24 April 2013

Dillistone Group Plc
(“Dillistone”, the “Company” or the “Group”)
Final Results

Dillistone Group Plc, the AIM quoted supplier of recruitment software, is pleased to announce its audited results for the 12 months ended 31 December 2012.

Highlights:

- Revenues up 29% to £7.1m
- Record level of recurring revenues of £4.5m up 39% from 2011
- Operating profits before exceptional items up 21% to £1.7m and after exceptional items up 25% to £1.5m
- EPS pre exceptional items up 15% to 7.20p and up 27% to 6.79p post exceptional items
- Final dividend of 2.5p per share recommended, making total dividend for year of 3.7p (a yield of 4.8% on a share price of 77p)
- Cash funds of £1.6m (2011: £1.6m) after acquisition payment. The Group remains debt free
- Voyager Infinity launched in September 2012

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

“2012 has been an excellent year for Dillistone. The Group has delivered a strong set of results whilst additionally continuing to develop its product offerings and to seek further acquisition opportunities.”

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 10 May 2013 for approval at the Annual General Meeting to be held on 5 June 2013.

Contacts:

Dillistone Group Plc

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Notes to Editors:

Dillistone Group Plc (www.dillistonegroup.com) is a leader in the supply and support of recruitment software. It has two main trading businesses: Dillistone Systems, which targets the executive search industry (www.dillistone.com) and Voyager Software which targets other recruitment markets (www.voyage.co.uk). Dillistone was admitted to AIM, a market operated by the London Stock Exchange plc, in June 2006.

Chairman's Statement

The Group has again enjoyed a successful year in 2012, achieving a number of its shorter and longer term objectives, despite the continued economic difficulties. A strong set of results was delivered showing a profit before exceptional items of £1.311m (2011: £1.084m) and after exceptional items of £1.235m (2011: £0.926m).

The Group has two trading divisions, Dillistone Systems and Voyager Software. Both Divisions made a valuable contribution to our financial results whilst also delivering on important operational milestones.

Strategy

The Group's strategy is to grow the business both organically and through acquisition. This strategy is made possible by our commitment to product development, which ensures that the business continues to command a leading role in all of the markets in which it operates.

Our acquisition strategy entails consideration of firms offering:

- products that would further increase market share in the Group's core markets;
- legacy applications where clients could be transferred to our modern suite of products; or
- complementary applications which may be cross sold to clients of the Group.

2012 represents our first full year of ownership of Voyager Software, and the integration of Voyager Software into the Group has progressed well.

Whilst recognising the importance of delivering high quality products with distinct and recognised brands, we are additionally looking to realise the benefits of synergies where this can be achieved in a manner which will protect and enhance the customer experience.

It is the view of the Board that product development is fundamental to the long term success of the business and as a result 2013 will see us continue to invest in the development of innovative products within both of our divisions.

Dividends

The Board was pleased to increase the interim dividend payment in September 2012 to 1.2p (2011: 1.1667p). The Board has recommended a final dividend of 2.5p per share, subject to shareholder approval, payable on 26 June 2013 to holders on the register on 31 May 2013. Shares will trade ex-dividend from 29 May 2013. This takes the total dividend based on the 2012 results to 3.7p (2011: 3.5p), and gives a yield of 4.8% on a share price of 77p. With dividend cover approaching two times, the Group is now better placed to implement its progressive dividend policy, subject to the prevailing cash needs of the business.

Staff

Our staff are fundamentally important to the success of the business. It is through their efforts, commitment and determination that we continue to be a leading technology provider in the sectors we serve. On behalf of the Board I would like to take this opportunity to thank all of them.

Outlook

Dillistone Systems has seen improving orders, with Q1 of 2013 being the best quarter since Q2 of 2011 in terms of new business wins. Voyager Software sells a number of products and whilst the strength of the order intake has varied across the range, the Board is pleased to note that incoming orders for the next generation Infinity product are well up on the levels achieved by the predecessor product, Professional, in the equivalent period in 2012. This has allowed the Division to also show year-on-year growth in new business sales.

Despite these positive trends, in what remains an unpredictable economic climate, we remain cautious.

Dr Mike Love
Non-Executive Chairman

Chief Executive's Statement

Business Review

2012 saw recurring revenue grow 39% to £4.529m (2011: £3.248m) reflecting a full twelve months of Voyager Software recurring revenues being included in Group results for the first time. Recurring revenues represent 64% of revenues (2011: 60%). Pre tax profits before exceptional items increased 20% to £1.684m (2011: £1.405m).

Despite the difficult economic backdrop experienced in 2012, both of our divisions delivered what we consider to be laudable results whilst also continuing to invest in our future.

Dillistone Systems

In my 2011 report, I wrote that Dillistone Systems' next generation product had been well received. I am delighted to say that, despite an economic environment which saw the retained search market shrink by over 6%, our install base has continued to grow, with a new client signing up for FileFinder every other working day.

Beyond the numbers, however, what is particularly pleasing is the diversity of uptake. Whilst the bulk of our clientele remains the executive search industry, 2012 also saw us implement the system on behalf of organisations as varied as a university in Australia, a financial services firm in Asia, a retailer in the UK and an engineering firm in the US. Clients using FileFinder range from sole traders up to both FTSE 100 and Fortune 100 firms, and we have won clients from our direct competitors in both the UK and the US.

It is the view of the Board that, as the economic environment improves, the strength of our products and services will create a strong opportunity for further organic revenue growth.

Dillistone Systems also launched "The World Executive Search Congress" in Las Vegas in March 2012. This event provided the Group with a unique opportunity to market its products and services whilst also making a financial contribution to the business in its own right. Following a successful inaugural event in 2012, our 2013 event took place in March 2013 and was again very well received. Indeed, in just two years, the event has grown to become – we believe – the largest and most international event of its type. The Company has also announced plans to host a "European Executive Search Congress" in London later this year.

The development teams within the two Divisions have started to work more closely together and one of the synergy benefits during 2012 for the Dillistone Systems division was the development of the existing Voyager Mid Office product to allow it to integrate with the FileFinder product. The first live implementation of the integrated products occurred at global life sciences executive search and interim management firm RSA in January 2013. 2012 has also seen the launch of our web application for mobile devices "FFMobile", an in-house developed webapp, and additional improvements to the core product.

Dillistone Systems' head office is based in London and it has offices in the US, Germany and Australia. The Division accounts for 66% of the Group's revenue and saw recurring revenue grow 9% to £3.144m (2011: £2.874m). Its revenues reflected the economic environments of the territories we serve with sales into the Americas showing good growth, whilst other regions were slightly disappointing. As a whole, the Division saw segmental operating profit before amortisation and depreciation increase by 1% to £1.912m (2011: £1.889m).

Revenue

	2012 £'000	2011 £'000
Recurring income	3,144	2,874
Non-recurring income	1,522	1,885
	4,666	4,759

Voyager Software

The Group acquired Voyager Software in September 2011, and so the year in review is the first full year under our ownership. As a result, it has been a year of transition for this division. The Voyager Software division has made a good contribution to our results in its first year and enters 2013 in a position where we believe significant organic growth is possible.

Voyager spent much of 2012 preparing to launch the new "Voyager Infinity" platform. This is the next generation successor to the "Voyager Professional" platform which had historically been the most successful of the Voyager products.

Launched in September 2012, the Voyager Infinity product has been well received and contracts have been received from both new clients along with existing clients wishing to upgrade. The product has been implemented both in the UK and in Australia where the Voyager business now shares offices with Dillistone Systems in Sydney.

In 2012, the Voyager Software division accounted for 34% of Group revenues. The Division's revenues were £2.386m and it had a segmental operating profit before amortisation and depreciation of £0.484m. Revenues of £0.689m and a segmental operating profit before amortisation and depreciation of £0.168m were included in the accounts in 2011 which covered the period of ownership by the Group from 21 September 2011 to the year end.

Revenue

	2012 £'000	2011 £'000
Recurring income	1,385	374
Non-recurring income	618	237
Third Party Revenues	383	78
	2,386	689

Although both Divisions are run separately, increasing synergies are being delivered. These are both operational – for example, the standardisation of certain systems and infrastructure – and technical – with the configuration of the Voyager Mid Office application to work alongside the Dillistone Systems' FileFinder product. Both Divisions are committed to continuing to invest in product development to ensure they retain their market leading positions.

Jason Starr
Chief Executive

Finance Director's Statement

Overview

Total revenues increased by 29% to £7.052m (2011: £5.448m), with profit before tax and exceptional items up 20% to £1.684m (2011: £1.405m). Recurring revenues increased by 39% to £4.529m (2011: £3.248m). Non-recurring revenues saw an increase of 1% to £2.140m from £2.122m in 2011. Third party software product sales amounted to £0.383m in the period (2011: £0.078m). These results reflect a full twelve months of Voyager Software revenues.

Cost of sales increased by 96% to £0.864m (2011: £0.441m), reflecting the full year impact of Voyager, World Congress costs and also an exceptional item of £0.056m relating to the buyout of an onerous supplier contract in Voyager.

Administrative costs, excluding exceptional items, rose 26% to £4.573m (2011: £3.627m), again largely down to the full year impact of Voyager. Exceptional administrative costs totalled £0.102m (2011: £0.172m) and relate to tax and NI on options exercised by Voyager employees pre acquisition, amortisation of intangibles arising on the Voyager acquisition offset by a reduction in the estimated contingent consideration payable. Interest income has also been offset by the unwinding of the discount in respect of the deferred consideration.

Recurring revenues covered 99% of administrative expenses before exceptional costs (2011: 90%). Excluding depreciation and amortisation of our own internal development, the administrative costs are more than covered at 107% (2011: 96%).

Tax has been provided at an effective rate of 22% (2011: 23%) excluding exceptional items and at 18% (2011: 25%) post exceptional costs. These rates reflect the R&D tax credits available to both Dillistone Systems and Voyager Software that have been claimed, partially offset by the higher rates of corporation tax that are payable overseas. The post exceptional rate also reflects the reduction in deferred consideration which does not have a tax impact.

Profits for the year before exceptional items rose 21% to £1.311m (2011: £1.084m) and profits for the year after exceptional items increased by 33% to £1.235m. Basic EPS rose 15% to 7.20p (2011: 6.26p) before exceptional items and 27% to 6.79p (2011: 5.34p) after exceptional items. Fully diluted EPS rose 15% to 7.18p (2011: 6.23p) and 27% to 6.76p (2011: 5.32p) after exceptional items.

Capital expenditure

The Group invested £0.872m in fixed assets and product development during the year (2011: £0.661m). This expenditure included £0.803m (2011: £0.580m) spent on development costs, of which £0.403m relates to development in Voyager Software (2011: £0.101m), that has been capitalised under IFRS in the Group accounts. The 2011 expenditure for Voyager Software covers the period of ownership by the Group from 21 September 2011 to the year end.

Trade and other payables

As with previous years, the liability includes income which has been billed in advance but is not recognised as income at that time. This principally relates to support renewals which are billed in December 2012 but that are in respect of services to be delivered in 2013. Support 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 complete or the client software goes “live”. Also included in trade and other payables is £0.360m (2011: £0.499m) relating to consideration and contingent consideration due to Voyager shareholders. The contingent consideration is dependent on the level of revenue achieved by the Voyager Software division in the periods up to 31 December 2013.

Cash

Dillistone finished the year with cash funds of £1.643m (2011: £1.617m) and remains debt free. This is after capital expenditure of £0.872, payment to the vendors of Voyager of £0.098m and dividend payments of £0.643m (2011: £0.609m).

Julie Pomeroy
Finance Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Before Exceptional items 2012 £'000	Exceptional Items 2012 £'000	2012 £'000	Before Exceptional items 2011 £'000	Exceptional Items 2011 £'000	2011 £'000
Revenue	7,052	-	7,052	5,448	-	5,448
Cost of sales	(808)	(56)	(864)	(441)	-	(441)
Gross profit	6,244	(56)	6,188	5,007	-	5,007
Administrative expenses	(4,573)	(102)	(4,675)	(3,627)	(172)	(3,799)
Results from operating activities	1,671	(158)	1,513	1,380	(172)	1,208
Financial income	13	(13)	-	25	-	25
Profit before tax	1,684	(171)	1,513	1,405	(172)	1,233
Tax expense	(373)	95	(278)	(321)	14	(307)
Profit for the year	1,311	(76)	1,235	1,084	(158)	926
Other comprehensive income:						
Currency translation differences	(11)	-	(11)	(2)	-	(2)
Total comprehensive income for the year	1,300	(76)	1,224	1,082	(158)	924
Earnings per share – from continuing activities						
Basic**	7.20p		6.79p	6.26p		5.34p
Diluted**	7.18p		6.76p	6.23p		5.32p

***The comparative earnings per share have been adjusted to reflect the effect of the two for one bonus issue.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Retained earnings £'000	Share option £'000	Foreign exchange £'000	Total £'000
Balance at 31 December 2010	283	30	-	2,184	12	165	2,674
Comprehensive income							
Profit for the year ended 31 Dec 2011	-	-	-	926	-	-	926
Other comprehensive income							
Exchange differences on translation of overseas operations	-	-	-	-	-	(2)	(2)
Total comprehensive income	-	-	-	926	-	(2)	924
Transactions with owners							
Issue of share capital	60	421	365	-	-	-	846
Share option charge	-	-	-	-	12	-	12
Dividends paid	-	-	-	(609)	-	-	(609)
Capitalisation of reserves	567	-	-	(567)	-	-	-
Total transactions with owners	*627*	*421*	*365*	*(1,176)*	*12*	-	*249*
Balance at 31 December 2011	910	451	365	1,934	24	163	3,847
Comprehensive income							
Profit for the year ended 31 Dec 2012	-	-	-	1,235	-	-	1,235
Other comprehensive income							
Exchange differences on translation of overseas operations	-	-	-	-	-	(11)	(11)
Total comprehensive income	-	-	-	1,235	-	(11)	1,224
Transactions with owners							
Share option charges	-	-	-	2	44	-	46
Dividends paid	-	-	-	(643)	-	-	(643)
Total transactions with owners	-	-	-	*(641)*	*44*	-	*(597)*
Balance at 31 December 2012	910	451	365	2,528	68	152	4,474

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Group	
	2012	2011
ASSETS	£'000	£'000
Non-current assets		
Goodwill	2,490	2,490
Intangible assets	3,048	2,710
Property plant and equipment	124	143
Trade and other receivables	-	23
	5,662	5,366
Current assets		
Inventories	62	11
Trade and other receivables	1,715	1,728
Cash and cash equivalents	1,643	1,617
	3,420	3,356
Total assets	9,082	8,722
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	910	910
Share premium	451	451
Merger reserve	365	365
Retained earnings	2,528	1,934
Share option reserve	68	24
Translation reserve	152	163
Total equity	4,474	3,847
Liabilities		
Non current liabilities		
Trade and other payables	256	364
Deferred tax liability	592	565
Current liabilities		
Trade and other payables	3,609	3,795
Current tax payable	151	151
Total liabilities	4,608	4,875
Total liabilities and equity	9,082	8,722

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2012	2011	2011
Operating activities	£'000	£'000	£'000	£'000
Profit from operating activities	1,513		1,208	
Less taxation paid	(250)		(171)	
Adjustment for				
Depreciation and amortisation	553		309	
Share option expense	47		12	
Foreign exchange adjustments arising from operations	9		17	
Operating cash flows before movement in working capital	1,872		1,375	
Increase in receivables	(4)		(214)	
(Increase)/decrease in inventories	(51)		44	
(Decrease)/increase in payables	(149)		366	
Net cash generated from operating activities		1,668		1,571
Investing activities				
Interest received	13		25	
Purchases of property plant and equipment	(69)		(81)	
Investment in development costs	(803)		(580)	
Acquisition of subsidiaries	(98)		(1,292)	
Net cash used in investing activities		(957)		(1,928)
Financing activities				
Proceeds from issue of share capital	-		457	
Dividends paid	(643)		(609)	
Net cash used by financing activities		(643)		(152)
Net increase/(decrease) in cash and cash equivalents		68		(509)
Cash and cash equivalents at beginning of year		1,617		2,147
Effect of foreign exchange rate changes		(42)		(21)
Cash and cash equivalents at end of year		1,643		1,617

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 or 2011, but is derived from these financial statements. The financial statements for the year ended 31 December 2011 have been delivered to the Registrar of Companies. The financial statements for the year ended 31 December 2012 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 2012 will be forwarded to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on these financial statements; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The consolidated balance sheet at 31 December 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar.

2. Basis of preparation

The preliminary announcement is extracted from the consolidated financial statements of all the entities within 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.

The preliminary announcement has been prepared under the historical cost convention, except for revaluation of certain financial instruments.

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

3. Accounting policies and changes thereto

These preliminary announcement has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2011 except for the adoption of the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the financial year beginning 1 January 2011:

- IFRS 7 – Amendment – Transfer of Financial Asset
- IFRS 1 – Amendment – Severe hyperinflation and removal of fixed dates

None of the above had a material impact on the financial statements of the group. As such there have been no material changes to the Group's accounting policies since the previous Annual Report.

4. **Segment reporting**

The Board principally monitors the Group's operations in terms of results of the two divisions, Dillistone Systems and Voyager Software. In respect of 2011, Voyager Software numbers are included from 21 September 2011. Segment results reflect management charges made or received. Intercompany balances are excluded from segment assets and liabilities.

Divisional segments

For the year ended 31 December 2012

	Dillistone £'000	Voyager £'000	Central £'000	Total £'000
Recurring income	3,144	1,385	-	4,529
Non-recurring income	1,522	618	-	2,140
Third Party Revenues	-	383	-	383
Segment revenue	4,666	2,386	-	7,052
Segment EBITDA	1,912	484	(398)	1,998
Depreciation and amortisation expense	(281)	(46)	-	(327)
Segment result	1,631	438	(398)	1,671
Exceptional amortisation	-	-	(227)	(227)
Other exceptional charges	-	(84)	153	69
Operating profit	1,631	354	(472)	1,513
Financial income	12	1	(13)	-
Income tax expense				(278)
Profit after tax				1,235
Additions of non-current assets	465	407		872
Segment assets	3,181	349	14	3,544
Intangibles and goodwill	1,667	488	3,383	5,538
Total	4,848	837	3,397	9,082
Segment Liabilities	2,961	749	898	4,608

Segment reporting (continued)

For the year ended 31 December 2011

	Dillistone £'000	Voyager £'000	Central £'000	Total £'000
Recurring income	2,874	374	-	3,248
Non-recurring income	1,885	237	-	2,122
Third Party Revenues	-	78	-	78
Segment revenue	4,759	689	-	5,448
Segment EBITDA (before exceptional items)	1,889	168	(424)	1,633
Depreciation and amortisation expense	(250)	(3)	-	(253)
Segment result (before exceptional items)	1,639	165	(424)	1,380
Exceptional amortisation	-	-	(57)	(57)
Other exceptional charges	-	-	(115)	(115)
Operating profit	1,639	165	(596)	1,208
Financial income	25	-	-	25
Income tax expense				(307)
				926
Additions of non-current assets	560	101		661
Additions on acquisition	-	57		57
Segment assets	3,124	375		3,499
Intangibles and goodwill				5,200
Central assets				23
Total				8,722
Segment Liabilities	3,078	986		4,064
Central liabilities				811
				4,875

Products and services

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

Revenue

	2012 £'000	2011 £'000
Recurring income	4,529	3,248
Non-recurring income	2,140	2,122
Third Party Revenues	383	78
	7,052	5,448

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.

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.

5. Exceptional Items

	2012	2011
	£'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	227	57
Fees relating to the acquisition of Woodcote and its restructuring	-	115
	171	172

6. Earnings per share

	2012 Pre exceptional	2012 Post exceptional	2011 Pre exceptional	2011 Post exceptional
	£'000	£'000	£'000	£'000
Profit attributable to ordinary shareholders	1,311,000	1,235,000	1,084,000	926,000
Weighted average number of shares	18,201,294	18,201,294	17,328,365	17,328,365
Basic earnings per share	7.20 pence	6.79 pence	6.26 pence	5.34 pence
Weighted average number of shares after dilution	18,261,915	18,261,915	17,392,866	17,392,866
Fully diluted earnings per share	7.18 pence	6.76 pence	6.23 pence	5.32 pence

Reconciliation of basic to diluted average number of shares

	2012	2011
Weighted average number of shares (basic)	18,201,294	17,328,365
Effect of dilutive potential ordinary shares – employee share plans	60,621	64,501
Weighted average number of shares after dilution	18,261,915	17,392,866