

Company Registration No 02043300 (England and Wales)

DILLISTONE SYSTEMS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007



DILLISTONE SYSTEMS LIMITED

DIRECTORS AND ADVISERS

Directors	J McLaughlin – Executive Chairman & Finance Director J S Starr – Managing Director R Howard – Operations Director A D James – Project Director A F B Milne – Technical Support Director
Secretary	R Howard
Company number	02043300
Registered office	3rd Floor 50-52 Paul Street London EC2A 4LB
Registered auditors	Saffery Champness Beaufort House 2 Beaufort Road Clifton Bristol BS8 2AE
Principal Bankers	Barclays Bank plc 240 Whitechapel Road PO Box 14623 London E1 1SH
Solicitors	Osborne Clark 2 Temple Back East Temple Quay Bristol BS1 6EG

DILLISTONE SYSTEMS LIMITED

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DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities and review of the business

The principal activity of the company is the sale of specialist computer software and the provision of related support services

Results and Dividends

During the year the company achieved profits before tax of £1,217,013 (2006 £655,779). An interim dividend of £5 40 per share (based on 25,000 shares in issue at the time) was approved on 13 September 2007 and paid on 19 October 2007. A further interim dividend of £20 per share (based on 25,000 shares in issue at the time) was approved on 16 October 2007 and paid immediately. A final dividend of £12 96 per share was approved by the board on 15 April 2008 and will be paid on 23 May 2008, subject to approval by the shareholders.

United Kingdom

Our home region once again generated excellent results, with a 52.22% increase in profit. It should be noted, however, that a number of the larger clients invoiced from the UK – in particular Spengler Fox – featured significant international work. The results of these contracts therefore fall within the accounts of our UK subsidiary, even though the profits were actually earned overseas. In addition to Spengler Fox, significant contract wins in the UK also included Hays Executive – the Executive Search division of the UK's largest Recruitment firm – and Norman Broadbent. Each of these firms switched to FILEFINDER from a direct competitor.

Europe

Our European business also performed to an exceptional level, with year on year profits up 32%. European executive search firms are often smaller than their counterparts in the UK and US, and so this performance reflects volume of new business wins rather than scale. Our performance in Russia and eastern Europe was particularly pleasing, with a number of significant contract wins.

Balance sheet

The balance sheet remains strong with cash of £842,276 (2006 - £238,684), and net assets of £1,385,893 (2006 - £1,038,667).

Product Development

2007 was a major year in the development of FILEFINDER. In March, we launched FILEFINDER 8. FILEFINDER 8 is the latest iteration of our main product and features both a new interface and extensive new functionality. This was followed in September by the launch of a new release of our "FFImport" module. The new FFImport, compared to its predecessor, features significant additional functionality for our clients and a lower cost of implementation for us. As the year closed, our next generation tool for handheld devices, FFMobile, was in the final stages of beta testing and was released in January 2008. FFMobile is provided as an add-on to our core FILEFINDER platform.

We believe that FILEFINDER is used by more Executive Search firms than any other product, and are committed to a development path that will maintain that position.

DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Beyond FILEFINDER, we continue to develop a number of additional products and services which are designed to both increase brand awareness of our organisation whilst also providing additional revenue streams. In 2007 we ran conferences in London and Hong Kong and provided "executive search training skills" courses in a number of countries. Between the training we provide in FILEFINDER and our more generic courses in executive search skills, we believe we probably provide third party training to more retained executive search professionals than any other organization. 2008 will see us extend our conference and training portfolio with events in New York, Frankfurt and London and the launch of online webinar training.

Directors

The following directors have held office since 1 January 2007

J McLaughlin

J S Starr

R Howard

A D James

A F B Milne

Directors' interests

None of the directors had any interests in the share capital of the company as at 31 December 2007 or as at 31 December 2006.

The directors' interests in the shares of Dillistone Group PLC, the parent undertaking, are detailed in the Directors' Report included within that company's Annual Report.

Charitable donations

During the year the company made the following payments

	2007	2006
	£	£
Charitable donations	<u>725</u>	<u>450</u>

Creditor payment policy

The company agrees payment terms with individual suppliers which vary according to the commercial relationship and the terms of the agreement reached. Payments are made to suppliers in accordance with the terms agreed. The number of supplier days represented by trade payables at 31 December 2007 was 34 (31 December 2006: 51).

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The directors are responsible for preparing the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to

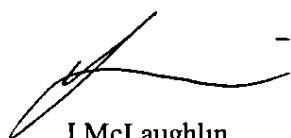
- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Statement of disclosure to auditor

In the case of each of the persons who are directors at the time when this report is approved, the following applies,

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and,
- (b) each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



J McLaughlin
Director

15 April 2008

DILLISTONE SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements ("the financial statements") of Dillistone Systems Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

DILLISTONE SYSTEMS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2007**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Directors' Report is consistent with the financial statements

Saffery Champness

Saffery Champness

Chartered Accountants
Registered Auditors

Beaufort House
2 Beaufort Road
Clifton
Bristol BS8 2AE

Date: *15 April 2008*

DILLISTONE SYSTEMS LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
Revenue	3	3,008,006	2,388,286
Cost of sales		<u>(236,782)</u>	<u>(192,520)</u>
Gross profit		2,771,224	2,195,766
Administrative expenses		<u>(1,567,950)</u>	<u>(1,543,948)</u>
Profit from operations	4	1,203,274	651,818
Financial income	5	13,739	3,961
Profit before tax		<u>1,217,013</u>	<u>655,779</u>
Tax expense	6	(283,215)	(199,765)
Profit for the year		<u><u>933,798</u></u>	<u><u>456,014</u></u>

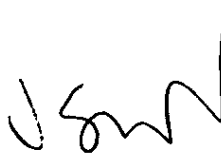
DILLISTONE SYSTEMS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital £	Retained earnings £	Foreign exchange £	Total £
Balance at 31 December 2005	25,000	723,648	-	748,648
Profit for the year ended 31 December 2006	-	456,014	-	456,014
Exchange differences on translation of overseas operations	-	-	(30,899)	(30,899)
Dividends paid	-	(135,096)	-	(135,096)
Balance at 31 December 2006	25,000	1,044,566	(30,899)	1,038,667
Profit for the year ended 31 December 2007	-	933,798	-	933,798
Exchange differences on translation of overseas operations	-	-	48,428	48,428
Dividends paid	-	(635,000)	-	(635,000)
Balance at 31 December 2007	<u>25,000</u>	<u>1,343,364</u>	<u>17,529</u>	<u>1,385,893</u>


DILLISTONE SYSTEMS LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Note	2007 £	2006 £
ASSETS			
Non-current assets			
Intangible assets	7	145,442	135,878
Property, plant and equipment	8	146,125	175,980
Investments	9	18,000	18,000
		<u>309,567</u>	<u>329,858</u>
Current assets			
Inventories	10	2,334	21,210
Trade and other receivables	11	2,286,592	1,948,738
Cash and cash equivalents		842,276	238,684
		<u>3,131,202</u>	<u>2,208,632</u>
Total assets		<u><u>3,440,769</u></u>	<u><u>2,538,490</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	25,000	25,000
Retained earnings		1,343,364	1,044,566
Translation reserve		17,529	(30,899)
Total equity		<u>1,385,893</u>	<u>1,038,667</u>
Liabilities			
Non current liabilities			
Deferred tax liability	6	3,000	8,603
Current liabilities			
Trade and other payables	12	1,766,313	1,306,020
Current tax payable		285,563	185,200
Total liabilities		<u>2,054,876</u>	<u>1,499,823</u>
Total liabilities and equity		<u><u>3,440,769</u></u>	<u><u>2,538,490</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15 April 2008. They were signed on its behalf by



J S Starr - Director



J McLaughlin - Director

DILLISTONE SYSTEMS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £	2007 £	2006 £	2006 £
Operating activities				
Profit from operations	1,203,274		651,818	
Less taxation paid	(182,852)		(131,306)	
Adjustments for				
Depreciation & amortisation	124,232		91,948	
Loss on disposal	-		1,117	
	<u>1,144,654</u>		<u>613,577</u>	
Operating cash flows before movements in working capital	1,144,654		613,577	
(Increase) in receivables	(337,854)		(452,744)	
Decrease in inventories	18,876		11,204	
Increase in payables	<u>454,690</u>		<u>301,967</u>	
Net cash generated in operating activities		1,280,366		474,004
Investing activities				
Interest received	13,739		3,961	
Purchases of property plant and equipment	(28,853)		(189,307)	
Investment in development costs	<u>(75,088)</u>		<u>(73,888)</u>	
Net cash used in investing activities		(90,202)		(259,234)
Financing activities				
Dividends paid	<u>(635,000)</u>		<u>(135,096)</u>	
Net cash used in financing activities		(635,000)		(135,096)
Net increase in cash and cash equivalents		<u>555,164</u>		<u>79,674</u>
Cash and cash equivalents at beginning of year		238,684		189,909
Effect of foreign exchange rate changes		48,428		(30,899)
Cash and cash equivalents at end of year		<u><u>842,276</u></u>		<u><u>238,684</u></u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Dillistone Systems Limited (the “company”) is a company incorporated in England and Wales. The financial statements are presented in pounds Sterling, and were authorised for issue by the directors on 15 April 2008.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

1. Accounting policies

1.1 Basis of accounting

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of the policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The key area of judgement is considered to relate to the carrying values of development costs (see notes 1.5).

The accounting policies set out below have, unless otherwise stated, been applied consistently by the company to all periods presented in these financial statements.

1.2 Exemption from preparing group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Dillistone Group PLC, a group incorporated in England and Wales, and is included in the consolidated accounts of that group.

1.3 Revenue

Revenue is recognised in the income statement as follows:

- licensing income is recognised when the license has been installed and is available for use by the customer
- income from training and installation is recognised when the training or installation occurs
- support income is recognised over the period of the contract

1.4 Segment reporting

A geographical segment is a distinguishable component of the company engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment is a distinguishable component of the company that provides products or services that are different from those of other business segments.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies (continued)

1.5 Research and development

Research expenditure is written off to the income statement in the year in which it is incurred. Costs incurred on product development relating to the design and development of new or enhanced products are capitalised as intangible assets when it is reasonably certain that the development will provide economic benefits, considering its commercial and technological feasibility and the resources available for the completion and marketing of the development, and where the costs can be measured reliably. The expenditures capitalised are the direct labour costs and subcontracted costs, which are managed and controlled centrally. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised product development expenditure is amortised over its useful economic life of 3 years.

Capitalised product development expenditure is subject to regular impairment reviews and is stated at cost less any accumulated impairment losses. Any impairment taken during the year is shown under administrative expenses on the income statement.

1.6 Depreciation

Property, plant and machinery are stated at cost less accumulated depreciation. Depreciation on these assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold land and buildings	over the remaining lease period
Office and computer equipment	50% straight line
Fixtures and fittings	25% straight line

1.7 Fixed asset investments

Investments in subsidiary companies are included at cost in the accounts of the company less any amount written off in respect of any permanent impairment in value.

1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Financial assets

The company classifies its financial assets under the definitions provided in International Accounting Standard 39 (IAS 39) Financial Instruments: Recognition and measurement, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The possible categories under IAS 39 are: at fair value through profit and loss, loans and receivables, and available for sale. Management considers that the company's financial assets fall under the 'loans and receivables' category.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The company's loans and receivables comprise trade receivables, intercompany trading balances, and cash and cash equivalents.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies (continued)

1.10 Financial liabilities

The company classifies its financial liabilities under the definitions provided in IAS 39, either as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortised cost. Management considers that the company's financial liabilities fall under the 'financial liabilities measured at amortised cost' category. The company's 'financial liabilities measured at amortised cost' comprise trade payables, intercompany trading balances, and accruals.

1.11 Inventory

Inventory is valued at the lower of cost and net realisable value on a FIFO basis.

1.12 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

1.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

The assets and liabilities of overseas operations which are included in the company's accounts are translated at exchange rates prevailing on the balance sheet date. Exchange differences arising on the translation of overseas operations are classified as equity.

2. Financial risk management

2.1 Financial risk factors

There are a number of risks and uncertainties which could have an impact on the Company's long term performance and cause actual results to differ materially from expected and historical results. The directors seek to identify material risks and put in place policies and procedures to mitigate any exposure.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. Financial risk management (continued)

(i) Competitor risk

The market for staffing software is extremely fragmented with a large number of small suppliers operating in all of the company's geographical markets. Very few of these suppliers have the necessary financial, technical and marketing resource to be able to sustain their competitive position. However the competition may intensify through consolidation or new entrants to the market and in order to mitigate this risk and maintain competitive position management work to build strong customer relationships and maintain and develop the Company's products ahead of the competition.

(ii) Economic risk

The staffing industry has a reputation for being vulnerable to the cyclical nature of the economy. The directors have taken a number of steps to mitigate any perceived risk such as geographical expansion and product development.

(iii) Foreign currency

The Company's foreign operation trades in its own currency. As a result the Company is not subject to any significant foreign exchange transactional exposure. The company's main exposure therefore arises from the translation of overseas results into sterling. To date the Company has not sought to remit profits to the UK when the exchange rates are appropriate. In the light of this the company does not hold any sophisticated hedging instruments such as derivatives.

(iv) Interest rate risk

The Company has a limited exposure to interest rate volatility. The Company has no debt and the only interest rate exposure is therefore asset based. The principal risk therefore is lost opportunity. This is mitigated by a twice weekly treasury review by the Board.

(v) Credit risk

A significant proportion of customers are multinational, or blue chip organisations. Historically this cash collection profile has been excellent, and the bad debt charge has also historically been very low.

(vi) Liquidity risk

The trade and other payables as set out in note 12, indicates that all such liabilities are payable within 12 months. The directors consider there to be no significant liquidity risks due to the significant cash balances of the Company.

2.2 Quantitative risk analysis

Foreign currency

At the year end the company had assets totalling £830,727 and liabilities totalling £279,935 denominated in Euros (2006 assets totalling £279,076 and liabilities totalling £206,382). If Euro exchange rates weakened by 5% as at the year end, the impact on the income statement would be a decrease in profits of £2,286 (2006 decrease of £2,261).

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2.2 Quantitative risk analysis (continued)

Interest rate risk

At the year end the company had positive cash balances totalling £842,276 (2006 £238,684). Had interest rates been 1% lower during the financial year, the impact on profit would have been a decrease in profit for the year of £3,662 (2006 decrease of £824).

Credit risk

The ageing profile of trade receivables as at the year end is as follows

	2007	2006
	£	£
0 – 30 days old	820,724	561,540
30 - 60 days old	37,820	1,326
More than 60 days old	9,216	5,949
Total	<u>867,760</u>	<u>568,815</u>

Based on knowledge and previous experience of the customer base, the directors consider the risk of non recovery of both current and overdue trade receivable balances to be low.

2.3 Carrying value of financial assets and liabilities

The carrying values of loans and receivables and financial liabilities are considered approximate to their fair values.

3. Segmental information

Geographical segments

The following table provides an analysis of the company's revenue, assets, liabilities and additions by geographic market.

Revenue

	2007	2006
	£	£
UK	2,143,405	1,747,803
Europe	845,745	640,483
Rest of World	18,856	-
	<u>3,008,006</u>	<u>2,388,286</u>

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007****3. Segmental information (continued)****Result**

	2007	2006
	£	£
UK	550,121	352,401
Europe	656,827	496,766
	<u>1,206,948</u>	<u>849,167</u>
Unallocated expenses	(3,674)	(197,349)
Profit from operations	<u>1,203,274</u>	<u>651,818</u>

Depreciation and amortisation expense

	2007	2006
	£	£
UK	91,361	66,791
Europe	32,871	25,157
	<u>124,232</u>	<u>91,948</u>

Assets

	2007	2006
	£	£
UK	2,525,019	2,122,250
Europe	915,750	416,240
Total assets	<u>3,440,769</u>	<u>2,538,490</u>

Liabilities

	2007	2006
	£	£
UK	1,613,712	1,191,227
Europe	447,143	308,596
	<u>2,060,855</u>	<u>1,499,823</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Additions of non-current assets

	2007	2006
	£	£
UK	101,332	241,029
Europe	2,609	22,166
	<u>103,941</u>	<u>263,195</u>

Business Segment

The following table provides an analysis of the company's revenue by business segment

Revenue to external customers

	2007	2006
	£	£
Recurring income	1,165,507	933,561
Non-recurring income	1,842,499	1,454,725
	<u>3,008,006</u>	<u>2,388,286</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.

It is not possible to allocate assets and additions between recurring and non-recurring income.

4. Result from operating activities

	2007	2006
	£	£
Operating profit is stated after charging		
Depreciation	58,708	32,253
Amortisation	65,524	59,695
Loss/(profit) on foreign exchange translations	6,789	(26,016)
Operating lease rentals	70,371	79,723
Money purchase pension contributions	22,019	16,265
Fees receivable by the company auditors		
Audit of financial statements	10,200	9,800
Other services relating to taxation	2,000	1,650
All other services	1,700	2,525
Director's emoluments	<u>48,688</u>	<u>4,333</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

5. Financial income

	2007 £	2006 £
Interest receivable	<u>13,739</u>	<u>3,961</u>

6. Tax expense

	2007 £	2006 £
Current tax charge	270,910	188,107
Adjustment to previous period	17,908	-
Deferred tax	(5,603)	11,658
Income tax expense for the year / period	<u>283,215</u>	<u>199,765</u>

	2007 £	2006 £
Profit before tax	<u>1,217,013</u>	<u>655,779</u>
Effective rate of taxation	30.00%	30.00%
Profit before tax multiplied by the effective rate of tax rate of tax	365,104	196,734
Effects of		
Depreciation add back	29,881	9,676
Loss on disposal of fixed assets	-	335
Capital allowances	(9,264)	(14,722)
Group relief	(114,009)	(3,916)
Disallowed expenses	102	-
Adjustments for overseas tax paid	(904)	-
Deferred tax liability (reduced) / recognised	(5,603)	11,658
Adjustment to previous period	17,908	
Current tax charge	<u>283,215</u>	<u>199,765</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

6. Tax expense (continued)

Deferred tax note

	2007 £	2006 £
Accelerated capital allowances	<u>3,000</u>	<u>8,603</u>

7. Intangible assets

	Development costs £
Cost	
At 1 January 2006	229,419
Additions	<u>73,888</u>
At 31 December 2006	<u>303,307</u>
Additions	<u>75,088</u>
At 31 December 2007	<u>378,395</u>
Amortisation	
At 1 January 2006	107,734
Charge for the period	<u>59,695</u>
At 31 December 2006	<u>167,429</u>
Charge for the period	<u>65,524</u>
At 31 December 2007	<u>232,953</u>
Carrying Amount	
At 31 December 2007	<u>145,442</u>
At 31 December 2006	<u>135,878</u>
At 31 December 2005	<u>121,685</u>

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007****8. Property, plant and equipment**

	Leasehold land and buildings £	Office and computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2006	-	79,503	13,157	92,660
Additions	163,073	26,234	-	189,307
Disposals	-	(1,653)	-	(1,653)
At 31 December 2006	163,073	104,084	13,157	280,314
Additions	-	24,694	4,159	28,853
At 31 December 2007	163,073	128,778	17,316	309,167
Depreciation				
At 1 January 2006	-	59,460	13,157	72,617
Charge for the year	12,490	19,763	-	32,253
Eliminated on disposal	-	(536)	-	(536)
At 31 December 2006	12,490	78,687	13,157	104,334
Charge for the year	32,329	26,092	287	58,708
At 31 December 2007	44,819	104,779	13,444	163,042
Carrying Amount				
At 31 December 2007	118,254	23,999	3,872	146,125
At 31 December 2006	150,583	25,397	-	175,980
At 31 December 2005	-	20,043	-	20,043

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

9. Investments

	Unlisted investments £
Cost	
At 1 January 2007 & 31 December 2007	<u>18,000</u>

Holdings of more than 20%

The company holds more than 20 % of the share capital of the following company

Name	Principal activity	Holding	Registered
Dillistone Systems (Australia) Pty Limited	Sale of computer software and related support services	100%	Australia

The aggregate amount of capital and reserves and the results of this undertaking for the last relevant financial year were as follows

	Capital and reserves 2007 £	Profit for the year 2007 £
Dillistone Systems (Australia) Pty Limited	<u>545,812</u>	<u>193,819</u>

10. Inventories

	2007 £	2006 £
Licences for resale	<u>2,334</u>	<u>21,210</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

11. Trade and other receivables

	2007	2006
	£	£
Trade receivables	867,760	568,815
Group receivables	1,342,568	1,321,600
Prepayments and accrued income	63,620	44,091
Other receivables	12,644	14,232
	<u>2,286,592</u>	<u>1,948,738</u>

12. Trade and other payables

	2007	2006
	£	£
Trade payables	76,804	89,463
Group payables	333,767	338,399
VAT	164,176	74,580
Deferred income	1,132,305	757,295
Accruals	59,261	46,283
	<u>1,766,313</u>	<u>1,306,020</u>

13. Share capital

	2007	2006
	£	£
Authorised		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

14. Operating lease arrangements

At 31 December 2007 the company had future total commitments under non-cancellable operating leases as follows

	2007	2006
	£	£
Expiry date		
Within one year	65,175	40,734
Between two and five years	48,881	114,056
In more than five years	<u>-</u>	<u>-</u>

15. Employees

The average number of employees was

	2007	2006
Operations	27	31
Management	1	4
Employee numbers	<u>28</u>	<u>35</u>

Their aggregate remuneration comprised

	2007	2006
	£	£
Wages and salaries	778,388	736,214
Directors salaries	48,688	4,333
Social security costs	125,793	108,343
Pension costs	22,739	16,265
	<u>975,608</u>	<u>865,155</u>

16. Control

During the year ended 31 December 2006, as a result of a dividend in specie paid from its immediate parent, Custom Business Systems Limited to its ultimate parent Dillistone Group PLC, the entire share capital of the company was transferred to Dillistone Group PLC. Dillistone Group PLC is a company registered in England and Wales.

Dillistone Group PLC prepares group financial statements, copies of which can be obtained from Third Floor, 50-52 Paul Street, London, EC2A 4LB.

The ultimate controlling parties, by way of their significant holding of shares in Dillistone Group PLC, were J McLaughlin, J S Starr and R Howard.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

17. Related party transactions

Dillistone Systems (Australia) Pty Limited is a wholly owned subsidiary of Dillistone Systems Limited, which in turn is a wholly owned subsidiary of Dillistone Group PLC. Dillistone Systems (US) Inc is a wholly owned fellow subsidiary of Dillistone Group PLC. Dillistone Solutions Limited was incorporated on 26 July 2007 and is a wholly owned fellow subsidiary of Dillistone Group PLC. Custom Business Systems Ltd was a wholly owned fellow subsidiary of Dillistone Group PLC until it was dissolved on 6 March 2007.

During the year the company paid a management charge to Dillistone Group PLC of £nil (2006 £260,000). The company also recharged salary expenses to Dillistone Group PLC of £418,193 (2006 £346,290). At the year end Dillistone Systems Limited was owed £1,341,706 (2006 £1,307,101).

During the year the company paid for set up fees for Dillistone Solutions Limited totalling £862. The amount was owed to the company at the year end.

At the year end the company owed Dillistone Systems (Australia) Pty Limited £117,157 (2006 £117,157).

At the year end the company owed Dillistone Systems (US) Inc £216,610 (2006 £221,242).