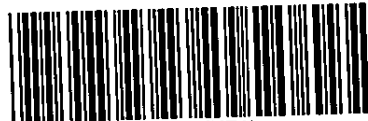


Company Registration No. 02043300 (England and Wales)

DILLISTONE SYSTEMS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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DILLISTONE SYSTEMS LIMITED

DIRECTORS AND ADVISERS

Directors	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
Independent 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 2009

The directors present their report and financial statements for the year ended 31 December 2009

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 £1,127,124 (2008 £1,182,485) The dividends paid in 2009 and 2008 were £284,609 (£11 38 per share) and £513,000 (£20 52 per share) respectively A second interim dividend in respect of the year ended 31 December 2009 of £396,581 (£15 86 per share) was approved by the board on 31 March 2010 and will be paid on 1 April 2010 These financial statements do not reflect this dividend payable

United Kingdom, Middle East and Africa (UKMEA)

The UKMEA business of Dillistone Systems carries much of the administrative cost for the entire Dillistone Group The UKMEA reported a fall in revenue of 32% (2009 £1,527,669, 2008 £2,256,516) This fall led to a reduced profit from the region of £168,444 (2008 £283,203)

Europe

Our European business achieved revenues of £962,902 (2008 £1,008,034) Profits rose by 93% (2009 £761,050, 2008 £394,462)

Balance sheet

The balance sheet remains strong with cash of £1,281,490 (2008 £1,593,081), and net assets of £2,624,167 (2008 £1,921,393)

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

Directors

The following directors have held office since 1 January 2009

J McLaughlin (resigned 17 February 2010)

J S Starr

R Howard

A D James

A F B Milne

DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Directors' interests

None of the directors had any interests in the share capital of the company as at 31 December 2009 or as at 31 December 2008

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

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 2009 was 55 (31 December 2008: 64)

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 2006

The directors are responsible for preparing the financial statements in accordance with the Companies Act 2006. 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

DILLISTONE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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

On behalf of the board



13 May 2010
J S Starr
Director

DILLISTONE SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements ("the financial statements") of Dillistone Systems Limited for the year ended 31 December 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the company as at 31 December 2009 and of the profit for the year then ended, and
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Continued

DILLISTONE SYSTEMS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**David Wragg (Senior Statutory Auditor)
for and on behalf of Saffery Champness**

Chartered Accountants
Statutory Auditors

Beaufort House
2 Beaufort Road
Clifton
Bristol BS8 2AE

Date 26 May 2010

DILLISTONE SYSTEMS LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
Revenue	3	2,490,571	3,264,550
Cost of sales		<u>(113,151)</u>	<u>(198,256)</u>
Gross profit		2,377,420	3,066,294
Administrative expenses		(1,625,347)	(2,406,360)
Other operating income	4	<u>177,421</u>	<u>-</u>
Profit from operations	5	929,494	659,934
Financial income	6	197,630	522,551
Profit before tax		<u>1,127,124</u>	<u>1,182,485</u>
Tax expense	7	(147,859)	(209,178)
Profit for the year		<u>979,265</u>	<u>973,307</u>
Other comprehensive income:			
Currency translation differences		8,118	75,193
Total comprehensive income for the year		<u><u>987,383</u></u>	<u><u>1,048,500</u></u>

The notes on pages 10 to 25 are an integral part of these financial statements

DILLISTONE SYSTEMS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share capital £	Retained earnings £	Foreign exchange £	Total £
Balance at 31 December 2007	25,000	1,343,364	17,529	1,385,893
Comprehensive income				
Profit for the year ended 31 December 2008	-	973,307	-	973,307
Other comprehensive income				
Exchange differences on translation of overseas operations	-	-	75,193	75,193
Transactions with owners				
Dividends paid	-	(513,000)	-	(513,000)
Balance at 31 December 2008	25,000	1,803,671	92,722	1,921,393
Comprehensive income				
Profit for the year ended 31 December 2009	-	979,265	-	979,265
Other comprehensive income				
Exchange differences on translation of overseas operations	-	-	8,118	8,118
Transactions with owners				
Dividends paid	-	(284,609)	-	(284,609)
Balance at 31 December 2009	<u>25,000</u>	<u>2,498,327</u>	<u>100,840</u>	<u>2,624,167</u>

The notes on pages 10 to 25 are an integral part of these financial statements

DILLISTONE SYSTEMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 £	2008 £
ASSETS			
Non-current assets			
Intangible assets	8	672,667	213,003
Property, plant and equipment	9	87,791	148,620
Investments	10	18,000	18,000
		<u>778,458</u>	<u>379,623</u>
Current assets			
Inventories	11	55,989	50,628
Trade and other receivables	12	2,241,511	2,123,765
Cash and cash equivalents		1,281,490	1,593,081
		<u>3,578,990</u>	<u>3,767,474</u>
Total assets		<u><u>4,357,448</u></u>	<u><u>4,147,097</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	14	25,000	25,000
Retained earnings		2,498,327	1,803,671
Translation reserve		100,840	92,722
Total equity		<u>2,624,167</u>	<u>1,921,393</u>
Liabilities			
Non current liabilities			
Deferred tax liability	7	93,655	3,000
Current liabilities			
Trade and other payables	13	1,599,254	2,124,972
Current tax payable		40,372	97,732
Total liabilities		<u>1,733,281</u>	<u>2,225,704</u>
Total liabilities and equity		<u><u>4,357,448</u></u>	<u><u>4,147,097</u></u>

The notes on pages 10 to 25 are an integral part of these financial statements

The financial statements were approved by the board of directors and authorised for issue on 13 May 2010
They were signed on its behalf by



J S Starr - Director

Company Registration No. 02043300

DILLISTONE SYSTEMS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2009	2008	2008
	£	£	£	£
Operating activities				
Profit from operations	929,494		659,934	
Less taxation paid	(218,906)		(397,009)	
Adjustments for				
Depreciation & amortisation	<u>157,276</u>		<u>131,384</u>	
Operating cash flows before movements in working capital	867,864		394,309	
(Increase)/decrease in receivables	(117,746)		162,827	
(Increase)/decrease in inventories	(5,361)		(48,294)	
(Decrease)/increase in payables	<u>(421,376)</u>		<u>358,659</u>	
Net cash generated from operating activities		323,381		867,501
Investing activities				
Interest received	3,476		48,963	
Dividends received	194,154		473,588	
Purchases of property plant and equipment	(19,582)		(69,861)	
Investment in development costs	<u>(536,529)</u>		<u>(131,579)</u>	
Net cash generated in investing activities		(358,481)		321,111
Financing activities				
Dividends paid	<u>(284,609)</u>		<u>(513,000)</u>	
Net cash used in financing activities		(284,609)		(513,000)
Net increase/(decrease) in cash and cash equivalents		<u>(319,709)</u>		<u>675,612</u>
Cash and cash equivalents at beginning of year		1,593,081		842,276
Effect of foreign exchange rate changes		8,118		75,193
Cash and cash equivalents at end of year		<u>1,281,490</u>		<u>1,593,081</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 31 March 2010.

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”), IFRIC Interpretations and Companies Act 2006 applicable to companies reporting under IFRS.

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 note 1.6).

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 Going concern

The company’s business activities and financial position, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1. In addition, note 2 to the financial statements include the company’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

The company has considerable financial resources together with well established relationships with a number of customers and suppliers across different geographic areas.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 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 financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Dillistone Group PLC, a company incorporated in England & Wales, and is included in the consolidated financial statements of that company.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Accounting policies (continued)

1.4 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

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

1.6 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 for versions of the company's Filefinder product is amortised over its useful life of 3 years, commencing a year following the costs being incurred.

Capitalised product development expenditure for the company's .Net platform is amortised over its useful life of 10 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.

1.7 Depreciation

Property, plant and equipment 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

1.8 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.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Accounting policies (continued)

1.9 Leasing

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

1.10 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.

1.11 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.

1.12 Inventory

Inventory being licences for re-sale are valued at the lower of cost and net realisable value on a FIFO basis.

1.13 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.

1.14 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.

1.15 Trade payables

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

1.16 Share capital

Ordinary shares are classified as equity.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Accounting policies (continued)

1.17 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.

(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 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.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

2. Financial risk management (continued)

(v) Credit risk

Historically, the 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 13 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 Capital risk management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets

The company has no debt, and therefore the total capital managed by the company as at the year end was its total equity balance of £2,624,167 (2008 £1,921,393). Further details in respect of movements in capital are provided in the statement of changes in equity

2.3 Quantitative risk analysis

Foreign currency

At the year end, the company had assets totalling £800,369 and liabilities totalling £535,301 denominated in Euros (2008 assets totalling £391,409 and liabilities totalling £595,481). If Euro exchange rates weakened by 5% as at the year end, the impact on the income statement would be a decrease in total comprehensive income of £12,045 (2008 decrease of £2,765)

Interest rate risk

At the year end, the company had positive cash balances totalling £1,281,490 (2008 £1,593,081). The weighted average bank base rate for the year was less than 1%. Therefore, a reduction to a nil rate of interest would eliminate all interest received in the year, amounting to £3,476 and would thus reduce profits by this amount. Had interest rates been 1% lower during 2008, the impact on profit for that year would have been a decrease in profit of £4,098

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

2.3 Quantitative risk analysis (continued)

Credit risk

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

	2009	2008
	£	£
0 – 30 days old	776,986	739,437
30 - 60 days old	34,862	35,115
More than 60 days old	54,080	29,341
Total	<u>865,928</u>	<u>803,893</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

2.4 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

Management principally monitors the group's operations in terms of geographical areas and accordingly the segment reporting is presented below by geographical area

Geographical segments

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

Revenue

	2009	2008
	£	£
UKMEA	1,527,669	2,256,516
Europe	<u>962,902</u>	<u>1,008,034</u>
	<u>2,490,571</u>	<u>3,264,550</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

3. Segmental information (continued)

Result

	2009	2008
	£	£
UKMEA	168,444	283,203
Europe	761,050	394,462
	<u>929,494</u>	<u>677,665</u>
Unallocated expenses	-	(17,731)
Profit from operations	<u>929,494</u>	<u>659,934</u>

Depreciation and amortisation expense

	2009	2008
	£	£
UKMEA	<u>157,276</u>	<u>131,384</u>

Assets

	2009	2008
	£	£
UKMEA	3,557,079	3,755,688
Europe	800,369	391,409
Total assets	<u>4,357,448</u>	<u>4,147,097</u>

Liabilities

	2009	2008
	£	£
UKMEA	1,197,980	1,690,559
Europe	535,301	595,481
	<u>1,733,281</u>	<u>2,286,040</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

3. Segmental information (continued)

Additions of non-current assets

	2009	2008
	£	£
UKMEA	<u>556,111</u>	<u>201,440</u>

Business Segment

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

Revenue

	2009	2008
	£	£
Recurring income	1,517,152	1,493,942
Non-recurring income	973,419	1,770,608
	<u>2,490,571</u>	<u>3,264,550</u>

Recurring income includes all support services, ASP and 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. Other operating income

	2009	2008
	£	£
Management charge received from fellow subsidiary	<u>177,421</u>	<u>-</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

5. Result from operating activities

	2009	2008
	£	£
Operating profit is stated after charging		
Depreciation	80,411	67,366
Amortisation	76,865	64,018
(Profit)/Loss on foreign exchange translations	(14,731)	156,145
Operating lease rentals	73,632	72,186
Money purchase pension contributions	23,679	22,305
Fees receivable by the company auditors		
Audit of financial statements	12,000	12,140
Other services relating to taxation	2,000	2,250
Director's emoluments	57,680	55,000

6. Financial income

	2009	2008
	£	£
Interest receivable	3,476	48,963
Dividends received	194,154	473,588
	<u>197,630</u>	<u>522,551</u>

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****7. Tax expense**

	2009	2008
	£	£
Current tax	54,204	209,178
Deferred tax	93,655	-
Income tax expense for the year	<u>147,859</u>	<u>209,178</u>

	2009	2008
	£	£
Profit before tax	<u>1,127,124</u>	<u>1,182,485</u>
Effective rate of taxation	28.00%	30.00%
Profit before tax multiplied by the effective rate of tax	315,595	354,746
Effects of		
Difference in tax rates	(1,079)	(22,696)
Depreciation add back	22,515	26,538
Qualifying R&D relief	(163,897)	-
Capital allowances	(9,421)	(18,999)
Group relief	(61,668)	-
Disallowed expenses	10	-
Overseas income	(54,363)	(130,411)
Other tax adjustments	6,512	-
Current tax charge	<u>54,204</u>	<u>209,178</u>

Deferred tax note

	2009	2008
	£	£
Accelerated capital allowances	<u>93,655</u>	<u>3,000</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

8. Intangible assets

	Development costs £
Cost	
At 1 January 2008	378,395
Additions	131,579
At 31 December 2008	<u>509,974</u>
Additions	536,529
At 31 December 2009	<u>1,046,503</u>
Amortisation	
At 1 January 2008	232,953
Charge for the period	64,018
At 31 December 2008	<u>296,971</u>
Charge for the period	76,865
At 31 December 2009	<u>373,836</u>
Carrying Amount	
At 31 December 2009	<u>672,667</u>
At 31 December 2008	<u>213,003</u>
At 31 December 2007	<u>145,442</u>

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****9. Property, plant and equipment**

	Leasehold land and buildings £	Office and computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2008	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
Additions	-	19,471	111	19,582
At 31 December 2009	163,073	218,110	17,427	398,610
Depreciation				
At 1 January 2008	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
Charge for the year	32,693	46,650	1,068	80,411
At 31 December 2009	110,204	184,023	16,592	310,819
Carrying Amount				
At 31 December 2009	52,869	34,087	835	87,791
At 31 December 2008	85,562	61,266	1,792	148,620
At 31 December 2007	118,254	23,999	3,872	146,125

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

10. Investments

	Unlisted investments £
Cost	
At 1 January 2009 & 31 December 2009	<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 2009 £	Profit for the year 2009 £
Dillistone Systems (Australia) Pty Limited	<u>313,208</u>	<u>95,495</u>

11. Inventories

Inventories	2009 £	2008 £
Licences for resale	<u>55,989</u>	<u>50,628</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12. Trade and other receivables

	2009	2008
	£	£
Trade receivables	865,928	803,893
Group receivables	1,284,361	1,209,490
Prepayments and accrued income	91,222	110,382
	<u>2,241,511</u>	<u>2,123,765</u>

13. Trade and other payables

	2009	2008
	£	£
Trade payables	119,457	168,904
Group payables	166,510	464,347
Social security and other taxes	110,423	150,638
Deferred income	1,119,673	1,252,534
Accruals	83,191	88,549
	<u>1,599,254</u>	<u>2,124,972</u>

14. Share capital

	2009	2008
	£	£
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 2009

15. Operating lease arrangements

The company leases its offices under a non-cancellable operating lease agreement

At 31 December 2009 the company had future total commitments under this operating leases as follows

	2009	2008
	£	£
Expiry date		
Within one year	65,175	48,881
Between two and five years	<u>244,406</u>	<u>-</u>

16. Employees

The average number of employees was

	2009	2008
Operations	33	31
Management	5	5
Employee numbers	<u>38</u>	<u>36</u>

Their aggregate remuneration comprised

	2009	2008
	£	£
Wages and salaries	804,481	872,717
Directors salaries	57,680	55,000
Social security costs	107,791	142,601
Pension costs	23,679	22,305
	<u>993,631</u>	<u>1,092,623</u>

17. Control

Dillistone Systems Limited is a wholly owned subsidiary of Dillistone Group PLC, 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 2009

18. 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.

During the year the company paid a management charge to Dillistone Group PLC of £254,481 (2008 £500,000). The company also recharged salary expenses to Dillistone Group PLC of £363,396 (2008 £473,323). At the year end Dillistone Systems Limited was owed £1,224,977 (2008 £1,708,814) by Dillistone Group PLC.

At the year end the company owed Dillistone Systems (Australia) Pty Limited £166,380 (2008 £143,122).

During the year Dillistone Systems (US) Inc paid a management charge to Dillistone Systems Limited of £177,421 (2008 Nil).

At the year end the company was owed £58,493 by Dillistone Systems (US) Inc (2008 £321,225).

Intercompany balances are repayable on demand, and no interest is charged on outstanding intercompany balances.

The aggregate gains made by directors in the exercise of share options was £26,107.

19. Dividends

The dividends paid in 2009 and 2008 were £284,609 (£11.38 per share) and £513,000 (£20.52 per share) respectively. A second interim dividend in respect of the year ended 31 December 2009 of £396,581 (£15.86 per share) was approved by the board on 31 March 2010 and will be paid on 1 April 2010. These financial statements do not reflect this dividend payable.