30 July 2020

Dillistone Group Plc
("Dillistone", the "Company" or the "Group")
Final Results

Dillistone Group Plc ("Dillistone", the “Company” or the "Group"), the AIM quoted supplier of software for the international recruitment industry, is pleased to announce its audited final results for the 12 months ended 31 December 2019.

Highlights:

- Successfully completed the group restructuring to time and at the lower end of forecast cost. New operating structure working well with reduced cost base
- Reorganisation financed through a £0.5m bank loan
- Recurring revenues[1] represent 82% (2018: 82%) of Group revenue
- Adjusted operating loss[2] of £0.207m (2018: profit £0.055m) before acquisition related, reorganisation and other costs
- Loss for the year of £0.842m (2018: loss £0.260m) reflecting the costs associated with reorganising the business
- Cash at 28 July 2020 was £2.1m, reflecting post period CBIL loan of £1.5m.

Current Trading & Outlook:

- The Group traded ahead of internal expectations during the early months of 2020, and speedy measures by management helped to mitigate some of the impact of Covid-19
- While revenue from existing clients has fallen, new business performance compared to the same period in 2019 has been encouraging, winning more new contracts for a higher combined value.

Covid-19:

- The Company has taken appropriate action to maintain a strong and stable financial position throughout this current period and for the future – including accessing Government schemes and a temporary company-wide pay cut
- On 3 June 2020, secured a £1.5m loan under the UK Government's Coronavirus Business Interruption Loan scheme ("CBIL Loan"), repayable over 6 years at an interest rate of 3.99% over base. Interest is waived in the first twelve months and monthly repayments commence in July 2021. The CBIL Loan can be repaid early without penalty.

Commenting on the results and prospects, Giles Fearnley, Non-Executive Chairman, said:

“The changes made to the business in 2019 have improved our ability to meet the needs of our global clients swiftly and efficiently, while significantly reducing our cost base, and placed the business in a situation where we had fully anticipated a return to profitability in H1 of 2020.

“After a strong start to the year, the impact of the Covid-19 pandemic has been significant but swift action to manage the cost base during this period, coupled with working to support our clients and improved new business performance, is enabling the Company to effectively work through the challenges.

"With a healthy cash balance and having protected and continued to invest in our product development, the Board is optimistic that the business will emerge strongly as the economy recovers."

Definitions:

[1]*The component elements of recurring revenues are detailed in note 5.*

[2] *Adjusted operating profit is statutory operating profit before acquisition costs, related intangible amortisation and reorganisation and other costs. See note 4.*

Annual Report and Accounts - The final results announcement can be downloaded from the Company's website (www.dillistonegroup.com). Copies of the Annual Report and Accounts (in addition to the notice of the Annual General Meeting) will be sent to shareholders by 28 August 2020 for approval at the Annual General Meeting to be held on 23 September 2020.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Enquiries:

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Notes to Editors:

Dillistone Group Plc (www.dillistonegroup.com) is a leader in the supply and support of software and services to the recruitment industry. Dillistone operates through the Ikiru People brand (www.IkiruPeople.com).

The Group develops, markets and supports the FileFinder, Infinity, Mid-Office, ISV and GatedTalent products.

Dillistone was admitted to AIM, a market operated by the London Stock Exchange plc, in June 2006. The Group employs around 100 people globally with offices in Basingstoke, Southampton, Frankfurt, New Jersey and Sydney.

ISV Skills Testing: https://www.isv.online
Recruitment Software: https://www.voyagersoftware.com/recruitment-software-blog/best-recruitment-software-agencies/
Software for Temps: https://www.voyagersoftware.com/temporary-recruitment-agency-software/
GatedTalent: https://www.Talentis.global

CHAIRMAN'S STATEMENT

2019 was a year of significant change. This started in February when the Group announced a fundamental reorganisation of the business. This involved merging the two UK offices into a single, expanded location in Basingstoke, together with also relocating and expanding our Eastleigh development facility. The Group has streamlined its corporate structures and operations, resulting in the UK businesses being combined into one trading entity and renamed Ikiru People Limited. A similar reorganisation has occurred in Australia. These changes came into effect on 31 December 2019, were delivered on time and within budget, and are delivering the planned efficiencies.

The restructuring was an important step in our plan to streamline our operating procedures while maintaining our excellent reputation for client service in order that the Group could deliver significantly improved performance starting immediately from 2020.

2020 started well for the Group with our early months delivering results ahead of internal expectations. However, the impact of the Covid-19 pandemic on our target market – the recruitment sector – is clear. We've seen many of our clients shrink, with some clients closing. We have additionally supported many clients through agreeing discounted periods and deferred terms.

The Board has reacted swiftly, taking advantage of various government schemes, including furloughing, and staff unanimously supporting a temporary pay-cut, including all executive and non-executive directors. In June 2020, the Company secured a loan of £1.5m under the UK Government's Business Interruption Loan scheme. This enables us to continue to deliver and develop products with confidence.

The reorganisation in 2019 resulted in some staff working from home and this led to investment in infrastructure to support this. This therefore enabled the Group immediately to move to home working for the majority of staff as a result of the pandemic and still operate efficiently and effectively.

Looking back at 2019, overall, Group revenue fell 8% to £8.027m, of which recurring revenue fell 8% to £6.593m of which £0.130m related to the loss of a major client as previously announced.

There was an adjusted operating loss in 2019 of £0.207m (2018: Profit £0.055m), mainly due to the fall in revenue and with the full benefits of the reorganisation not expecting to be seen until 2020. The operating loss including reorganisation and acquisition related items was £1.090m (2018: loss £0.414m).

Dividends

The Group is not recommending a final dividend in respect of the year to 31 December 2019 (2018: nil).

Staff

On behalf of the Board I would like to take this opportunity to thank all of our staff for their individual and collective contributions during 2019 and for the professional way they have all risen to the challenges of the pandemic, continuing to deliver for our clients. They ensured that we continued to deliver excellent service throughout 2019's major restructuring and it is through their efforts, commitment and determination that we continue to be a leading technology provider.

Corporate governance

It is the Board's duty to ensure that the Group is managed for long-term benefit of all stakeholders.

We have made a number of changes to our Group Board over the last 12 months. I would like to sincerely thank my predecessor, Dr Mike Love, for his outstanding leadership of the Board over last 9 years. I am very grateful to him for staying on in a non-executive role to allow for a smooth transition.

I also thank Rory Howard and Alistair Milne who both stepped down from the Board as the restructuring completed. They have both contributed extensively to the business over very many years. I am delighted to welcome Paul Mather and Simon Warburton to the Board. Both Paul and Simon joined the Group in 2011 on the acquisition of Voyager and have been leading members of the Executive Team.

Outlook

The Group was trading ahead of internal targets for 2020 prior to the impact of Covid-19 and swift action by management has helped mitigate some of the impact of the pandemic.

The majority of our clients are in the recruitment sector and this has been significantly affected by the recession. Our client base has reduced in size with many of our clients having fewer licences than previously. We believe this would be true for virtually any supplier in our sector.

However, we are pleased to report that – while revenue from existing clients has fallen – the business has improved its new business performance on the same period in 2019, winning more new contracts for a higher combined value, despite our decision to withdraw our “Evolve” product from the market. While this will not make up for the loss of revenue from existing clients, it demonstrates our ability to compete successfully and gives us confidence of a return to growth when markets return to a semblance of normality.

However, the most likely outcome for H1 will be a small and much reduced loss compared with the prior year. It remains too early to quantify the impact of the pandemic over the full year, but the Board currently expects to see an improvement on our 2019 result.

With a healthy cash balance and having protected, and now, increasing investment in our product development, the Board is optimistic that the business will emerge strongly as the economy recovers.

Giles Fearnley
Non-Executive Chairman

CEO's Review

Dillistone Group Plc supplies products and services to facilitate recruitment. We cover everything from retained executive search technology through to tools to facilitate the hiring of temporary staff, pay and bill, from pre-employment skills testing through to a B2C platform that allows executives to share information with executive search firms.

Strategy and objectives

In light of Covid-19, the Board has taken the view that until any material business risk from the pandemic is behind us, our objectives would be revised so that we can successfully navigate the crisis. We will strive to ensure that we exit the current crisis in a strong position with products that meet the needs of clients. Consequently, our focus will be to:

- Ensure our staff and their families stay safe, engaged and effective;
- Take all reasonable steps we can to help our clients through a challenging period for recruitment;
- Protect and prioritise our product and development efforts around solutions that reflect the needs of a post Covid world; and
- Take appropriate action to maintain a strong and stable financial position, throughout this period and into the future.

Key Performance Indicators (KPIs)

The Board and management use absolute figures to monitor the performance of the business using the financial KPIs set out below. As discussed above the Board has undertaken a major restructuring exercise to address the longer term performance of the business:

	FY 2018 £000	FY 2019 £000	measure used by management	Met /Not met
Total revenues	8,692	8,027	year on year growth	not met
Recurring revenues	7,154	6,593	year on year growth	not met
Non recurring revenues	1,169	1,160	year on year growth	not met
Adjusted profit/(loss) before tax	18	(298)	year on year growth	not met
Cash	725	402	sufficient cash resources maintained	met

Adjusted profit before tax is statutory profit before, related intangible amortisation, reorganisation and other costs. See note 4 and note 7.

Restructuring

During the year, the Group merged two UK offices into a single, expanded location in Basingstoke. We also relocated and expanded our Eastleigh development facility. The Group also streamlined its corporate structures and operations to achieve efficiencies across the business. This resulted in the five UK businesses being combined into one trading entity subsequently renamed Ikiru People Limited. A similar reorganisation has occurred in Australia combining our two companies into one and renamed as Ikiru People Pty Limited. Our sole business in the US was also renamed, Ikiru People Inc.

The restructuring and reorganisation has allowed us to integrate teams across the business and to leverage knowledge across the Group to accelerate performance and improve the quality of our services to our clients.

As part of the reorganisation, a review was made of the Company product strategy. As a result of this review, one of the Group's six core products, Evolve, was withdrawn from the market at the end of 2019. Going forward, product development investment has been refocussed with a view to prioritising development which will lead to significant long term growth, rather than short term product enhancements. This has led the Company to increase investment in areas such as user experience and quality assurance.

At the time that we announced our restructuring plans, we anticipated that the costs of the restructuring would be in the region of £500,000 to £900,000. We are pleased to report that costs were at the lower end of this estimate at £578,000. These costs were met without recourse to equity funding from shareholders.

Our business model

The business was previously split into three Divisions. Dillistone Systems and Voyager Software and GatedTalent. The reorganisation has brought all of these businesses together into effectively one division with a focus more on the products we sell than on divisional structures.

The majority of our products are commercialised through one or more of the following:
1. an upfront licence fee plus a recurring support fee;
2. Software as a Service (SaaS) subscription basis; or
3. a hybrid model incorporating an upfront payment and recurring support and cloud hosting fees.

There is a continuing move away from the upfront licence model towards our cloud delivery (SaaS) services. The GatedTalent Division generates revenue from a combination of recruiter subscription fees and service fees from executives.

The business operates out of Europe, the US and Australia but services clients globally. As well as supplying and supporting our software we also host the software for a proportion of our clients. This is done through Microsoft Azure and AWS data centres in Europe, the Americas, Singapore and Australia.

Group review of the business

2019 saw recurring revenues fall 8% to £6,593m (2018: £7.154m) of which £0.130m related to the previously announced loss of a major client and with attrition exceeding new contract wins in the year. Non-recurring revenues were in line with the previous year at £1.160m (2018: £1.169m). As a result, overall revenues decreased by 8% to £8.027m (2018: £8.692m) with recurring revenues representing 82% of Group revenues (2018: 82%). Cost of sales reduced 19% to £0.849m (2018: £1.054m).

Adjusted EBITDA[1] was down 1% to £1.282m (2018: £1.301m). There was an adjusted operating loss of £0.207m (2018: profit £0.055m) and there was a pre-tax loss before acquisition related items and reorganisation and other adjustments of £(0.298)m (2018: profit £0.018m). The operating loss for the year increased to £1.090m (2018: loss £0.414m) with reorganisation and other costs totalling £0.578m (2018: £nil) and acquisition related amortisation of £0.305m (2018: £0.469m). The loss for the year was £0.842m (2018: loss £0.260m). Cash at the year end was £0.402m (2018: £0.725m).

[1]Adjusted EBITDA is adjusted operating profit with depreciation and amortisation added back. See note 5.

Divisional Reviews as structured through 2019

Dillistone Systems

The Dillistone Systems division was primarily focused on providing technology solutions to the executive search market via our range of "FileFinder" applications. This client group is made up of both executive search firms and executive search teams in major organisations.

The Division accounts for 49% (2018: 48%) of the Group's revenue and it saw revenue fall 7% to £3.895m (2018: £4.195m).

The executive search market remains a key market for our business and is one we continue to invest in significantly.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') improved to £1.021m (2018: £0.723m) as costs improved despite reduced sales. The total amortisation and depreciation charge was £0.747m (2018: £0.644m). Operating profit for 2019 was £0.094m (2018: £0.079m) after reorganisation and other costs of £0.180m.

Voyager Software

Voyager Software was a provider of technology products targeted at the entire recruitment landscape, from front office to back office and bureaus, and includes both recruitment management systems and pre-employment skills testing technology.

In 2019, the Voyager Software division accounted for 47% (2018: 51%) of Group revenues. The Division's revenues decreased by 14% to £3.795m (2018: £4.429m) £0.130m of this due to the previously announced loss of a major client. EBITDA decreased to £0.691m (2018: £1.003m). Amortisation and depreciation increased to £0.553m (2018: £0.475m). Divisional operating loss was £(0.34)m after reorganisation and other costs of £0.172m (2018: £0.528m).

2019 saw some major developments in the Division including:

- The addition of IR35 support for both public and private sector workers in our Infinity and Mid-Office pay and bill solution
- Significantly improved support for the placement of shift based temps
- Release of a full suite of Power BI based business intelligence function to clients on our SaaS platform
- Enhancements to our ISV.Online suite
- Withdrawal of the Evolve product from the market, successfully switching the majority of clients onto our Infinity application

GatedTalent

GatedTalent was established in 2017 to provide a network allowing executives to share information with selected executive recruiters in a GDPR compliant manner. The GatedTalent product was launched in late 2017 with first revenues occurring in 2018.

Revenue is being generated from executive recruiters through subscriptions to the platform and through Member Services generating a premium B2C revenue stream for the Division.

The Division generated revenue of £0.337m (2018: £0.068m) and made an operating loss before reorganisation and other costs of £0.484m (2018 loss: 0.612m) after depreciation and amortisation charges of £0.189m (2018: £0.127m). The reorganisation and other costs credit of £1.427m mainly related to the write off of intercompany funding from Dillistone Group which was not expected to be recoverable in the foreseeable future. In 2020, although we no longer report profits on a divisional level, it is the view of the Board that the GatedTalent product is now consistently generating cash.

Following the reorganisation, the divisional structure has been dismantled and in 2020 the business will not report on a divisional basis.

Covid-19

The Impact of Covid-19 pandemic has had a major impact on the world economy and in our target market – recruitment. This has impacted our business as we have seen many of our clients shrink, with other clients closing. This directly impacts our revenue.

We reacted swiftly to minimise the impact of Covid-19, taking the following actions:

- Approximately 20% of our UK staff have been furloughed under the government scheme
- Other staff and Directors have agreed to a temporary pay cut
- The vast majority of our staff switched to home working
- Our clients were offered support packages to help them survive the period and, hopefully, remain as customers
- Used government support in other jurisdictions where appropriate
- Agreed the postponement of bank loan repayments on our £500,000 loan for 6 months
- Obtained in June 2020 a £1.5m loan under the Government's Business Interruption loan scheme

Uncertainty around the scale, timing and impact of the coronavirus pandemic means it is difficult to give meaningful external guidance for forecasts in the year ahead. We have analysed a range of outcomes for the current year for different sales scenarios. Further details are contained in Note 2 on Basis of Preparation. We have performed stress testing on our cashflows, to determine what is the maximum strain that the business could bear over the next 12 months in respect of the potential impacts of Covid-19. We are pleased to note that, with the funding support in place, our Balance Sheet is now strong, with significant cash available to us at very competitive rates.

Financial Review

Total revenues decreased by 8% to £8.027m (2018: £8.692m) with recurring revenues decreasing by 8% to £6.593m (2018: £7.154m) while non-recurring revenues decreased by 1% to at £1.160m (2018: £1.169m). Third party resell revenue amounted to £0.274m in the period (2018: £0.369m).

Cost of sales decreased to £0.849m (2018: £1.054m). Administrative costs, excluding acquisition related items, reorganisation and other costs, depreciation and amortisation, fell 7% to £5.896m (2018: £6.337m) as measures were taken to reduce the cost base. Depreciation and amortisation (excluding acquisition related amortisation) increased to £1.489m (2018: £1.246m).

Acquisition related and reorganisations and other costs totalled £0.883m (2018: £0. 469m) and were in respect of:

- the amortisation of intangibles arising on the Voyager, FCP and ISV acquisitions £0.305m (2018: £0.469m).
- reorganisation and other costs totalled £0.578m (2018: £nil)

Recurring revenues covered 89% of administrative expenses before acquisition related and reorganisation and other costs (2018: 94%). Excluding depreciation and amortisation of our own internal development, the administrative costs (before acquisition related and reorganisation and other costs) are covered 112% (2018: 112%) by recurring revenues.

The Group benefitted from an income tax credit in 2019 of £0.339m (2018: credit £0.191m). The 2019 credit reflects the R&D tax credits available to all three divisions and the assumption that any tax losses will be surrendered for the R&D tax credit payment. It also reflects a prior year adjustment of a credit of £0.140m as the tax computations in respect of prior years were finalised and agreed. The acquisition related items tax credit of £0.058m (2018: £0.089m) reflects the reduction in deferred tax that arises as amortisation is charged in the profit and loss account.

Profit for the year before acquisition related and reorganisation and other costs amounted to a loss of £0.030m (2018: profit £0.120m). The 2019 adjusted profits benefitted from tax income of £0.268m (2018: tax income of £0.102m). The statutory loss for the year after acquisition related items and reorganisation and other costs was £0.842m (2018: loss £0.260m). Basic loss per share (EPS) fell to (4.28)p (2018: (1.32)p). Fully diluted EPS fell to (4.28)p (2018: (1.32)p). Adjusted basic EPS fell to (0.15)p (2018: 0.61p).

Dillistone Group Plc company results show a loss of £1.843m (2018: profit £1.338m) after a write-off of the intercompany loan with GatedTalent of £1.450m which was necessary to facilitate the reorganisation of the Group.

Capital expenditure

The Group invested £1.100m in property, plant and equipment and product development during the year (2018: £1.536m). This expenditure included £1.067m (2018: £1.446m) spent on capitalised development related costs.

Trade and other payables

As with previous years, the trade and other payables includes deferred income of £2.873m (2018: £3.575m), i.e. income which has been billed in advance but is not recognised as income at that time. This principally relates to support, SaaS, cloud hosting renewals and other subscriptions, which are billed in 2019 but are in respect of services to be delivered in 2020. It also includes licence revenue for which a support contract is required, and which is spread over 5 years under IFRS15. Contractual income is recognised monthly over the period to which it relates. It also includes deposits taken for work which has not yet been completed; as such income is only recognised when the work is substantially complete, or the client software goes “live”.

The Group implemented IFRS 16 during the year. The result is to recognise right to use assets on the balance sheet of £0.754m as at the year end and the corresponding lease liabilities which totalled £0.823m. See Note 9 for more detailed analysis.

Cash and debt

The Group finished the year with cash funds of £0.402m (2018: £0.725m) made up of positive (£0.690m) and negative (£0.288m) current account balances which can be netted off under the banking facility.

The Group obtained a loan of £0.5m in June 2019 of which £0.126m was repaid in the year leaving £0.374m (2018: £nil) repayable at the year end. It also had a convertible loan of £0.412m (2018: £0.404m). It was agreed in the year that the convertible loan notes would not be repaid until the bank loan for repaid.

Jason Starr
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Revenue	**5**	8,027	8,692
Cost of sales		(849)	(1,054)
Gross profit		7,178	7,638
Administrative expenses		(8,268)	(8,052)
Operating loss		(1,090)	(414)
Adjusted operating (loss)/ profit before acquisition related, reorganisation and other items	**4**	(207)	55
Acquisition related, reorganisation and other items	**7**	(883)	(469)
Operating (loss)		(1,090)	(414)
Financial income		-	1
Financial cost		(91)	(38)
Loss before tax		(1,181)	(451)
Tax income		339	191
(Loss) for the year		(842)	(260)
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit and loss:			
Currency translation differences		(16)	(30)
Total comprehensive (loss) for the year		(858)	(290)

Earnings per share			
Basic	**8**	**(4.28)p**	**(1.32)p**
Diluted	**8**	**(4.28)p**	**(1.32)p**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Merger reserve	Retained earnings	Convertible loan reserve	Share option	Foreign exchange	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	983	1,631	365	2045	14	101	93	5,232
Comprehensive income								
Loss for the year	-	-	-	(260)	-	-	-	(260)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(30)	(30)
Total comprehensive income	-	-	-	(260)	-	-	(30)	(290)
Transactions with owners								
Share option charge	-	-	-	-	-	5	-	5
Dividends paid	-	-	-	(98)		-	-	(98)
Total transactions with owners	-	-	-	*(98)*	-	*5*	-	*(93)*
Balance at 31 December 2018	**983**	**1,631**	**365**	**1,687**	**14**	**106**	**63**	**4,849**
Comprehensive income								
Loss for the year ended 31 December 2019	-	-	-	(842)	-	-	-	(842)
Other comprehensive income/(loss)								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(16)	(16)
Total comprehensive income	-	-	-	(842)	-	-	(16)	(858)
Transactions with owners								
Share option charges	-	-	-	26	-	-12	-	14
	-	-	-	-		-	-	-
Total transactions with owners	-	-	-	*26*	-	*12*	-	*14*
Balance at 31 December 2019	**983**	**1,631**	**365**	**871**	**14**	**94**	**47**	**4,005**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group	
	Notes	**2019**	**2018**
ASSETS		**£'000**	**£'000**
Non-current assets			
Goodwill		3,415	3,415
Other intangible assets		4,234	4,754
Property, plant and equipment		54	113
Right to use assets	**9**	754	
Investments		-	-
Total non-current assets		8,457	8,282
Current assets			
Inventories		-	3
Trade and other receivables		1,222	1,522
Current tax receivable		293	270
Cash and cash equivalents		690	725
Total current assets		2,205	2,520
Total assets		10,662	10,802
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital		983	983
Share premium		1,631	1,631
Merger reserve		365	365
Convertible loan reserve		14	14
Retained earnings		871	1,687
Share option reserve		94	106
Translation reserve		47	63
Total equity		4,005	4,849
Liabilities			
Non-current liabilities			
Trade and other payables		443	690
Lease liabilities	**9**	741	-
Borrowings		523	390
Deferred tax liability		340	489
Total non-current liabilities		2,047	1,569
Current liabilities			
Trade and other payables		3,977	4,370
Lease liabilities	**9**	82	-
Borrowings		551	14
Total current liabilities		4,610	4,384
Total liabilities		6,657	5,953
Total liabilities and equity		10,662	10,802

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	For the year ended 31 December 2019	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2018
Operating activities	**£'000**	**£'000**	**£'000**	**£'000**
(Loss) before tax	(1,181)		(451)	
Adjustment for				
Financial income	-		(1)	
Financial cost	91		38	
Depreciation and amortisation	1,794		1,714	
Share option expense	14		5	
Foreign exchange adjustments arising from operations	(33)		70	
Operating cash flows before movement in working capital:	685		1,375	
Decrease in receivables	282		171	
Decrease in inventories	3		-	
Decrease in payables	(603)		(471)	
Taxation refunded	167		65	
Net cash generated from operating activities		534		1,140
Investing activities				
Interest received	-		1	
Purchases of property, plant and equipment	(29)		(55)	
Sale of Fixed assets	2			
Investment in development costs	(1,070)		(1,481)	
Contingent and deferred consideration paid	-		(146)	
Net cash used in investing activities		(1,097)		(1,681)
Financing activities				
Interest paid	(83)		(33)	
Proceeds from bank loan	500		-	
Bank loan repayments made	(126)		-	
Lease payments made	(49)		-	
Utilisation of banking facility	288		-	
Dividends paid	-		(98)	
Net cash generated from/(used in) financing activities		530		(131)
Net decrease in cash and cash equivalents		(33)		(156)
Cash and cash equivalents at beginning of year		725		1,390
Effect of foreign exchange rate changes		(2)		7
Cash and cash equivalents at end of year[1]		690		725

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Publication of non-statutory accounts

In accordance with section 435 of the Companies Act 2006, the Directors advise that the financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2019 or 2018, but is derived from these financial statements. The financial statements for the year ended 31 December 2018 have been audited and filed with the Registrar of Companies. The financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements for the year ended 31 December 2019 have been audited and will be filed with the Registrar of Companies following the Company's Annual General Meeting. The Independent Auditors Report on the Group's statutory financial statements for the years ended 31 December 2019 and 2018 were unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

The preliminary announcement is extracted from the consolidated financial statements of the Group. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets or liabilities are eliminated in full.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has been considered as part of the Group's adoption of the going concern basis. The Group has seen many of its clients shrink and with some clients closing. It has additionally supported many clients through agreeing discounted periods and deferred terms. Accordingly, the Group will see a reduction in revenue in 2020. However, the Group has acted quickly, taking advantage of various government schemes, including furloughing, and staff unanimously supporting a temporary pay-cut, including all executive and non-executive directors. The Group also agreed a 6 month payment holiday on its existing bank loan. The Company has also secured a loan of £1.5m under the UK Government's Business Interruption Loan (CBIL) scheme.

The Board has considered various downside scenarios on the Group's results as a result of the Covid-19 outbreak. In preparing this analysis the following assumptions were made for the base case: a reduction in recurring revenue and non recurring revenue in 2020 with some recovery in the second half of 2020 but with revenue not returning to full pre Covid-19 levels in 2020 or 2021. This base case took £0.5m off 2020 revenue. A further scenario was modelled ("stress test scenario") that took a further £0.5m off revenue with a deeper long term impact on the business.

If revenue were to fall in line with the stress test model, the Company would take further remedial action to counter the reduction in profit and cash through a cost cutting exercise that would include staff redundancies and general cost control measures. On this basis, the Group's cash reserves would be reduced to £nil in May 2021 though it would still have access to its bank overdraft of £0.2m.

Based on current trading, the stress test scenario is considered unlikely. However, it is difficult to predict the overall impact and outcome of Covid-19 at this stage, particularly if there was a second wave towards the end of 2020. Nevertheless, after making enquiries, and considering the uncertainties described above and after receiving a CBIL loan of £1.5m, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

3. Accounting policies and changes thereto

This preliminary announcement has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2018.

IFRS 16 are effective for the first time for the financial year beginning on or after 1 January 2019. IFRS 16 specifies how the Group will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. From 1 January 2019 the Group recognised an asset reflecting the right of use leased asset for the Company’s two property leases and an equipment lease, and a lease liability reflecting the obligation to make lease payments. Both the asset and the liability have been recognised on the balance sheet where previously they were off balance sheet. There was no impact on cash flow but there was an impact on the Income Statement as the operating lease payment included within administrative expenses was replaced with a depreciation charge on the leased asset (included in administrative expenses) and an interest expense on the lease liability (included in financial cost). EBITDA also increased as both interest cost and depreciation charge are excluded from the calculation. Note 9 outlines the effect of IFRS 16 on the financial statements.

4. Reconciliation of adjusted profits to consolidated statement of comprehensive income

	Note	Adjusted profits 2019	Acquisition related, reorganisation and other costs 2019*	2019	Adjusted profits 2018	Acquisition related reorganisation and other costs 2018*	2018
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue		8,027	-	8,027	8,692	-	8,692
Cost of sales		(849)	-	(849)	(1,054)	-	(1,054)
Gross profit		7,178	-	7,178	7,638	-	7,638
Administrative expenses		(7,385)	(883)	(8,268)	(7,583)	(469)	(8,052)
Operating profit/(loss)		(207)	(883)	(1,090)	55	(469)	(414)
Financial income		-	-	-	1	-	1
Financial cost		(91)	-	(91)	(38)	-	(38)
Profit/(loss) before tax		(298)	(883)	(1,181)	18	(469)	(451)
Tax income		268	71	339	102	89	191
Profit/(loss) for the year		(30)	(812)	(842)	120	(380)	(260)
Other comprehensive loss net of tax:							
Currency translation differences		(16)	-	(16)	(30)	-	(30)
Total comprehensive income/(loss) for the year net of tax		(46)	(812)	(858)	90	(380)	(290)
Earnings per share							
Basic	**8**	**(0.15)p**	**-**	**(4.28)p**	**0.61p**	**-**	**(1.32)p**
Diluted	**8**	**(0.15)p**	**-**	**(4.28)p**	**0.61p**	**-**	**(1.32)p**

* *See note 7*

5. Segment reporting

During the Year, the Board principally monitored the Group's operations in terms of results of the three divisions, Dillistone Systems, Voyager Software and GatedTalent. Segment results reflect management charges made or received.

Divisional segments

For the year ended 31 December 2019

	Dillistone	Voyager	GatedTalent	Central	Total
	£'000	£'000	£'000	£'000	£'000
Segment revenue	3,895	3,795	**337**	-	**8,027**
Segment EBITDA pre exceptional	1,021	691	(295)	(135)	1,282
Depreciation and amortisation expense	(747)	(553)	(189)		(1,489)
Segment result before reorganisation and other costs	274	138	(484)	(135)	(207)
Reorganisation and other costs	(180)	(172)	1,427	(1,653)	(578)
Segment result	94	(34)	943	(1,788)	(785)
Acquisition related amortisation	-	-	-	(305)	(305)
Operating profit/(loss)	94	(34)	(943)	(2,093)	(1,090)
Financial income	-	-	-	-	
Loan interest/ lease interest	(1)	(35)	-	(55)	(91)
Loss before tax					(1,181)
Income tax income					**339**
Loss for the year					**(842)**
Additions of non-current assets	**446**	**1,283**	**191**	**-**	**1,920**

Divisional segments

For the year ended 31 December 2018

	Dillistone	**Voyager d**	**GatedTalent**	**Central**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Segment revenue	4,195	4,429	**68**	-	**8,692**
Segment EBITDA	723	1,003	(485)	60	1,301
Depreciation and amortisation expense	(644)	(475)	(127)-	-	(1,246)
Segment result	79	528	(612)	60	55
Acquisition related amortisation	-	-	-	(469)	(469)
Operating profit/(loss)	79	528	(612)	(409)	(414)
Financial income	1	-			1
Loan interest	-	-		(38)	(38)
Loss before tax					(451)
Income tax income					**191**
Profit for the year					**(260)**
Additions of non-current assets	567	536	434	-	**1,537**

Products and services

The following table provides an analysis of the Group's revenue by products and services:

	2019	**2018**
	£'000	**£'000**
Recurring income	6,593	7,154
Non-recurring income	1,160	1,169
Third party revenues	274	369
	8,027	8,692

Revenue

In the analysis above 'Recurring income' represents all income recognised over time, whereas 'Non-recurring income' and 'Third party revenues' represent all income recognised at a point in time.

Recurring income includes all support services, SaaS and hosting income and revenue on perpetual licenses with mandatory support contracts deferred under IFRS 15. Non-recurring income includes

sales of new licenses which do not require a support contract, and income derived from installing licences including training, installation and data translation. Third party revenues arise from the sale of third party software.

It is not possible to allocate assets and additions between recurring, non-recurring income and third party revenue. No customer represented more than 10% of revenue of the Group in 2019 or 2018.

6. Geographical analysis

The following table provides an analysis of the Group's revenue by geographic market. The Board does not review the business from a geographical performance viewpoint and this analysis is provided for information only.

Revenue

	2019 £'000	2018 £'000
UK	5,700	6,188
Europe	928	1,007
US	1,034	1,118
Australia	365	379
	8,027	8,692

Non-current assets by geographical location

	2019 £'000	2018 £'000
UK	8,445	8,274
US	6	4
Australia	6	4
	8,457	8,282

7. Acquisition related, reorganisation and other costs

	2019 £'000	2018 £'000
Included within administrative expenses:		
Reorganisation and other costs	578	-
Amortisation of acquisition intangibles	305	469
	883	469
	883	469

Reorganisation and other costs include severance payments, loss of office payments, duplication running costs and lease terminations costs

8. Earnings per share

	2019 Using adjusted profit	2019	2018 Using adjusted profit	2018
(Loss)/profit attributable to ordinary shareholders (note 4)	£(30,000)	£(842,000)	£120,000	£(260,000)
Weighted average number of shares	19,668,021	19,668,021	19,668,021	19,668,021
Basic earnings/(loss) per share	(0.15) pence	(4.28) pence	0.61 pence	(1.32) pence
Weighted average number of shares after dilution	19,668,021	19,668,021	19,797,067	19,668,021
Fully diluted earnings/(loss) per share	(0.15) pence	(4.28) pence	0.61 pence	(1.32) pence

Reconciliation of basic to diluted average number of shares:

	2019	2018
Weighted average number of shares (basic)	19,668,021	19,668,021
Effect of dilutive potential ordinary shares – employee share plans	-	129,046
Weighted average number of shares after dilution	19,668,021	19,797,067

There are 1,970,005 (2018: 919,848) share options not included in the above calculations, as they are underwater or have not yet vested.

The impact of the convertible loan notes in the period is not dilutive and therefore does not impact the calculation of the fully diluted earnings per share.

9. IFRS 16 impact on 2019 results

From 1 January 2019, the Group accounts for its leases under IFRS 16 as set out in Note 1, resulting in the following amounts being recorded:

Impacts on financial statements:
The effect of initially applying this standard is as follows:
(I) recognition of a right of use asset and depreciation of this asset;
(II) removal of rent prepayment/accrual and charge to statement of profit or loss; and
(III) recognition of lease liability non-current and current and interest on this liability.

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 £'000
Right of use asset	51
Trade and other payables adjust provision for dilapidations	(5)
Loans and borrowings – non-current: lease liability due in more than one year	(6)

Loans and borrowings – current: lease liability due in less than one yea	(40)
	-

Amounts recognised in the Consolidated Statement of Financial Position

Right-of-use assets	**Land and Buildings**	**Computer Equipmen t**	**Total**
	£'000	£'000	£'000
Balance at 1 January 2019	51	-	51
Additions	791	30	821
Depreciation charge of right-of-use assets	(114)	(4)	(118)
	728	26	754

Lease Liabilities	**2019**
	£'000
Current	82
Non-current	741
	822

Amounts recognised in the Statement of Comprehensive Income

	2019	**2018**
	£'000	£'000
Depreciation charge of right-of-use assets	118	-
Interest expense (included in finance cost)	37	-
Expense relating to short-term leases	141	-

Total Cash outflow for Leases in 2019 was:

	2019	**2018**
	£'000	£'000
Short term leases	136	-
Leases under IFRS 16	49	-
Total cash outflow in respect of leases	185	-

The Group has an option to extend the lease of its Basingstoke office, which it has assumed it will do based on the considerations set out in Note 1.

The maturity of undiscounted lease liabilities is as follows:

	2019	**2018**
	£'000	£'000
Less than one year	125	-
One to five years	554	-
More than five years	408	-
	1,087	-

Reconciliation of operating lease commitments in 2018 to recognised lease liabilities

	£'000
Minimum operating lease commitment at 31 December 2018	182
Less: short term leases not recognised under IFRS 16	(121)
Undiscounted lease payments	61
Less: effect of discounting as at the date of initial application	(15)
Lease liabilities recognised on 1 January 2019	46

As set out in Note 1, the Group has applied the modified retrospective approach with recognition of transitional adjustments on the date of initial application, being 1 January 2019, without restatement of comparative figures.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space. The Group has applied the 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, as permitted by the standard.

Lease liabilities were measured at the present value of the remaining lease payments, 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 Group applied the practical expedient permitted by the standard to apply a similar discount rate to a portfolio of leases with similar characteristics. The rate applied was 5%. The right-of-use assets were recognised by reference to the measurement of the lease liability on that date, including estimates for items such as dilapidation cost obligations under the lease, and amortised on a straight-line basis.
The effects of adopting IFRS 16 for the period ending 31 December 2019 are as follows:

Impact on the Consolidated Statement of Comprehensive Income

	As reported 2019	**IFRS 16 Adjustments 2019**	**Without adoption of IFRS 16 2019**
	£'000	£'000	£'000
Revenue	8,027		8,027
Cost of sales	(849)	-	(849)
Gross profit	7,178	-	7,178
Administrative expenses	(8,268)	(16)	(8,284)
(Loss) from operations	(1,090)	(16)	(1,106)
Finance expense	(91)	37	(54)
(Loss) before tax	(1,181)	21	(1,160)
Tax income	339	-	339
(Loss) for the year	(842)	21	(821)
Currency translation differences	(16)	-	(16)
Total comprehensive income for the year	**(842)**	**21**	**(821)**

Impact on the Consolidated Statement of Financial Position:

	As reported 2019 £'000	IFRS 16 Adjustments 2019 £'000	Without adoption of IFRS 16 2019 £'000
Non-current assets			
Goodwill	3,415	-	3,415
Other intangible assets	4,234	-	4,234
Property, plant and equipment	54	-	54
Right-of-use assets	754	(754)	-
	8,457	(754)	7,703
Current assets			
Trade and other receivables	1,222	-	1,222
Current tax receivable	293		293
Cash and cash equivalents	690	-	690
Total current assets	2,205	-	2,205
Total assets	10,662	(754)	9,908
Liabilities			
Current			
Trade and other payables	3,977	48	4,025
Lease liabilities	82	(82)	0
Borrowings	551	-	551
Total current liabilities	4,610	(34)	4,576
Non-current liabilities			
Trade and other payables	443	-	443
Lease liabilities	741	(741)	-
Borrowings	523	-	523
Deferred tax liabilities	340	-	340
Total non-current liabilities	2,047	(741)	1,306
Total liabilities	6,657	(775)	5,882
Equity			
Share capital	983	-	983
Share premium	1,631	-	1,631
Merger reserve	365	-	365
Convertible loan reserve	14	-	14
Retained earnings	871	21	892
Share option reserve	94	-	94
Translation reserve	47	-	47
Total equity	4,005	21	4,026
Total Liabilities and Equity	10,662	(754)	9,908

Impact on the Consolidated Statement of Cashflows:

	As reported 2019 *£'000*	IFRS 16 Adjustments 2019 *£'000*	Without adoption of IFRS 16 2019 *£'000*
Operating Activities			
(Loss) before tax	(1,181)	21	(1,160)
Adjustment for			
Financial income	-	-	-
Financial cost	91	(37)	54
Depreciation and amortisation	1,794	(118)	1,676
Share option (gain)/expense	14	-	14
Other including foreign exchange adjustments arising from operations	(33)	-	(33)
Operating cash flows before movements in working capital	**685**	**(134)**	**551**
(Decrease)/increase in receivables	282	-	282
Decrease in inventories	3	-	3
Increase/(decrease) in payables	(603)	48	(555)
Add taxation (paid)/repaid	167	-	167
Net cash generated from operating activities	**534**	**(86)**	**448**
Investing Activities			
Interest received	-	-	-
Purchases of property plant and equipment	(29)	-	(29)
Sale of fixed assets	2	-	2-
Investment in development costs	(1,070)	-	(1,070)
Net cash used in investing activities	**(1,097)**	**-**	**(1,097)**
Financing Activities			
Interest paid	(83)	37	(46)
Lease payments	(49)	49	-
Bank Loan less repayments	(126)	-	(126)
Utilisation of banking facility	288		288
Proceeds from bank loan	500	-	500
Net cash used by financing activities	**530**	**86**	**616**
Net change in cash and cash equivalents	**(33)**	**0**	**(33)**

For comparative purposes, as at 31 December 2018, and as accounted for under IAS 17 per Note 1, the Group had future total commitments under non-cancellable operating leases as follows:

	2018
	£'000
Commitments payable, being due:	182
Within one year	172
Between two and five years	10