

Company Registration No. 02043300 (England and Wales)

DILLISTONE SYSTEMS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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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 2008

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 £1,698,974 (2007: £1,217,013). 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

The UK business of Dillistone Systems carries much of the administrative cost for the entire DS Group. The UK reported an increase in revenue of 3.5% (2008: £2,256,516, 2007: £2,180,172), however our increase in costs carried by the region meant that profitability in the region was almost unchanged in terms of its result, with a contribution from the region of £523,661 (2007: £536,428).

Europe

Our European business broke the £1 Million revenue mark for the first time with revenues increasing by 38% (2008: £1,008,035 2007: £845,745). Profits rose by 11% (2008: £729,318 2007: £656,827). This represents our best ever results within the continent, although it should be noted that exchange rates played a role in the final result.

Balance sheet

The balance sheet remains strong with cash of £1,791,744 (2007 - £842,276), and net assets of £4,434,157 (2007 - £1,385,893).

Product Development

We continue to invest in our core FILEFINDER product, and in early 2009 we released the latest iteration of the product, FILEFINDER 9. This product features our new "Research Zone" technology which allows users to utilise automated searches to mine the Internet for information on potential candidates and is functionality which, we believe, is groundbreaking.

Despite releasing what we believe to be the leading product in our space, we consider that it is vital that the business continues to invest in its future. Our strong balance sheet means that, whilst many of our competitors are likely to be cutting back on product development, we have actually committed to a very significant increase in our R+D budget for 2009 and 2010. We believe that this will place us in the optimum position when the global economy does recover.

During 2007 and 2008 we ran a series of conferences, webinars and training events targeting the Executive Search industry. Although these events made a positive contribution to profitability in the year, it was noticeable that events in the last quarter of 2008 were less well attended, and as a result, we have reduced the number of such events we will be promoting during 2009.

DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Directors

The following directors have held office since 1 January 2008:

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 2008 or as at 31 December 2007.

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:

Charitable donations note for directors' report

	2008	2007
	£	£
Charitable donations	<u>75</u>	<u>725</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 2008 was 64 (31 December 2007: 34).

Auditors

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

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.

DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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:

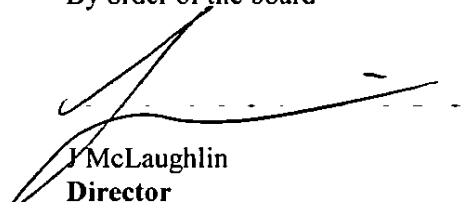
- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs 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

DILLISTONE SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements ("the financial statements") of Dillistone Systems Limited for the year ended 31 December 2008 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 2008**

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 2008 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 2009 .

DILLISTONE SYSTEMS LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
Revenue	3	3,264,550	3,008,006
Cost of sales		<u>(198,256)</u>	<u>(236,782)</u>
Gross profit		3,066,294	2,771,224
Administrative expenses		<u>(2,406,360)</u>	<u>(1,567,950)</u>
Profit from operations	4	659,934	1,203,274
Financial income	5	522,551	13,739
Profit before tax		<u>1,182,485</u>	<u>1,217,013</u>
Tax expense	6	(209,178)	(283,215)
Profit for the year		<u><u>973,307</u></u>	<u><u>933,798</u></u>

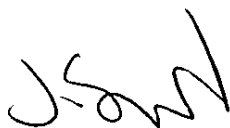
DILLISTONE SYSTEMS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital £	Retained earnings £	Foreign exchange £	Total £
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	25,000	1,343,364	17,529	1,385,893
Profit for the year ended 31 December 2008	-	973,307	-	973,307
Exchange differences on translation of overseas operations	-	-	75,193	75,193
Dividends paid	-	(513,000)	-	(513,000)
Balance at 31 December 2008	<u>25,000</u>	<u>1,803,671</u>	<u>92,722</u>	<u>1,921,393</u>

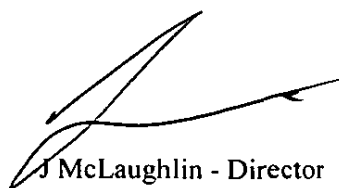
DILLISTONE SYSTEMS LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	2008 £	2007 £
ASSETS			
Non-current assets			
Intangible assets	7	213,003	145,442
Property, plant and equipment	8	148,620	146,125
Investments	9	18,000	18,000
		<u>379,623</u>	<u>309,567</u>
Current assets			
Inventories	10	50,628	2,334
Trade and other receivables	11	2,123,765	2,286,592
Cash and cash equivalents		1,593,081	842,276
		<u>3,767,474</u>	<u>3,131,202</u>
Total assets		<u><u>4,147,097</u></u>	<u><u>3,440,769</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	25,000	25,000
Retained earnings		1,803,671	1,343,364
Translation reserve		<u>92,722</u>	<u>17,529</u>
Total equity		1,921,393	1,385,893
Liabilities			
Non current liabilities			
Deferred tax liability	6	3,000	3,000
Current liabilities			
Trade and other payables	12	2,124,972	1,766,313
Current tax payable		<u>97,732</u>	<u>285,563</u>
Total liabilities		<u>2,225,704</u>	<u>2,054,876</u>
Total liabilities and equity		<u><u>4,147,097</u></u>	<u><u>3,440,769</u></u>

The financial statements were approved by the board of directors and authorised for issue on 14th April 2009. 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 2008**

	2008	2008	2007	2007
	£	£	£	£
Operating activities				
Profit from operations	659,934		1,203,274	
Less taxation paid	(397,009)		(182,852)	
Adjustments for				
Depreciation & amortisation	131,384		124,232	
Loss on disposal	<u>-</u>		<u>-</u>	
Operating cash flows before movements in working capital	394,309		1,144,654	
Decrease/(increase) in receivables	162,827		(337,854)	
(Increase)/decrease in inventories	(48,294)		18,876	
Increase in payables	<u>358,659</u>		<u>454,690</u>	
Net cash generated in operating activities		867,501		1,280,366
Investing activities				
Interest received	48,963		13,739	
Dividends received	473,588		-	
Purchases of property plant and equipment	(69,861)		(28,853)	
Investment in development costs	<u>(131,579)</u>		<u>(75,088)</u>	
Net cash used in investing activities		321,111		(90,202)
Financing activities				
Dividends paid	<u>(513,000)</u>		<u>(635,000)</u>	
Net cash used in financing activities		(513,000)		(635,000)
Net increase in cash and cash equivalents		<u>675,612</u>		<u>555,164</u>
Cash and cash equivalents at beginning of year		842,276		238,684
Effect of foreign exchange rate changes		75,193		48,428
Cash and cash equivalents at end of year		<u>1,593,081</u>		<u>842,276</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 14 April 2009.

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 2008

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, commencing a year following the costs being incurred.

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 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 consider 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 2008

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 consider 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 being licences for re-sale are 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 payable 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 of 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 2008

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 £447,849 and liabilities totalling £310,504 denominated in Euros (2007: assets totalling £830,727 and liabilities totalling £279,935). 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 £2,765 (2007 decrease of £2,286).

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

2.2 Quantitative risk analysis (continued)

Interest rate risk

At the year end the company had positive cash balances totalling £1,593,081 (2007: £842,276). 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 £4,098 (2007: decrease of £3,662).

Credit risk

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

	2008	2007
	£	£
0 – 30 days old	739,437	820,724
30 - 60 days old	35,115	37,820
More than 60 days old	29,341	9,216
Total	<u>803,893</u>	<u>867,760</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

	2008	2007
	£	£
UK	2,256,516	2,143,405
Europe	1,008,034	845,745
Rest of World	-	18,856
	<u>3,264,550</u>	<u>3,008,006</u>

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008****3. Segmental information (continued)****Result**

	2008	2007
	£	£
UK	283,203	550,121
Europe	394,462	656,827
	<u>677,665</u>	<u>1,206,948</u>
Unallocated expenses	(17,731)	(3,674)
Profit from operations	<u><u>659,934</u></u>	<u><u>1,203,274</u></u>

Depreciation and amortisation expense

	2008	2007
	£	£
UK	131,384	91,361
Europe	-	32,871
	<u>131,384</u>	<u>124,232</u>

Assets

	2008	2007
	£	£
UK	3,755,688	2,525,019
Europe	391,409	915,750
Total assets	<u><u>4,147,097</u></u>	<u><u>3,440,769</u></u>

Liabilities

	2008	2007
	£	£
UK	1,690,559	1,613,712
Europe	595,481	447,143
	<u><u>2,286,040</u></u>	<u><u>2,060,855</u></u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

3. Segmental information (continued)

Additions of non-current assets

	2008	2007
	£	£
UK	201,440	101,322
Europe	-	2,609
	<u>201,440</u>	<u>103,931</u>

Business Segment

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

Revenue to external customers

	2008	2007
	£	£
Recurring income	1,493,942	1,165,507
Non-recurring income	1,770,608	1,842,499
	<u>3,264,550</u>	<u>3,008,006</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

Operating profit

	2008	2007
	£	£
Operating profit is stated after charging:		
Depreciation	67,366	58,708
Amortisation	64,018	65,524
Loss on foreign exchange translations	156,145	6,789
Operating lease rentals	72,186	70,371
Money purchase pension contributions	22,305	22,019
Fees receivable by the company auditors:		
Audit of financial statements	12,140	10,200
Other services relating to taxation	2,250	2,000
All other services	-	1,700
Director's emoluments	<u>55,000</u>	<u>48,688</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

5. Financial income

	2008 £	2007 £
Interest receivable	<u>522,551</u>	<u>13,739</u>

6. Tax expense

	2008 £	2007 £
Current tax charge	209,178	270,910
Adjustment to previous period	-	17,908
Deferred tax	-	(5,603)
Income tax expense for the year / period	<u>209,178</u>	<u>283,215</u>

	2008 £	2007 £
Profit before tax	<u>1,182,485</u>	<u>1,217,013</u>
Effective rate of taxation	30.00%	30.00%
Profit before tax multiplied by the effective rate of tax rate of tax	354,746	365,104
Effects of :		
Difference in tax rates	(22,696)	-
Depreciation add back	26,538	29,881
Capital allowances	(18,999)	(9,264)
Group relief	-	(114,009)
Disallowed expenses	-	102
Adjustments for overseas tax paid	(221,229)	(904)
Overseas income	90,818	-
Deferred tax liability	-	(5,603)
Adjustment to previous period	-	17,908
Current tax charge	<u>209,178</u>	<u>283,215</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

6. Tax expense (continued)

Deferred tax note

	2008 £	2007 £
Accelerated capital allowances	<u>3,000</u>	<u>3,000</u>

7. Intangible assets

	Development costs £
Cost	
At 1 January 2007	303,307
Additions	<u>75,088</u>
At 31 December 2007	378,395
Additions	<u>131,579</u>
At 31 December 2008	<u>509,974</u>
Amortisation	
At 1 January 2007	167,429
Charge for the period	<u>65,524</u>
At 31 December 2007	232,953
Charge for the period	<u>64,018</u>
At 31 December 2008	<u>296,971</u>
Carrying Amount	
At 31 December 2008	<u>213,003</u>
At 31 December 2007	<u>145,442</u>
At 31 December 2006	<u>135,878</u>

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008****8. Property, plant and equipment**

	Leasehold land and buildings £	Office and computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2007	163,073	104,084	13,157	280,314
Additions	-	24,694	4,159	28,853
Disposals	-	-	-	-
At 31 December 2007	163,073	128,778	17,316	309,167
Additions	-	69,861	-	69,861
At 31 December 2008	163,073	198,639	17,316	379,028
Depreciation				
At 1 January 2007	12,490	78,687	13,157	104,334
Charge for the year	32,329	26,092	287	58,708
Eliminated on disposal	-	-	-	-
At 31 December 2007	44,819	104,779	13,444	163,042
Charge for the year	32,692	32,594	2,080	67,366
At 31 December 2008	77,511	137,373	15,524	230,408
Carrying Amount				
At 31 December 2008	85,562	61,266	1,792	148,620
At 31 December 2007	118,254	23,999	3,872	146,125
At 31 December 2006	150,583	25,397	-	175,980

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

9. Investments

	Unlisted investments £
Cost	
At 1 January 2008 & 31 December 2008	<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 of ordinary shares	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 2008 £	Profit for the year 2008 £
Dillistone Systems (Australia) Pty Limited	<u>369,899</u>	<u>227,288</u>

10. Inventories

Inventories	2008 £	2007 £
Licences for resale	<u>50,628</u>	<u>2,334</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

11. Trade and other receivables

	2008	2007
	£	£
Trade receivables	803,893	867,760
Group receivables	1,209,490	1,342,568
Prepayments and accrued income	110,382	63,620
Other receivables	-	12,644
	<u>2,123,765</u>	<u>2,286,592</u>

12. Trade and other payables

	2008	2007
	£	£
Trade payables	168,904	76,804
Group payables	464,347	333,767
Social security and other taxes	150,638	164,176
Deferred income	1,252,534	1,132,305
Accruals	88,549	59,261
	<u>2,124,972</u>	<u>1,766,313</u>

13. Share capital

	2008	2007
	£	£
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 2008

14. Operating lease arrangements

At 31 December 2008 the company had future total commitments under non-cancellable operating leases as follows:

	2008	2007
	£	£
Expiry date:		
Within one year	48,881	65,175
Between two and five years	-	48,881

15. Employees

The average number of employees was:

	2008	2007
Operations	31	27
Management	1	1
Employee numbers	<u>32</u>	<u>28</u>

Their aggregate remuneration comprised:

	2008	2007
	£	£
Wages and salaries	872,717	778,388
Directors salaries	55,000	48,688
Social security costs	142,601	125,793
Pension costs	22,305	22,739
	<u>1,092,623</u>	<u>975,608</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 2008

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.

During the year the company paid a management charge to Dillistone Group PLC of £500,000 (2007: £nil). The company also recharged salary expenses to Dillistone Group PLC of £473,323 (2007: £418,193). At the year end Dillistone Systems Limited was owed £1,708,814 (2007: £1,341,706).

During the previous year the company paid for set up fees for Dillistone Solutions Limited totalling £862. The amount was owed to the company at 31 December 2007 and 2008.

At the year end the company owed Dillistone Systems (Australia) Pty Limited £143,122 (2007: £117,157).

During the year Dillistone Systems (US) paid a management charge to Dillistone Systems Limited of £1,400,000 (2007: £nil).

At the year end the company owed Dillistone Systems (US) Inc £321,225 (2007: £216,610).