UNAUDITED INTERIM REPORT

FOR THE SIX MONTHS ENDED

30 JUNE 2013

Company No. 4578125

Dillistone Group Plc

Contents

Dillistone Group Plc

Highlights to the unaudited interim report for the six months ended 30 June 2013:

- *Revenue up 6% to £3.81m*
  - *Recurring revenues up 7% to £2.41m*
  - *Non-recurring revenues up 4% to £1.21m*
  - *Third party revenues up 6% to £0.20m*
- *Operating profits up 17% to £0.81m*
- *Basic EPS excluding amortisation of acquisition intangibles up 11% to 3.69p*
- *EBITDA up 13% to £1.07m*
- *The Group continues to be debt free; cash of £1.90m at 30 June 2013 (2012: £1.57m)*
- Dillistone Systems (www.dillistone.com) delivers highest ever H1 sales (£2.52m, up 6%),
- Voyager Software (www.voyagersoftware.com) revenue increased by 7% to £1.31m
- Further synergies delivered from the Voyager Software acquisition
- FCP Internet (www.evolvedb.co.uk), acquired in July 2013, will contribute to profits in H2
- 4% increase in interim dividend to 1.25p (2012: 1.2p)

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

"These are an encouraging set of results. We have delivered good revenue growth in both of our divisions in the first half of the year, and have entered the second half with a strong pipeline. Our results in the second half will be augmented by the acquisition of FCP Internet, completed in early July, which is expected to be immediately earnings enhancing.

"The Board expects to make further progress in the second half of the year."

Dr Mike Love, Chairman

Dillistone Group Plc

Chairman's Statement

The Group has enjoyed a good first half, with good progress in both of its divisions.

Dillistone Systems (www.dillistone.com) has delivered its best ever H1 revenue performance, with revenue of £2.52m, showing growth of 6% on the previous year. Although 6% revenue growth is pleasing, it actually understates the performance of the Division in the market. New business order values are significantly up in H1 of 2013 and, with both conversion rates and average contract values having increased in the period under review, the Division carries a strong implementation pipeline into the 2nd half. This sales growth has helped the Division deliver a 10% increase in operating profits.

Voyager Software (www.voyagersoftware.com) has also enjoyed a good trading period with a highlight being the winning of its largest ever contract. This contract is expected to be implemented in H2. Revenue in this Division is up by 7%, although operating profits are down 8% due, in part, to increasing resources within the Division in anticipation of future growth. As with Dillistone Systems, Voyager Software is carrying a strong pipeline into the second half.

The Group is a consolidator in what is a highly fragmented recruitment software market. I am happy to say that the Voyager Software acquisition – completed in September 2011 and the first in the history of the Group – has been integrated well. In addition to the cost savings and revenue benefits already delivered, we are also seeing operational improvements made as a result of implementing "best practice" processes across the Group.

In July 2013, the Group acquired FCP Internet Holdings. FCP Internet (www.evolvedb.co.uk) offers a comparable product to Voyager Software's Infinity product and presents further resource sharing opportunities. Integration of the FCP Internet business with the Voyager Software division has begun, with the relocation of the FCP Internet team to existing Group offices having been successfully completed. FCP Internet is already contributing to the visibility of the future revenues and will contribute to profits in the second half.

Improved trading in existing divisions, along with the expectation of earnings enhancement from the acquisition of FCP Internet, gives the Group much to be positive about. The Board is however conscious of the risk of overstretching resources. As a result, the Group has recruited additional staff to strengthen its depth of management over recent months, and this will continue in H2. This will help prepare our businesses for future organic and acquisitive growth.

Financial Performance

Revenue in the 6 months ended 30 June 2013 increased by 6% to £3.81m (2012: £3.60m). Recurring revenues increased by 7% to £2.41m over the comparable period last year (2012: £2.25m) and represented 63% of total revenues (2012: 63%). Non recurring revenues increased 4% to £1.21m (2012: £1.16m).

Costs of sales increased to £0.45m (2012: £0.44m) with administrative costs increasing by 4% to £2.56m (2012: £2.47m). Administrative costs included £0.05m (2012: £0.11m) relating to the amortisation of acquisition intangibles. Depreciation, excluding amortisation of acquisition intangibles, increased by 56% to £0.21m (2012: £0.14m).

Profit before tax and amortisation of acquisition intangibles increased by 6% to £0.86m (2012: £0.81m). Profit before tax and after amortisation of acquisition intangibles was up 17% at £0.82m (2012: £0.70m).

The tax provision remained static at £0.17m in the period to 30 June 2013 (2012: £0.17m). This gave an effective global tax rate of 21.0% (2012: 24.3%). The 2012 and 2013 rates have been reduced by a claim in the UKMEA for research and development tax credits reflecting the continuing development of our products. The falling UK tax rates have also had a positive impact on the charge which is offset by the higher rates of corporation tax payable in the US and Australia.

Basic EPS rose 11% to 3.69p (2012: 3.33p) before amortisation of acquisition intangibles and 22% to 3.54p after such amortisation.

The Board was pleased to note press reports earlier this year that the Company was the highest yielding software company on the London market. We continue to follow a progressive dividend policy and, reflecting this, the Board has decided to increase the interim dividend for 2013 by 4%. Accordingly, a dividend of 1.25p per share (2012: 1.2p) will be paid on 6 November 2013 to holders on the register on 4 October 2013. Shares will trade ex-dividend from 2 October 2013.

Cash generated from operating activities increased by 19% to £1.07m (2012: £0.9m). Total cash flow in the 6 months ended 30 June 2013 showed a net cash inflow of £0.23m (2012: outflow £0.02m). The main elements of non-operating expenditure related to dividends paid in the period of £0.46m (2012: £0.43m) and investment in new product development of £0.34m (2012: £0.36m). At 30 June 2013 we had cash reserves of £1.90m (2012: £1.57m) and no borrowings.

Investor Relations

The Group is pleased to announce that we will be offering increased opportunities for investors to speak with our management team. This will include an interactive webinar, scheduled to take place on the day of the results. It is *our anticipation that the webinar will become a regular event, timed to coincide with every major announcement by the Group. In addition, we will be hosting a lunch for Private Client Investment Managers and Private Investors in London in November.*

Strategy

The Group remains committed to a strategy of both organic and acquisitive growth. The acquisition of Voyager Software proved to be earnings enhancing, and it is anticipated that the acquisition of FCP Internet will follow suit. As with Dillistone Systems, both Voyager Software and FCP Internet are cash generative and so will support our aim to follow a progressive dividend strategy, subject to the cash needs of the business.

Outlook

Good sales growth and visibility across the business, supported by the earnings enhancing acquisition of FCP Internet, gives the Board confidence that the Group will make further progress in the remainder of the year.

Mike Love

23 September 2013

Dillistone Group Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months ended 30 June		Year ended 31 Dec
		2013	***2012***	***2012***
		Unaudited	***Unaudited***	***Audited***
		£'000	***£'000***	***£'000***
Revenue	3	3,814	3,598	7,052
Cost of sales		(446)	(437)	(864)
Gross profit		3,368	3,161	6,188
Administrative expenses		(2,557)	(2,467)	(4,675)
Result from operating activities	3	811	694	1,513
Analysed as:				
Result from operating activities before amortisation of acquisition intangibles and exceptional items		*856*	*807*	*1,671*
Amortisation of acquisition intangibles and exceptional items	4	*(45)*	*(113)*	*(158)*
Result after acquisition intangibles and exceptional items		*811*	*694*	*1,513*
Financial income		6	6	-
Profit before tax		817	700	1,513
Tax expense	5	(172)	(170)	(278)
Profit for the period/year		645	530	1,235
Other comprehensive income:				
Currency translation differences		(15)	(9)	(11)
Total comprehensive income for period/year		630	521	1,224
Earnings per share (pence)				
Basic	7	3.54	2.91	6.79
Diluted		3.42	2.90	6.76

Earnings per share (pence) before amortisation of acquisition intangibles and exceptional items			
Basic	3.69	3.33	7.20
Diluted	3.56	3.32	7.18

Dillistone Group Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June		As at 31 Dec
	2013	***2012***	***2012***
	Unaudited	***Unaudited***	***Audited***
ASSETS	***£'000***	***£'000***	***£'000***
Non-current assets			
Goodwill	2,490	2,490	2,490
Intangible assets	3,177	2,853	3,048
Property plant & equipment	108	141	124
	5,775	5,484	5,662
Current assets			
Inventories	38	95	62
Trade and other receivables	1,960	1,811	1,715
Cash and cash equivalents	1,903	1,569	1,643
	3,901	3,475	3,420
Total assets	9,676	8,959	9,082
EQUITY AND LIABILITIES			
Equity			
Share capital	910	910	910
Share premium	451	451	451
Merger reserve	365	365	365
Share option reserve	95	45	68
Retained earnings	2,718	2,039	2,528
Translation reserve	137	154	152
Total equity	4,676	3,964	4,474
Liabilities			
Non current liabilities			
Trade and other payables	52	210	256
Deferred tax	576	571	592
Current liabilities			
Trade and other payables	4,140	3,928	3,609
Current tax payable	232	286	151
Total liabilities	5,000	4,995	4,608
Total liabilities and equity	9,676	8,959	9,082

The interim report was approved by the Board of directors and authorised for issue on 23 September 2013. They were signed on its behalf by:

JS Starr J P Pomeroy

Dillistone Group Plc

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 June		***Year ended 31 Dec***
	2013	***2012***	***2012***
	Unaudited	***Unaudited***	***Audited***
	£'000	***£'000***	***£'000***
Operating Activities			
Profit from operations	811	694	1,513
Less taxation paid	(113)	(30)	(250)
Adjustment for			
Depreciation and amortisation	258	250	553
Share option expense	27	20	47
Other including foreign exchange adjustments arising from operations	(14)	6	9
Operating cash flows before movements in working capital	969	940	1,872
(Increase) / Decrease in receivables	(260)	(88)	(4)
Decrease / (Increase) in inventories	25	(83)	(51)
Increase / (Decrease) in payables	340	129	(149)
Net cash generated from operating activities	1,074	898	1,668
Investing Activities			
Interest received	6	6	13
Purchases of property plant and equipment	(31)	(41)	(69)
Investment in development costs	(339)	(361)	(803)
Additional acquisition payments	(26)	(98)	(98)
Net cash used in investing activities	(390)	(494)	(957)
Financing Activities			
Dividends paid	(455)	(425)	(643)
Net cash used by financing activities	(455)	(425)	(643)
Net change in cash and cash equivalents	229	(21)	68
Cash and cash equivalents at beginning of the period	1,643	1,617	1,617
Effect of foreign exchange rate changes	31	(27)	(42)
Cash and cash equivalents at end of period	1,903	1,569	1,643

Dillistone Group Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Retained earnings £'000	Share option £'000	Foreign exchange £'000	Total £'000
Balance at 31 December 2011	910	451	365	1,934	24	163	3,847
Comprehensive income							
Profit for the 6 months ended 30 June 2012	-	-	-	530	-	-	530
Other comprehensive income							
Exchange differences on translation of overseas operations	-	-	-	-	-	(9)	(9)
Total comprehensive income	-	-	-	530	-	(9)	521
Transactions with owners							
Share option charge	-	-	-	-	21	-	21
Dividends paid	-	-	-	(425)	-	-	(425)
Balance at 30 June 2012	910	451	365	2,039	45	154	3,964
Comprehensive income							
Profit for the 6 months ended 31 Dec 2012	-	-	-	705	-	-	705
Other comprehensive income							
Exchange differences on translation of overseas operations	-	-	-	-	-	(2)	(2)
Total comprehensive income	-	-	-	705	-	(2)	703
Transactions with owners							
Share option charge	-	-	-	2	23	-	25
Dividends paid	-	-	-	(218)	-	-	(218)
Balance at 31 December 2012	910	451	365	2,528	68	152	4,474
Comprehensive income							
Profit for the 6 months ended 30 June 2013	-	-	-	645	-	-	645
Other comprehensive income							
Exchange differences on translation of overseas operations	-	-	-	-	-	(15)	(15)
Total comprehensive income	-	-	-	645	-	(15)	630
Transactions with owners							
Issue of share capital	-	-	-	-	-	-	-
Share option charge	-	-	-	-	27	-	27
Dividends paid	-	-	-	(455)	-	-	(455)
Balance at 30 June 2013	910	451	365	2,718	95	137	4,676

NOTES TO THE UNAUDITED INTERIM REPORT

1. Basis of Preparation

The financial information for the six months ended 30 June 2013 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 on pages 10 – 14.

These interim financial statements have not been audited nor have they been reviewed by the auditors under ISRE 2410 of the Auditing Practices Board. The financial information set out in this report does not constitute statutory accounts as defined by the Companies Act 2006. The comparative figures for the year ended 31 December 2012 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not contain statements under sections 498(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations) of the Companies Act 2006.

The interim financial statements have been prepared on the basis of the accounting policies set out in the December 2012 financial statements of Dillistone Group Plc and on a going concern basis. They are presented in sterling which is also the functional currency of the parent company. They do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012.

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 3rd Floor, 50-52 Paul Street, London, EC2A 4LB. 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.

3. Segment reporting

	6 Months ended 30 June		Year ended 31 Dec
	2013	***2012***	***2012***
	£'000	***£'000***	***£'000***
Revenue			
Dillistone Systems	2,521	2,375	4,666
Voyager Software	1,307	1,223	2,386
Less intercompany	(14)	-	-
Total revenue	3,814	3,598	7,052

Results by division

	6 Months ended 30 June		Year ended 31 Dec
	2013	***2012***	***2012***
	£'000	***£'000***	***£'000***
Results from operating activities			
Dillistone Systems	811	738	1,631
Voyager Software	220	239	438
	1,031	977	2,069
Unallocated expenses	(175)	(170)	(398)
Exceptional Charges	(45)	(113)	(158)
Result from operating activities	811	694	1,513

Geographical segments

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

	6 months ended 30 June		Year ended 31 Dec
	2013	***2012***	***2012***
	£'000	***£'000***	***£'000***
UKMEA	2,286	2,028	4,069
Europe	471	494	926
Americas	674	649	1,239
Asia Pacific	383	427	818
	3,814	3,598	7,052

3. Segment reporting (continued)

Business Segment

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

	6 months ended 30 June		*Year ended 31 Dec*
	2013	***2012***	***2012***
	£'000	***£'000***	***£'000***
Recurring	2,410	2,251	4,529
Non recurring	1,206	1,161	2,140
Third party revenues	198	186	383
	3,814	3,598	7,052

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.

4. Amortisation of acquisition intangibles and exceptional items

	6 months ended 30 June		*Year ended 31 Dec*
	2013	***2012***	***2012***
	£'000	***£'000***	***£'000***
Estimated change in fair value of contingent consideration	-	-	(153)
Unwinding of discount on contingent consideration	-	-	13
Payment in respect of onerous contract	-	-	56
Tax costs relating to options exercised pre acquisition of Woodcote	-	-	28
Amortisation of acquisition intangibles	45	113	227
Total	45	113	171

5. Tax

	6 months ended 30 June		Year ended 31 Dec
	2013	*2012*	*2012*
	£'000	*£'000*	*£'000*
Current tax charge	188	163	251
Deferred tax charge	2	38	101
Deferred tax re acquisition intangibles	(18)	(31)	(74)
Total	172	170	278

The tax charge is impacted by the higher rates of corporation tax payable in the US and Australia partially offset by the R&D tax credits available to both Dillistone Systems and Voyager Software and the reduction in the longer term UK tax rates which impact on provided deferred tax.

6. Dividends

The Board has decided to pay an interim dividend of 1.25 p per share (2012: 1.2p) on 6 November 2013 to holders on the register on 4 October 2013. Shares will trade ex-dividend from 2 October 2013.

7. Earnings per Share

	6 months ended 30 June		Year ended 31 Dec
	2013	*2012*	*2012*
Basic earnings per share			
Profit attributable to ordinary shareholders	£645,000	£530,000	£1,235,000
Weighted average number of shares	18,205,190	18,197,354	18,201,294
Basic earnings per share (pence)	3.54	2.91	6.79
Diluted earnings per share			
Profit attributable to ordinary shareholders	£645,000	£530,000	£1,235,000
Diluted weighted average number of shares	18,877,634	18,261,929	18,261,915
Diluted earnings per share (pence)	3.42	2.90	6.76

8. 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.

There were no transactions with any other related parties.

9. Post Balance Sheet event

On 8 July 2013 the Group completed the acquisition of FCP Internet Holdings Limited ("Holdings"). The acquisition is consistent with the Group's strategy of enhancing strength and achieving scale through acting as a consolidator in a largely fragmented market.

Holdings is a non-trading holding company. Its wholly owned subsidiary and sole asset, FCP Internet Limited ("FCP") (www.evolvedb.co.uk/), sells its Evolve software product to its target market of recruitment agencies. This product, which is wholly delivered through a Software as a Service ("SaaS") model, is designed to facilitate the filling of vacancies and is used by hundreds of users around the World. FCP operates in the same market sector as the Group's Voyager Software business and is UK based.