current assets			
Goodwill	3,415	3,415	3,415
Intangible assets	4,728	5,087	4,881
Property plant & equipment	279	289	164
	8,422	8,791	8,460
Current assets			
Inventories	3	4	3
Trade and other receivables	1,883	2,317	1,677
Cash and cash equivalents	1,065	1,114	1,390
	2,951	3,435	3,070
Total assets	**11,373**	**12,226**	11,530
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
Retained earnings	1,872	2,017	2,045
Share option reserve	99	86	101
Translation reserve	90	110	93
Total equity	5,054	5,192	5,232
Liabilities			
Non current liabilities			
Trade and other payables	732	866	794
Borrowings	388	-	386
Deferred tax	543	544	508
Current liabilities			
Trade and other payables	4,886	5,372	4,775
Borrowings	13	72	5
Current tax (receivable)/payable	(243)	180	(170)
Total liabilities	6,319	7,034	6,298
Total liabilities and equity	**11,373**	**12,226**	**11,530**

The interim report was approved by the Board of directors and authorised for issue on 27 September 2018. 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		*As at 31 Dec*
	2018	***2017***	***2017***
	Unaudited	***Unaudited (Restated)***	***Unaudited (Restated)***
	£'000	***£'000***	***£'000***
Operating Activities			
(Loss) before tax	(234)	(8)	(375)
Adjustment for			
Financial income	-	(1)	(1)
Financial cost	16	6	12
Depreciation and amortisation	822	741	1,938
Share option (gain)/expense	(2)	1	20
Other including foreign exchange adjustments arising from operations	4	(4)	(12)
Operating cash flows before movements in working capital	**606**	**735**	**1,582**
(Decrease)/increase in receivables	(219)	(55)	573
Decrease in inventories	1	1	2
Increase/(decrease) in payables	206	389	(273)
Add taxation (paid)/repaid	23	(6)	(12)
Net cash generated from operating activities	**617**	**1,064**	**1,872**
Investing Activities			
Interest received	-	1	1
Purchases of property plant and equipment	(36)	(45)	(55)
Investment in development costs	(748)	(595)	(1,439)
Contingent consideration paid	(146)	(220)	(219)
Net cash used in investing activities	**(930)**	**(859)**	(1,712)
Financing Activities			
Finance cost	(5)	(2)	(7)
Net proceeds from convertible loan note	-	-	400
Bank loan repayments made	-	(86)	(158)
Dividends paid	-	(551)	(551)
Net cash used by financing activities	**(5)**	**(639)**	**(316)**
Net change in cash and cash equivalents	**(318)**	**(434)**	**(156)**
Cash and cash equivalents at beginning of the period	1,390	1,537	1,537
Effect of foreign exchange rate changes	(7)	11	9
Cash and cash equivalents at end of period	**1,065**	**1,114**	**1,390**

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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
Balance at 31 December 2017	**983**	**1,631**	**365**	**3,107**	**14**	**101**	**93**	**6,294**
Prior year adjustment IFRS 15 (see Note 5)				- (1,062)				- (1,062)
Balance at 1 January 2018 (restated)	983	1,631	365	2,045	14	101	93	5,232
Comprehensive income								
Loss for the 6 months ended 30 June 2018	-	-	-	(173)		-	-	(173)
Other comprehensive income								-
Exchange differences on translation of overseas operations	-	-	-	-		-	(3)	(3)
Total comprehensive income	-	-	-	(173)	-	-	(3)	(176)
Transactions with owners								
Share option charge	-	-	-	-		(2)	-	(2)
Balance at 30 June 2018	**983**	**1,631**	**365**	**1,872**	**14**	**99**	**90**	**5,054**
Balance at 31 December 2016	**983**	**1,631**	**365**	**3,725**	**-**	**85**	**117**	**6,906**
Prior year adjustment IFRS 15 (see Note 5)				- (1,190)				(1,190)
Balance at 1 January 2017 (restated)	983	1,631	365	2,535	-	85	117	**5,716**
Comprehensive income								
Profit for the 6 months ended 30 June 2017 (Restated)	-	-	-	33		-	-	33
Other comprehensive income								-
Exchange differences on translation of overseas operations	-	-	-	-		-	(7)	(7)
Total comprehensive income	-	-	-	33	-	-	(7)	26
Transactions with owners								
Share option charge	-	-	-	-		1	-	1
Dividends paid	-	-	-	(551)		-	-	(551)
Balance at 30 June 2017	**983**	**1,631**	**365**	**2,017**	**-**	**86**	**110**	**5,192**

NOTES TO THE UNAUDITED INTERIM REPORT

1. Basis of Preparation

The financial information for the six months ended 30 June 2018 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 2017 and are those which will form the basis of the 2018 financial statements other than IFRS 15 which came into force on 1 January 2018 and has been adopted in full using the retrospective method.

The comparative financial information presented herein for the year ended 31 December 2017 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2017 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 50 Leman St, London, E1 8HQ. 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 2018 and 30 June 2017

	Adjusted operating profits 30 June 2018	Acquisition related items 2018*	30 June 2018	Adjusted operating profits 30 June 2017 (restated)	Acquisition related items 2017*	30 June 2017 (restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4,450	-	4,450	4,896	-	4,896
Cost of sales	(572)	-	(572)	(782)	-	(782)
Gross profit	3,878	-	3,878	4,114	-	4,114
Administrative expenses	(3,861)	(235)	(4,096)	(3,928)	(189)	(4,117)
Results from operating activities	17	(235)	(218)	186	(189)	(3)
Financial income	-	-	-	1	-	1
Financial cost	(16)	-	(16)	(2)	(4)	(6)
Profit/(loss) before tax	1	(235)	(234)	185	(193)	(8)
Tax expense/(income)	16	45	61	7	34	41
Profit/(loss) for the year	17	(190)	(173)	192	(159)	33
Other comprehensive income net of tax:						
Currency translation differences	(3)	-	(3)	(7)	-	(7)
Total comprehensive income for the year net of tax	**14**	**(190)**	**(176)**	**185**	**(159)**	**26**

Earnings per share – from continuing activities

Basic	**0.09p**		**(0.88)p**	**0.97p**		**0.16p**
Diluted	**0.09p**		**(0.88)p**	**0.97p**		**0.16p**

* *see accounts note 6*

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31 December 2017

	Adjusted operating profits 31 December (2017 Restated)	Acquisition related items 2017*	31 December 2017 (restated)
	£'000	**£'000**	**£'000**
Revenue	9,732	-	9,732
Cost of sales	(1,536)	-	(1,536)
Gross profit	8,196	-	8,196
Administrative expenses	(7,737)	(823)	(8,560)
Results from operating activities	459	(823)	(364)
Financial income	1	-	1
Financial cost	(7)	(5)	(12)
Profit/(loss) before tax	453	(828)	(375)
Tax income	281	151	432
Profit for the year	734	(677)	57
Other comprehensive income net of tax:			
Currency translation differences	(24)	-	(24)
Total comprehensive income for the year net of tax	**710**	**(677)**	**33**

Earnings per share – from continuing activities

Basic	*3.73p*	*0.29p*
Diluted	*3.73p*	*0.29p*

* *see accounts note 6*

4. Segment reporting

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000 (Restated)	Year ended 31 Dec 2017 £'000 (Restated)
Revenue			
Dillistone Systems	2,122	2,241	4,531
GatedTalent	14	-	-
Voyager Software	2,314	2,655	5,201
Total revenue	4,450	4,896	9,732

Results by division

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000 (Restated)	Year ended 31 Dec 2017 £'000 (Restated)
Results from operating activities			
Dillistone Systems	100	27	172
GatedTalent	(315)	(182)	(439)
Voyager Software	307	420	856
	92	265	589
Central	(75)	(79)	(130)
Amortisation of acquisition intangibles and other items	(235)	(189)	(823)
Result from operating activities	(218)	(3)	(364)

Geographical segments

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

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000 (Restated)	Year ended 31 Dec 2017 £'000 (Restated)
UK	3,189	3,506	6,931
Europe	518	467	1,034
US	562	714	1,352
Australia	181	209	415
	4,450	4,896	9,732

4. Segment reporting (continued)

Business Segment

The following table provides an analysis of the Group's revenues by products and services.

	6 months ended 30 June		Year ended 31 Dec
	2018	2017	2017
	£'000	£'000 (Restated)	£'000 (Restated)
Recurring	3,626	3,943	7,942
Non recurring	601	708	1,326
Third party revenues	223	245	464
	4,450	4,896	9,732

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. IFRS 15 impact on 2017 results

The impact of adopting IFRS 15 on a fully retrospective basis was to reduce net assets at 1 January 2017 by £1,372,000 as shown in the Statement of Changes in Equity for the 6 months to 30 June 2017, and to reduce net assets at 30 June 2017 by £1,305,000. Net profit for the 6 months to 30 June 2017 therefore increased by £67,000 and for the 12 months to 31 December 2017 by £150,000. A deferred tax asset of £182,000 has also been established at 1 January 2017. These adjustments have been reflected below.

Impact on the Consolidated Statement of Comprehensive income for the 6 months ended 30 June 2017

	As reported previously	*Effect*	*As reported under IFRS 15*
	(unaudited)	*(unaudited)*	*(unaudited)*
	£'000	*£'000*	*£'000*
Revenue	4,829	67	4,896
Cost of sales	(782)	-	(782)
Gross profit	4,047	67	4,114
Administrative expenses	(4,117)	0	(4,117)
Result from operating activities	(70)	67	(3)
Financial income	1	-	1
Financial cost	(6)	-	(6)
Loss before tax	**(75)**	**67**	**(8)**
Tax income	51	(10)	41
(Loss) /profit for the period	**(24)**	**57**	**33**

Impact on the Consolidated Statement of Comprehensive income for the 12 months ended 31 December 2017

	As reported previously	*Effect*	*As reported under IFRS 15*
	(audited)	*(unaudited)*	*(unaudited)*
	£'000	*£'000*	*£'000*
Revenue	9,582	150	9,732
Cost of sales	(1,536)	-	(1,536)
Gross profit	8,046	150	8,196
Administrative expenses	(8,560)	-	(8,560)
Result from operating activities	(514)	150	(364)
Financial income	1	-	1
Financial cost	(12)	-	(12)
Loss before tax	**(525)**	**150**	**(375)**
Tax income	454	(22)	432
(Loss) /profit for the period	**(71)**	**128**	**57**

5. IFRS 15 impact on 2017 results (continued)

Impact on Consolidated statement of financial position of IFRS 15 as at 30 June 2017

	As reported previously	*Effect*	*As reported under IFRS 15*
	(unaudited) *£'000*	*(unaudited)* *£'000*	*(unaudited)* *£'000*
ASSETS			
Non-current assets	8,791	-	8,791
Current assets	3,435	-	3,435
Total assets	**12,226**	**-**	**12,226**
EQUITY AND LIABILITIES			
Equity			
Share capital	983	-	983
Share premium	1,631	-	1,631
Merger reserve	365	-	365
Retained earnings	3,150	(1,133)	2,017
Share option reserve	86	-	86
Translation reserve	110	-	110
Total equity	6,325	(1,133)	5,192
Liabilities			
Non current liabilities			
Trade and other payables	-	866	866
Deferred tax	716	(172)	544
Current liabilities			
Trade and other payables	4,933	439	5,372
Borrowings	72	-	72
Current tax (receivable)/payable	180	-	180
Total liabilities	5,901	1,133	7,034
Total liabilities and equity	**12,226**	**-**	**12,226**

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5. IFRS 15 impact on 2017 results (continued)

Impact on Consolidated statement of financial position of IFRS 15 as at 31 December 2017

	As reported previously	*Effect*	*As reported under IFRS 15*
	(audited)	*unaudited)*	*(unaudited)*
	£'000	*£'000*	*£'000*
ASSETS			
Non-current assets	8,460	-	8,460
Current assets	3,070	-	3,070
Total assets	**11,530**	**-**	**11,530**
EQUITY AND LIABILITIES			
Equity			
Share capital	983	-	983
Share premium	1,631	-	1,631
Merger reserve	365	-	365
Convertible loan reserve	14	-	14
Retained earnings	3,107	(1,062)	2,045
Share option reserve	101	-	101
Translation reserve	93	-	93
Total equity	6,294	(1,062)	5,232
Liabilities			
Non current liabilities			
Trade and other payables	12	782	794
Borrowings	386	-	386
Deferred tax	668	(160)	508
Current liabilities			
Trade and other payables	4,335	440	4,775
Borrowings	5	-	5
Current tax (receivable)/payable	(170)	-	(170)
Total liabilities	5,236	1,062	6,298
Total liabilities and equity	**11,530**	**-**	**11,530**

5. IFRS 15 impact on 2017 results (continued)

Impact on Consolidated statement of cash flows of IFRS 15 for the six months ended 30 June 2017

	As reported previously	*Effect*	*As reported under IFRS 15*
	(unaudited)	*(unaudited)*	*(unaudited)*
	£'000	*£'000*	*£'000*
Operating activities			
Loss before taxation	(75)	67	(8)
Operating cash flows before movements in working capital	**668**	**67**	**735**
Increase in receivables	(55)	-	(55)
Decrease in inventories	1	-	1
Increase in payables	456	(67)	389
Taxation Paid	(6)	-	(6)
Net Cash generated by operating activities	**1,064**	**-**	**1,064**

Impact on Consolidated statement of cash flows of IFRS 15 for the six months ended 31 December 2017

	As reported previously	*Effect*	*As reported under IFRS 15*
	(audited)	*(unaudited)*	*(unaudited)*
	£'000	*£'000*	*£'000*
Operating activities			
Loss before taxation	(525)	150	(375)
Operating cash flows before movements in working capital	**1,432**	**150**	**1,582**
Decrease in receivables	573	-	573
Decrease in inventories	2	-	2
Decrease in payables	(123)	(150)	(273)
Taxation Paid	(12)	-	(12)
Net Cash generated by operating activities	**1,872**	**-**	**1,872**

With respect to IFRS 15 implementation, the most significant ways that Dillistone generates income from its customers are as follows:

- *Software as a Service ('SaaS') subscriptions* – the customer pays a regular fixed amount for the right to access both software and related support service. Revenue is currently recognised over the life of the subscription, which is unchanged under IFRS 15;

5. IFRS 15 impact on 2017 results (continued)

- *Outright licences* – the customer pays a one-off amount to purchase a licence conferring a perpetual right to use a version of the software. Currently, revenue is recognised at the point control passes to the customer (i.e. 'live' date). Under IFRS 15, licences sold with elective support contracts are separate performance obligations and continue to be recognised at a point in time. However, licences sold with mandatory support contracts consist of one performance obligation, with revenue recognition matching the support contract;
- *Product support* – the customer pays a regular fixed amount for the right to access technical support services and the right to future software upgrades. Support subscriptions can be mandatory or elective depending on the software version purchased. Performance obligations under support contracts are satisfied over the subscription life, thus revenue is recognised over time under IFRS 15, as it was previously;
- *Installation services* – the customer pays a fee for the software to be installed, with revenue currently recognised when the installation is complete. This continues to be the case under IFRS 15 for most installations, which are not complex and could be completed by a third party. For complex installations, these combine with the licence to form one performance obligation, and revenue recognition consequently matches the licence recognition criteria;
- *Training* – the customer pays a fee to be trained in using the software. Training revenue is recognised when delivered, as it is not essential to using the software. However, for training that is essential, training combines with the licence as one performance obligation with revenue recognition following the licence revenue recognition.

6 Acquisition related items

	6 months ended 30 June		***Year ended 31 Dec***
	2018	***2017***	***2017***
	£'000	***£'000***	***£'000***
Estimated change in fair value of contingent consideration	-	-	(15)
Amortisation of acquisition intangibles	235	189	379
Acceleration of amortisation of acquisition intangibles	-	-	459*
	235	189	823
Unwinding of discount on contingent consideration	-	4	5
Total	235	193	828

*The decision to change the estimated useful life of certain assets was made at the time of the preparation of the 2017 final accounts. Accordingly, as the decision had not been made at the time of the preparation of the interim accounts to June 2017, no adjustment has been included.

7 Tax

	6 months ended 30 June		Year ended 31 Dec
	2018	***2017***	***2017***
	£'000	***£'000***	***£'000***
		(Restated)	(Restated)
Current tax charge	(96)	17	(100)
Prior year adjustment – current tax	-	-	(238)
Deferred tax charge/(release)	80	(24)	58
Prior year adjustment – deferred tax	-	-	(1)
Deferred tax re acquisition intangibles	(45)	(34)	(151)
Total	(61)	(41)	(432)

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 14.5%.

8. Dividends

In view of its continuing investment in GatedTalent, the Board has decided not to pay an interim dividend (2017: nil per share).

9. Earnings per Share

	6 months ended 30 June		Year ended 31 Dec
	2018	***2017***	***2017***
		(Restated)	**(Restated)**
Basic earnings per share			
(Loss)/ profit attributable to ordinary shareholders	£(173,000)	£33,000	£57,000
Weighted average number of shares	19,668,021	19,668,021	19,668,021
Basic (loss)/earnings per share (pence)	(0.88)	0.16	0.29
Diluted earnings per share			
(Loss)/ profit attributable to ordinary shareholders	£(173,000)	£33,000	£57,000
Diluted weighted average number of shares	19,668,021	19,668,021	19,676,018
Diluted (loss)/earning per share (pence)	(0.88)	0.16	0.29

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.