

Dillistone Group Plc

Company No. 4578125

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2007**

Dillistone Group Plc

Contents

	Page
Chairman's Statement	3-4
Independent Review Report to Dillistone Group Plc	5
Consolidated Income Statement	6
Consolidated Balance Sheet	7
Consolidated Cash Flow Statement	8
Consolidated Statement of Changes in Equity	9
Notes to the Interim Report	10-12

Dillistone Group Plc

Chairman's Statement

I am very pleased to be able to report further significant progress in the 6 Months ended 30th June 2007, and excellent prospects for the remainder of the year and in the longer term.

Financial Performance

The financial results for the 6 Months ended 30th June show excellent growth in both sales and profitability. Overall sales increased by some 14% over the same period in 2006, underpinned by an increase of some 33% in recurring revenues partly as a result of a new sales alternative for clients in the USA, and excellent customer retention through support contracts. Non recurring revenues, which in 2006 were flattered to the extent of some £80,000 as a result of the completion of a large order, started in late 2005, increased by some 4% over the equivalent period in 2006. There is an encouraging trend towards recurring system sales, enhancing visibility of longer term revenues.

Total turnover in the period increased by 14% to £1,927,943 (*6 Months ended 30 June 2006 £1,685,121*), and profits before tax increased by 18% to £658,853 (*2006 Restated - £560,497*). Geographically, sales in all the overseas operations grew well, with Europe posting a 24% increase, and the USA and Australia and Asia Pacific regions both showed an 18% increase. Profits in the overseas operations grew by 32% in Europe, 27% in the USA, which continues to suffer from the effects of the weakness in the dollar, and in Australia and Asia Pacific, profits grew by a very commendable 49%.

The UK, which now has a higher level of costs following the relocation of the London headquarters in August of 2006, still managed to post a satisfying 15% increase in profits, notwithstanding its increased cost base. The overall group operating margin improved further to 33.8%, despite the effect of the increase in the cost base from the second half of 2006, and the large contract which flattered last years figures.

Cashflow has continued to reflect the profitable performance of the business, and at the end of the period we held cash balances of £1,190,608, compared with £538,591 at the year end. This is a cash inflow of over £663,000 in the period (excluding foreign exchange effects), reflecting the Group's tight controls over its working capital. The Group has no borrowings whatsoever.

Earnings per share amounted to 8.42p in the period (*2006 restated- 7.62p*), and the board has decided to pay an interim dividend of 2.5p per share on 19th October 2007 to holders on the register on 28th September 2007. The cost of this dividend will be £135,000 and will be met from the cash resources of the Group. Shares will trade ex-dividend from 26th September 2007. A further dividend of some 5p per share is expected to be paid following the publication of the final accounts and approval of shareholders at the Annual General Meeting.

Prospects

Following the launch of a new version of our Filefinder software in March, we have already announced some significant orders, many of which are due to be installed during the second half of 2007. In the 6 months to June, order intake was some 18%

Dillistone Group Plc

ahead of the same period in 2006. Additionally, support renewals in June were some 24% ahead of the same time last year. These factors provide comfort that the excellent performance in the first half will continue through the second half, and the cash reserves of the group provide it with a strong base for further growth.

Recent data published by the AESC for the first half of 2007 reports that the worldwide executive recruitment industry remains in a buoyant state, with an increase in the revenues per consultant of 6.7%, and an increase in overall revenues of some 20% compared to the same period in 2006. The report recognises the importance of emerging markets, and I am pleased that we were able to announce in June that we had clients in 50 countries around the world.

Filefinder is now used in more than 850 clients' sites in 50 countries around the world, and by some of the largest and most successful search firms as their main business system. The trend for its use in corporate clients is growing, particularly in the USA. These factors support the board's belief that the prospects for the group remain excellent, and that the new version of Filefinder will continue to be well received by the executive recruitment industry.

Jim McLaughlin

13th September 2007.

Dillistone Group Plc

Independent Review Report

Introduction

We have been instructed by the company to review the financial information set out on pages 6 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (United Kingdom and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Saffery Champness

Chartered Accountants

Beaufort House
2 Beaufort Road
Clifton
Bristol
BS8 2AE

13th September 2007

Dillistone Group Plc

CONSOLIDATED INCOME STATEMENT

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2007</i>	<i>2006</i>	<i>31 December</i>
		<i>(as restated)</i>	<i>2006</i>
	£	£	£
Revenue	1,927,943	1,685,121	3,301,362
Cost of sales	(145,082)	(122,965)	(274,481)
Gross profit	1,782,861	1,562,156	3,026,881
Administrative expenses	(1,130,268)	(1,003,674)	(2,107,724)
Profit from operations	652,593	558,482	919,157
Investment income	6,260	2,015	3,961
Profit before tax	658,853	560,497	923,118
Tax expense	(204,244)	(163,445)	(285,913)
Profit for the period/year	454,609	397,052	637,205
Earnings per share (pence)			
Basic	8.42	7.62	12.00
Diluted	7.96	6.94	11.13

Dillistone Group Plc

CONSOLIDATED BALANCE SHEET

	<i>As at 30 June</i>		<i>As at 31</i>
	<i>2007</i>	<i>2006</i>	<i>December</i>
		<i>(as restated)</i>	<i>2006</i>
	£	£	£
ASSETS			
Non-current assets			
Intangible assets	632,180	623,175	630,271
Property plant & equipment	171,708	42,436	181,476
	<u>803,888</u>	<u>665,611</u>	<u>811,747</u>
Current Assets			
Inventories	48,322	6,290	21,210
Trade and other receivables	1,118,048	720,520	827,633
Cash and cash equivalents	1,190,608	585,531	538,591
	<u>2,356,978</u>	<u>1,312,341</u>	<u>1,387,434</u>
Total Assets	<u><u>3,160,866</u></u>	<u><u>1,977,952</u></u>	<u><u>2,199,181</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	270,000	270,000	270,000
Share option reserve	18,071	2,743	13,316
Retained earnings	934,257	374,591	479,648
Translation reserve	(17,478)	(23,264)	(6,180)
Total Equity	<u>1,204,850</u>	<u>624,070</u>	<u>756,784</u>
Liabilities			
Current liabilities			
Trade and other payables	1,473,904	1,029,283	1,205,219
Current tax payable	277,868	161,154	228,575
	<u>1,751,772</u>	<u>1,190,437</u>	<u>1,433,794</u>
Non current liabilities			
Deferred tax liability	7,328	-	8,603
Non-current tax payable	196,916	163,445	-
Total liabilities	<u>1,956,016</u>	<u>1,353,882</u>	<u>1,442,397</u>
Total liabilities and equity	<u><u>3,160,866</u></u>	<u><u>1,977,952</u></u>	<u><u>2,199,181</u></u>

Dillistone Group Plc

CONSOLIDATED CASH FLOW STATEMENTS

	<i>As at 30 June</i>		<i>As at 31</i>
	<i>2007</i>	<i>2006</i>	<i>December</i>
	<i>£</i>	<i>£</i>	<i>2006</i>
		<i>(as restated)</i>	
			<i>£</i>
Operating activities			
Profit for the year / period	454,609	397,052	637,205
Adjustment for			
Depreciation	61,079	42,497	94,374
Share option expense	4,755	2,743	13,316
Loss on disposal	-	-	1,117
Operating cash flows before movements in working capital	520,443	442,292	746,012
(Increase) in receivables	(290,415)	(12,333)	(122,501)
(Increase)/decrease in inventories	(27,112)	26,124	11,204
Increase in payables	513,619	108,754	199,081
Net cash from operating activities	<u>716,535</u>	<u>564,837</u>	<u>833,796</u>
Investing activities			
Purchases of property, plant and equipment	(18,549)	(28,700)	(190,033)
Investment in development costs	(34,671)	(36,944)	(73,888)
Net cash used in investing activities	<u>(53,220)</u>	<u>(65,644)</u>	<u>(263,921)</u>
Financing activities			
Proceeds from issue of share capital	-	-	250,000
Costs of the issue	-	9,064	(240,936)
Dividends paid	-	(400,000)	(535,096)
Net cash provided by financing activities	<u>-</u>	<u>(390,936)</u>	<u>(526,032)</u>
Net increase in cash and cash equivalents	663,315	108,257	43,843
Cash and cash equivalents at beginning of year /period	538,591	515,750	515,750
Effect of foreign exchange rate changes	(11,298)	(38,476)	(21,002)
Cash and cash equivalents at end of year /period	<u><u>1,190,608</u></u>	<u><u>585,531</u></u>	<u><u>538,591</u></u>

Dillistone Group Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Share option reserve</i> £	<i>Retained earnings</i> £	<i>Foreign exchange</i> £	<i>Total</i> £
Balance at 31 December 2005	105,000	106,237	-	427,238	14,822	653,297
Profit for the 6 months ended 30 June 2006	-	-	-	397,052	-	397,052
Bonus issue from reserves	155,000	(106,237)	-	(48,763)	-	-
Issue of share capital	10,000	240,000	-	-	-	250,000
Costs of the issue	-	(240,000)	-	(936)	-	(240,936)
Share option expense	-	-	2,743	-	-	2,743
Exchange differences on translation of Overseas operations	-	-	-	-	(38,086)	(38,086)
Dividends paid	-	-	-	(400,000)	-	(400,000)
Balance at 30 June 2006 (as restated)	<u>270,000</u>	<u>-</u>	<u>2,743</u>	<u>374,591</u>	<u>(23,264)</u>	<u>624,070</u>
Profit for the 6 months ended 31 December 2006	-	-	-	240,153	-	240,153
Share option expense	-	-	10,573	-	-	10,573
Exchange differences on translation of Overseas operations	-	-	-	-	17,084	17,084
Dividends paid	-	-	-	(135,096)	-	(135,096)
Balance at 31 December 2006	<u>270,000</u>	<u>-</u>	<u>13,316</u>	<u>479,648</u>	<u>(6,180)</u>	<u>756,784</u>
Profit for the 6 months ended 30 June 2007	-	-	-	454,609	-	454,609
Share option expense	-	-	4,755	-	-	4,755
Exchange differences on translation of Overseas operations	-	-	-	-	(11,298)	(11,298)
Balance at 30 June 2007	<u>270,000</u>	<u>-</u>	<u>18,071</u>	<u>934,257</u>	<u>(17,478)</u>	<u>1,204,850</u>

Dillistone Group Plc

NOTES TO THE INTERIM REPORT

1. Basis of preparation

The financial information for the six months ended 30 June 2007 included in this interim report comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes on pages 11 - 12.

This interim financial information is unaudited but has been reviewed by the auditors and their review opinion is included in this interim report. The financial information set out in this report does not constitute statutory accounts as defined by the Companies Act 1985. Financial information for the year ended 31 December 2006 included herein is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

Change to previously reported 30 June 2006 results

As outlined in the 2006 Financial Statements Dillistone Group Plc reviewed its accounting policies in the context of International Financial Reporting Standards, and in accordance with IAS 38 it capitalised any development expenditure meeting the recognition criteria under the standard. The 30 June 2006 comparatives in this interim report have now been restated to reflect the change in treatment. The impact of the change is to increase intangible assets as at 30 June 2006 by £128,782.

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, adjusted to take into account sub-optimal exercise factor and other flaws in Black-Scholes, and taking into account the terms and conditions upon which the incentives were granted.

Dillistone Group Plc

3. Revenue and result

Geographical segments

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

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2007</i>	<i>2006</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>£</i>
UK	999,395	915,174	1,747,803
Europe	420,036	338,722	640,483
USA	336,158	285,537	598,807
Asia-Pacific	172,354	145,688	314,269
	<u>1,927,943</u>	<u>1,685,121</u>	<u>3,301,362</u>

Business Segment

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

	<i>6 Months ended 30 June</i>		<i>Year ended</i>
	<i>2007</i>	<i>2006</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Recurring income	816,914	612,888	1,287,531
Non-recurring income	1,111,029	1,072,233	2,013,831
	<u>1,927,943</u>	<u>1,685,121</u>	<u>3,301,362</u>

Recurring income includes all support services, and web hosting income. Non-recurring income includes sales of new licenses, and income derived from installing those licenses including training, installation, and data translation.

Result

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
	<i>2007</i>	<i>2006</i>	<i>31 December</i>
	<i>£</i>	<i>£</i>	<i>£</i>
		<i>(as restated)</i>	
UK	343,366	299,433	352,401
Europe	308,427	233,935	496,766
USA	86,322	68,216	204,279
Asia-Pacific	99,443	66,847	175,800
	<u>837,558</u>	<u>668,431</u>	<u>1,229,246</u>
Unallocated expenses	(184,965)	(109,949)	(310,089)
Profit from operations	<u>652,593</u>	<u>558,482</u>	<u>919,157</u>

Dillistone Group Plc

4. Dividends

An interim dividend of 2.5 pence per share, totaling £135,000 has been approved by the board, and will be paid on 19th October 2007 to holders on the register on 28th September 2007.

5. Earnings per share

	<i>6 Months ended 30th June</i>		<i>Year ended</i>
	<i>2007</i>	<i>2006</i>	<i>31 December</i>
	<i>(as restated)</i>		<i>2006</i>
	£	£	£
Basic earnings per share:			
Profit attributable to ordinary shareholders	454,609	397,502	637,205
Weighted average number of shares	5,400,000	5,217,777	5,309,890
Basic earnings per share (pence)	8.42	7.62	12.00
Diluted earnings per share:			
Diluted profit attributable to ordinary shareholders	455,359	397,502	637,205
Diluted weighted average number of shares	5,723,876	5,272,432	5,481,201
Diluted earnings per share (pence)	7.96	7.54	11.63