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Dillistone Group Plc

**UNAUDITED INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2022**

Company No. 4578125



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Key points of the unaudited interim report for the six months ended 30 June 2022

Financial Highlights

- Revenue increased by 1% to £2.823m. First H1 growth since 2017.
- Recurring revenues represented 88% (2021: 90%) of Group revenue, which covers administration expenses (excluding depreciation and amortisation).
- Annualised recurring revenue relating to Talentis ended H1 at £62k, an increase of over 300% on the equivalent figure at the end of H2 2021.
- Growth in orders driven by improving performance in market. Order book increased by 13% year on year.
- The Group benefited from flexible furlough support worth £0.170m in 2021. Excluding this, the Adjusted* loss on operating activity decreased from £0.260m in 2021 to £0.129m in 2022 - an improvement of 51%.
- Net cash from operating activities broadly the same at £0.560m (2021: £0.562m).
- Cash at period end of £0.608m. The Board does not expect the Group to require additional funding to reach profitability.

Operational Highlights

- Improved performance in both UK contingency and global executive search sectors.
- Contingency business successfully implemented previously announced large contract win. A further large contract was received post period end, providing confidence in H2 and visibility into the future.
- Driven by Talentis, our executive search products had their best H1 in terms of new contract wins since 2017.

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

“In my statement in the annual report, I was optimistic for the future and our H1 results validate this belief. Revenue is growing, our order book is stronger and operational performance is improving. We enter the second half with a strong pipeline of business and are optimistic about delivering further progress in the coming months.”

While the Board is conscious of the broader economic situation, it expects the Group to deliver full year results in line with market expectations.”

* Note: “Adjusted” refers to activities before acquisition, reorganisation, furlough support, and one-off costs



Chairman's Statement

In my statement in the annual report, I said that I was optimistic for the future. This has been validated by our first half results which show a strong and improving performance in both our executive search and contingency staffing markets.

In the first half, the Group has delivered increased revenue, improved cash generation and a healthy order book. The Group benefited from flexible furlough support worth £0.170m in 2021. Excluding this, the Adjusted loss on operating activity decreased from £0.260m in 2021 to £0.129m in 2022 - an improvement of 51%.

We have previously announced that our non-executive Director, Julie Pomeroy, was due to step down from the Board on 30th September 2022. We are pleased to say that Julie has now agreed to stay with the Group. We are also delighted to confirm that Ian Mackin, previously Interim FD has now accepted the position on a permanent basis. We would like to thank Joanne Curd, who left the Group at the end of July 2022, for her valuable contribution.

Operational Review

The Group has seen order book growth of 13%, helping us to deliver H1 year on year revenue growth. While much of the growth has been in non-recurring revenue, we are pleased to note that recurring revenue saw year on year quarterly growth during Q2 2022, and we fully expect this growth to continue into H2. Net debt stands at (£0.992m), against a 2021 figure of (£0.925m). Cash generation in H1 was ahead of budget and the Group does not expect to need to raise additional capital to restore profitability.

We are pleased to report an improving performance from both our contingency and executive search products.

Our contingency products (Infinity, ISV, Mid-Office and VDQ) saw revenue grow by a combined 9%, driven by a particularly strong performance from our Infinity recruiting CRM. Many of our Infinity projects have been on behalf of firms in the Temporary staffing space and, as such, some of these firms also implement our Mid-Office application.

The period saw the successful completion of our previously announced large Infinity order and we are pleased to report that, post period end, we have won a further large contract for this product.

Our ISV product continues to make a contribution to profits, with clients including many of the UK's largest recruitment businesses. A number of these firms are on multi-year contracts.

The increasingly strong performance by Infinity has allowed the Group to prepare for the withdrawal of support for our VDQ product, and this is expected to occur over the coming months.



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Our market share in the executive search software space (where historically we have offered FileFinder and GatedTalent) has fallen over recent years. However, we are delighted to report that this trend has begun to reverse. Driven by strong performance by our Talentis product, launched in 2021, this part of our business has added more than 50 new clients in the first half. In terms of new client wins, this was our best executive search CRM performance since 2017.

Launched in early 2021 and provided as part of a package to many FileFinder clients, Talentis now also has “stand alone” paying clients on six continents. Most of these clients have a small number of users, but we expect average client size (and associated revenue) to grow over time as we continue to develop and extend the product. Annualised recurring revenue associated with Talentis ended H1 at £62k, an increase of over 300% on the equivalent figure at the end of H2 2021. Across the Group, it has become our fastest growing CRM product by number of contract wins in the period.

Our FileFinder product has seen improved client retention, partly as a result of our decision to provide Talentis as part of a package to many of these firms. We have now completed our re-engineering of the FileFinder SaaS platform and are pleased to report a reduction in our FileFinder hosting costs of 21% in the period, largely as a result of this work.

GatedTalent continues to make a contribution to the Group, and the period has seen us undertake work to improve the margin associated with the professional services delivered under this banner. As part of this, we were delighted when one of our employees became – we believe - the first resume writer in Europe to be recognised by the National Résumé Writers’ Association.

Across all of our product range, we continue to deliver best-in-class customer service. During the period, we were delighted to become, we believe, the first firm in our market to earn a “5* Excellent” rating on Trustpilot.

Financial Performance

Revenue in the six months ended 30 June 2022 amounted to £2.823m, up £0.022m (1%) (2021: £2.801m). Recurring revenues decreased by 2% to £2.477m over the comparable period last year (2021: 17% decline on 2020 H1 to £2.522m). However, in Q2 2022 we experienced our first year on year growth in quarterly recurring revenue since Q2 2018. Recurring revenues represented 88% of total revenues (2021: 90%). Non-recurring revenues were up 30% at £0.261m (2021: £0.200m).

Cost of sales increased 4% to £0.351m (2021: £0.336m), benefitting from a decrease of 21% in hosting costs for our FileFinder SaaS product as we moved to a new platform. This helped offset a growth driven rise in cloud and data processing costs elsewhere.

Adjusted administration expenses decreased by £0.139m to £2.037m (2021: £2.176m). These expenses are covered 122% by recurring revenue (2021: 116%)



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Amortisation of acquisition intangibles amounted to £0.082m (2021: £0.107m). In 2021 other items of credit £(0.092m) were received, which included the write-off of a US payroll protection loan which was forgiven in the period and, in Australia, a Covid-19 related grant.

The loss for the period before tax increased to £0.274m (2021: loss £0.141m). The loss after tax was £(0.183m) (2021: £(0.101m)).

There is a tax credit for the period of £0.091m (2021: credit £0.040m). The 2021 and 2022 tax credits have benefited from claims in the UK for research and development reflecting the continuing development of our products.

Cash generated from operating activities stayed broadly level at £0.560m (2021: £0.562m). Total cash flows in the 6 months ended 30 June 2022 showed a net outflow of £0.186m (2021: outflow £0.110m). The main elements of non-operating expenditure related to investment in new product development of £0.477m (2021: £0.504m) and loan repayments of £0.150m (2021: £0.213m).

At 30 June 2022, we had net cash reserves of £0.608m (2021: £1.039m) and £1.600m in borrowings (2021: £1.964m).

The CBIL loan balance stands at £1.200m and, on the current payment profile, has another 4 years until it is fully repaid. The Group also has a convertible loan of £0.400m, which will not be repaid until the CBIL loan has been repaid.

Strategy

Our long-term strategy is unchanged, concentrating on returning to sustainable growth and increasing profits. We are excited by the opportunity provided by our new Talentis product and the continued investment across our product range, backed up by consistently delivering “best in class” service to our clients.

Outlook

In my statement in the annual report, I was optimistic for the future. This remains my view, and I am delighted to that our performance during and since H1 has compounded this opinion.

In our view, Infinity has become a leading product in the UK temporary staffing sector, and we believe that this market is likely to perform well during any economic downturn. Talentis continues to grow rapidly and, based on the number of contracts signed in H1, we believe that the product has taken a significant share of new orders in the market and will increasingly be considered a market leader in the sectors it serves. Our aim now is to increase the size and value of the contracts associated with this product – and we are already seeing progress to this end. We remain very excited by the opportunity that Talentis presents for our Group.



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The Group expects to deliver full year results in line with market expectations. Our cash position as at 31 August 2022 was £0.617m and we do not expect to raise additional funds to reach profitability.

Giles Fearnley

23 September 2022

Dillistone Group Plc



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months ended 30 June		Year ended
		2022	2021	31 Dec
		Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	4	2,823	2,801	5,599
Cost of sales		(351)	(336)	(685)
Gross profit		2,472	2,465	4,914
Administrative expenses		(2,683)	(2,570)	(5,113)
Result from operating activities	4	(211)	(105)	(199)

<i>Analysed as:</i>				
<i>Result from operating activities before furlough support, acquisition related, reorganisation and other items</i>		(129)	(260)	(375)
<i>Furlough support</i>		-	170	235
<i>Acquisition related, reorganisation and other items</i>	5	(82)	(15)	(59)
<i>Result after acquisition related items</i>		(211)	(105)	(199)

Financial cost		(63)	(36)	(99)
(Loss) before tax		(274)	(141)	(298)
Tax income	6	91	40	302
(Loss)/profit for the period		(183)	(101)	4
Other comprehensive income net of tax:				
Currency translation differences		6	2	4
Total comprehensive (loss)/income for period net of tax		(177)	(99)	8

Earnings per share (pence)

Basic	8	(0.93)	(0.51)	0.02
Diluted		(0.93)	(0.51)	0.02

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>As at 30 June 2022</i>	<i>As at 30 June 2021</i>	<i>As at 31 Dec 2021</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
ASSETS			
Non-current assets			
Goodwill	3,415	3,415	3,415
Intangible assets	3,030	3,274	3,142
Right of use assets	541	646	592
Property plant & equipment	22	18	25
	<hr/> 7,008	<hr/> 7,353	<hr/> 7,174
Current assets			
Trade and other receivables	739	843	615
Current tax receivable	119	67	29
Cash and cash equivalents	608	1,175	764
	<hr/> 1,466	<hr/> 2,085	<hr/> 1,408
Total assets	<hr/> 8,474	<hr/> 9,438	<hr/> 8,582
EQUITY AND LIABILITIES			
Equity			
Share capital	983	983	983
Share premium	1,631	1,631	1,631
Merger reserve	365	365	365
Convertible loan reserve	14	14	14
Retained earnings	79	107	262
Share option reserve	72	124	64
Translation reserve	69	61	63
Total equity	<hr/> 3,213	<hr/> 3,285	<hr/> 3,382
Liabilities			
Non current liabilities			
Trade and other payables	252	237	238
Lease liabilities	516	604	560
Borrowings	1300	1,600	1,450
Deferred tax	210	299	210
Total non-current liabilities	<hr/> 2,278	<hr/> 2,740	<hr/> 2,458
Current liabilities			
Trade and other payables	2,595	2,808	2,347
Lease liabilities	88	105	95
Borrowings	300	364	300
Utilisation of banking facility	-	136	-
Current tax payable	-	-	-
Total non-current liabilities	<hr/> 2,983	<hr/> 3,413	<hr/> 2,742
Total liabilities	<hr/> 5,261	<hr/> 6,153	<hr/> 5,200
Total liabilities and equity	<hr/> 8,474	<hr/> 9,438	<hr/> 8,582

The interim report was approved by the Board of directors and authorised for issue on 23 September 2022. They were signed on its behalf by:

JS Starr

IJ Mackin

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CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 30 June		As at 31 December
	2022	2021	2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating Activities			
(Loss) before tax	(274)	(141)	(298)
Adjustment for			
Financial cost	63	36	99
Depreciation and amortisation	648	656	1,335
Share option expense	8	15	3
Other including foreign exchange adjustments arising from operations	(24)	(4)	10
Operating cash flows before movements in working capital	421	562	1,149
Increase / (Decrease) in receivables	(124)	20	268
Increase / (Decrease) in payables	263	(184)	(639)
Net taxation repaid	-	164	373
Net cash generated from operating activities	560	562	1,151
Investing Activities			
Purchases of property plant and equipment	(5)	(4)	(21)
Investment in development costs	(477)	(504)	(987)
Net cash used in investing activities	(482)	(508)	(1,008)
Financing Activities			
Finance cost	(63)	(36)	(99)
Lease payments made	(51)	(51)	(104)
Bank loan repayments	(150)	(213)	(461)
Utilisation of banking facility	-	136	-
Net cash generated from financing activities	(264)	(164)	(664)
Net change in cash and cash equivalents	(186)	(110)	(521)
Cash and cash equivalents at beginning of the period	764	1,291	1291
Effect of foreign exchange rate changes	30	(6)	(6)
Cash and cash equivalents at end of period	608	1,175	764



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Retained earnings £'000	Convertible loan reserve £'000	Share option £'000	Foreign exchange £'000	Total £'000
Balance at 31 December 2021	983	1,631	365	262	14	64	63	3,382
Comprehensive income								
Loss for the 6 months ended 30 June 2022	-	-	-	(183)	-	-	-	(183)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	6	6
Total comprehensive (loss)	-	-	-	(183)	-	-	6	(177)
Transactions with owners								
Share option charge	-	-	-	-	-	8	-	8
Balance at 30 June 2022	983	1,631	365	79	14	72	69	3,213
Balance at 31 December 2020	983	1,631	365	208	14	110	59	3,370
Comprehensive income								
Loss for the 6 months ended 30 June 2021	-	-	-	(101)	-	-	-	(101)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	2	2
Total comprehensive (loss)	-	-	-	(101)	-	-	2	(99)
Transactions with owners								
Share option charge	-	-	-	-	-	14	-	14
Balance at 30 June 2021	983	1,631	365	107	14	124	61	3,285



NOTES TO THE UNAUDITED INTERIM REPORT

1. Basis of Preparation

The financial information for the six months ended 30 June 2022 included in this condensed interim report comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes.

The financial information in these interim results is that of the holding company and all of its subsidiaries (the Group). It has been prepared in accordance with UK adopted international accounting standards but does not include all of the disclosures that would be required under International Financial Reporting Standards (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2021 and are those which will form the basis of the 2022 financial statements.

The comparative financial information presented herein for the year ended 31 December 2021 does not constitute full statutory accounts for that period. The Group's annual report and accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Going concern

The directors have continued to perform detailed forecasting on a regular basis taking into account current trading and expectations and cash balances and, having reflected upon these forecasts, the directors of the Company continue to adopt the going concern basis of accounting in preparing the financial statements.

Dillistone Group Plc is the Group's ultimate parent company. It is a public listed company and is domiciled in the United Kingdom. The address of its registered office and principal place of business is 12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD. 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. Reconciliation of adjusted operating profits to consolidated statement of comprehensive income

30 June 2022 and 30 June 2021

	Adjusted operating profits	Acquisition related items	30-Jun-2022	Adjusted operating profits	Acquisition and reorganisation related items	30-Jun-2021
	30-Jun-2022	2022*		30-Jun-2021	2021*	
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,823	-	2,823	2,801	-	2,801
Cost of sales	(351)	-	(351)	(336)	-	(336)
Gross profit	2,472	-	2,472	2,465	-	2,465
Administrative expenses	(2,601)	(82)	(2,683)	(2,555)	(15)	(2,570)
Results from operating activities (inc furlough)	(129)	(82)	(211)	(90)	(15)	(105)
Financial cost	(63)	-	(63)	(36)	-	(36)
(Loss) before tax	(192)	(82)	(274)	(126)	(15)	(141)
Tax expense/(income)	76	15	91	36	4	40
(Loss)/profit for the year	(116)	(67)	(183)	(90)	(11)	(101)
Other comprehensive income net of tax:						
Currency translation differences	6	-	6	2	-	2
Total comprehensive (loss) for the year net of tax	(110)	(67)	(177)	(88)	(11)	(99)

* see accounts note 5

Earnings per share – from continuing activities

Basic	(0.59)p	(0.93)p	(0.46)p	(0.51)p
Diluted	(0.59)p	(0.93)p	(0.46)p	(0.51)p

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31 December 2021

	Adjusted operating profits	Acquisition and reorganisation related items	
	31 December 2021	2021*	31 December 2021
	£'000	£'000	£'000
Revenue	5,599	-	5,599
Cost of sales	(685)	-	(685)
Gross profit	4,914	-	4,914
Administrative expenses	(5,054)	(59)	(5,113)
Results from operating activities (inc furlough)	(140)	(59)	(199)
Financial cost	(99)	-	(99)
Loss before tax	(239)	(59)	(298)
Tax income	287	15	302
Profit/(loss) for the year	48	(44)	4
Other comprehensive income net of tax:			
Currency translation differences	4	-	4
Total comprehensive profit/(loss) for the year net of tax	52	(44)	8

* see accounts note 5

Earnings per share – from continuing activities

<i>Basic</i>	<i>0.24p</i>	<i>0.02p</i>
<i>Diluted</i>	<i>0.24p</i>	<i>0.02p</i>



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4. Segment reporting

Results

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2022</i>	<i>2021</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2021</i>
			<i>£'000</i>
Results from operating activities			
Ikiru People	(128)	(61)	(169)
Central	(1)	(29)	29
Reorganisation and other costs	-	92	154
Amortisation of acquisition intangibles and reorganisation costs	(82)	(107)	(213)
Result from operating activities	<u>(211)</u>	<u>(105)</u>	<u>(199)</u>

Geographical segments

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

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2022</i>	<i>2021</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2021</i>
			<i>£'000</i>
UK	1,942	1,928	3,933
Europe	350	441	762
Americas	309	242	526
Australia	117	76	140
ROW	105	114	238
	<u>2,823</u>	<u>2,801</u>	<u>5,599</u>



4. Segment reporting (continued)

Business Segment

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

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2022</i>	<i>2021</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Recurring	2,477	2,522	5,009
Non recurring	261	200	427
Third party revenues	85	79	163
	<u>2,823</u>	<u>2,801</u>	<u>5,599</u>

'Recurring income' represents all income recognised over time, whereas 'Non-recurring income' represents all income recognised at a point in time. Recurring income includes all support services, software as a service income (SaaS) and hosting income. Non-recurring income includes sales of new licenses, and income derived from installing those licenses including training, installation, and data translation. Third party revenues arise from the sale of third party software.

5. Acquisition related items and other one off costs

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2022</i>	<i>2021</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Reorganisation costs	-	-	6
US Government loan (Payment Protection Program)	-	(86)	(154)
Grants received from overseas jurisdictions	-	(6)	(6)
Amortisation of acquisition intangibles	82	107	213
Total	<u>82</u>	<u>15</u>	<u>59</u>

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6. Tax

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2022</i>	<i>2021</i>	<i>31 Dec</i>
	<i>£'000</i>	<i>£'000</i>	<i>2021</i>
			<i>£'000</i>
Current tax	(56)	(43)	(96)
Prior year adjustment – current tax	-	-	(121)
Deferred tax release	(20)	(11)	(35)
Prior year adjustment – deferred tax	-	-	(60)
2021 Deferred tax rate change to 25% (19% in 2020)	-	34	50
Deferred tax re acquisition intangibles	(15)	(20)	(40)
Tax credit for the period	<u>(91)</u>	<u>(40)</u>	<u>(302)</u>

The tax charge is calculated for each jurisdiction based on the estimated position for the year. Deferred tax has been provided at a rate of 25% (2021: 25%).

7. Dividends

The Board has decided not to pay an interim dividend (2021: nil per share).

8. Earnings per Share

	<i>6 months ended 30 June</i>		<i>Year ended</i>
	<i>2022</i>	<i>2021</i>	<i>31 Dec</i>
			<i>2021</i>
Basic earnings per share			
(Loss) attributable to ordinary shareholders	£(183,000)	£(101,000)	£4,000
Weighted average number of shares	19,668,021	19,668,021	19,668,021
Basic (loss) per share (pence)	<u>(0.93)</u>	<u>(0.51)</u>	<u>0.02</u>

As the Group is in a loss position shares options are anti-dilutive.



9. Related party transactions

The Company has related party relationships with its subsidiaries, its directors, and other employees of the Company with management responsibility. There were no transactions with these parties during the period outside the usual course of business.

The Directors participated in the issue of convertible loan notes in 2017 which carry interest at 8.15% per annum payable quarterly in arrears.

There were no transactions with any other related parties.

10. Cautionary statement

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for these strategies to succeed. The Interim Report should not be relied on by any other party or for any other purpose. The Interim Report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Company. These statements are made in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution as they involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The continuing uncertainty in global economic outlook inevitably increases the economic and business risks to which the Company is exposed. Nothing in this announcement should be construed as a profit forecast.