

DILLISTONE SYSTEMS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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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 J P Pomeroy – Finance Director
Secretary	J P Pomeroy
Company number	02043300
Registered office	3rd Floor 50-52 Paul Street London EC2A 4LB
Independent auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London, NW1 2EP
Principal Bankers	Barclays Bank plc 240 Whitechapel Road PO Box 14623 London E1 1SH
Solicitors	Ashfords LLP Tower Wharf Cheese Lane Bristol BS2 0JJ

DILLISTONE SYSTEMS LIMITED

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DILLISTONE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Dillistone Systems is a leading global supplier of software to executive search firms and to in-house search teams at major corporations and not-for-profit organisations. The Company's main product is FileFinder 10, which is the latest iteration of the FileFinder software system, launched in March 2011 and built using Microsoft .NET framework technology.

Strategy and objectives

The Company's strategy is set by the Group Board and details are contained in the Group's annual report and accounts.

The Company's objectives are principally to:

- ensure our products meet the needs of the executive recruitment sector through continual investment and development of our products;
- be a leading player in the market we serve;
- develop our staff;
- increase our profitability thereby enabling the Group to deliver increased shareholder value year on year.

Key Performance indicators

Management use absolute figures to monitor the performance of the business in the following financial KPIs:

	FY 2012 £000	FY 2013 £000	measure
Total revenues	2,840	3,212	year on year growth
Recurring revenues	1,979	2,068	year on year growth
Non-recurring revenues	861	1,144	year on year growth
Operating profit	1,103	1,247	year on year growth

In addition, the management monitors order levels and employee numbers as well as performance against budget.

DILLISTONE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Our business model

The Company specialises in the supply of software and services into executive-level recruitment teams in the UK and Europe.

Our FileFinder products are delivered through one or more of the following:

1. an upfront licence fee plus a recurring support fee;
2. Software as a Service (SaaS) subscription basis; or
3. a hybrid model incorporating an upfront payment and recurring support and hosting fees.

The Company has offices in the UK and Germany (through a branch). As well as supplying and supporting our software we also host the software for a proportion of our clients.

Review of the business

The UK business of Dillistone Systems is the centre of operations for the broader Dillistone Systems Division, providing support and services to other Group members for which it makes a charge.

Revenue increased by 13% to £3,212,000 (2012: £2,840,000). This led to an increase in profits before tax to £1,349,000 (2012: £1,162,000).

Although the Company has a branch operation in German, all sales are made from the UK. Accordingly no geographically information is provided.

Balance sheet

The balance sheet remains strong with cash of £286,000 (2012: £712,000), and net assets of £2,190,000 (2012: £1,829,000).

Product Development

We continue to invest in our core FileFinder product that provides the .net platform. Product development spend in 2013 was £498,000 (2012: £400,000).

Financial Risk Management

The Company's operations expose it to a number of risks that include the effect of changes in interest rates, credit, foreign currency exchange rates and liquidity. The Company does not trade in financial instruments. Further details in relation to these risks are shown in note 16.

Interest rate risk

The Company finances its activities through retained cash. The Company monitors its exposure to interest rate risk when investing its cash resources.

DILLISTONE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Credit risk

The Company has a large customer base and is not dependent on a small number customers. Accordingly the Company does not believe it is exposed to significant credit risk. In addition it only places money with Banks with strong credit ratings.

Exchange risk

The Company is exposed to translation and transaction foreign exchange risk. The Company's foreign operations trade in their own currencies reducing the transaction risk. As a result the main foreign exchange transactional exposure arises when repatriating profits. The Company only seeks to remit cash when required in the UK and it usually has some flexibility on timing of such appropriations to minimise any exchange losses.

Liquidity risk

The Company maintains positive cash resources and has sufficient available funds for its operations and planned expansion of its existing activities.

Principal risks and uncertainties

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. The table of risks that follows gives details of the principal risks and the approach being taken to manage them.

Risk	Potential adverse impact	How we mitigate the risk
Economic risk to our core markets	The recruitment industry has a reputation for being vulnerable to the cyclical nature of the economy. This can impact significantly on non-recurring revenue and, to a lesser extent, recurring revenue.	The Company enjoys a high percentage of recurring revenues. In a downturn there may be a reduction in new permanent hires which may be replaced by temporary hires.
Business continuity risks associated with operational failure of hosting facilities	A failure of our hosting facilities could lead to loss of customer confidence and to potential claims for loss of profits. Loss or corruption of data held on behalf of customers which could have a detrimental effect on their confidence in data security processes and could cause financial loss. External attacks on servers could result in lost or corrupted data and loss of reputation.	Backups of data occur daily and the necessary test carried out on a regular basis to ensure data can be restored. Penetration testing will help ensure systems are safe from attack.

DILLISTONE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Attrition of customer base	Failure to attract new customers or the loss of existing customers could have a detrimental effect on the Company's ability to generate revenues.	Actively manage existing customer relationships and endeavour to promptly deal with issues.
Competitor activity	The market for recruitment 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 develop their competitive position. However, the competition may intensify through consolidation or new entrants to the market.	Management work to build strong customer relationships and uses account management to keep in touch with clients. The Company continues to invest in its product development. It continues to innovate and provide solutions to client needs.
Employee retention	Our capability to meet the demands of the markets in which the Company operates and compete effectively with other software suppliers is partially dependent on the skills, experience and performance of our people. Failure to attract or retain high calibre employees could seriously impede future growth and present performance.	To retain staff the Company operates competitive remuneration packages and an appropriate culture in which staff work.
New product risk	The introduction of new products might contain significant bugs that make them unusable. This could damage the Company's reputation and result in loss of new orders and therefore reduce revenue growth. It could also result in claims against the Company.	Products are tested pre-launch and launch strategies developed to minimise risks.

On behalf of the Board



Jason Starr
Managing Director
25 June 2014

DILLISTONE SYSTEMS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report and financial statements for the year ended 31 December 2013.

Results and Dividends

During the year the Company achieved profits before tax of £1,491,000 (2012: £1,228,000). The dividends paid in 2013 were £1,000,000 (£40 per share) and in 2012 £1,000,000 (£40 per share).

Directors

The following Directors have held office since 1 January 2013:

J S Starr
R Howard
A D James
A F B Milne
J P Pomeroy

Directors' interests

None of the Directors had any interests in the share capital of the Company as at 31 December 2013 or as at 31 December 2012.

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.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the Registrar, whichever is earlier.

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

DILLISTONE SYSTEMS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 auditor is 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 auditor is aware of that information.

On behalf of the board



J P Pomeroy
Director

25 June 2014

DILLISTONE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2013

Independent auditor's report to the members of Dillistone Systems Limited

We have audited the financial statements of Dillistone Systems Limited for the year ended 31 December 2013 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flow 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 and as applied in accordance with the provisions of the Companies Act 2006.

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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, set out on pages 4 and 5, 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with (IFRS and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DILLISTONE SYSTEMS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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
- 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.



Paul Etherington BSc FCA CF
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

7 August 2014

DILLISTONE SYSTEMS LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £'000	2012 £'000
Revenue	2	3,212	2,840
Cost of sales		<u>(315)</u>	<u>(289)</u>
Gross profit		2,897	2,551
Administrative expenses		(2,119)	(1,856)
Other operating income	3	<u>469</u>	<u>408</u>
Results from operating activities	4	1,247	1,103
Financial income	5	244	125
Profit before tax		<u>1,491</u>	<u>1,228</u>
Tax expense	6	(142)	(66)
Profit for the year		<u>1,349</u>	<u>1,162</u>
Other comprehensive income net of tax:			
Currency translation differences		12	(19)
Total comprehensive income for the year net of tax		<u>1,361</u>	<u>1,143</u>

The notes on pages 13 to 28 are an integral part of these financial statements.

DILLISTONE SYSTEMS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Share capital £'000	Retained earnings £'000	Foreign exchange £'000	Total £'000
Balance at 31 December 2011	25	1,579	82	1,686
Comprehensive income				
Profit for the year ended 31 December 2012	-	1,162	-	1,162
Other comprehensive income				
Exchange differences on translation of overseas operations	-	-	(19)	(19)
Transactions with owners				
Dividends paid	-	(1,000)	-	(1,000)
Balance at 31 December 2012	25	1,741	63	1,829
Comprehensive income				
Profit for the year ended 31 December 2013	-	1,349	-	1,349
Other comprehensive income				
Exchange differences on translation of overseas operations	-	-	12	12
Transactions with owners				
Dividends paid	-	(1,000)	-	(1,000)
Balance at 31 December 2013	<u>25</u>	<u>2,090</u>	<u>75</u>	<u>2,190</u>

The notes on pages 13 to 28 are an integral part of these financial statements.

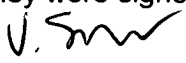
DILLISTONE SYSTEMS LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Intangible assets	7	1,870	1,667
Property, plant and equipment	8	78	93
Investments	9	18	18
		<u>1,966</u>	<u>1,778</u>
Current assets			
Inventories	10	77	62
Trade and other receivables	11	2,822	1,617
Cash and cash equivalents		286	712
		<u>3,185</u>	<u>2,391</u>
Total assets		<u><u>5,151</u></u>	<u><u>4,169</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	13	25	25
Retained earnings		2,090	1,741
Translation reserve		75	63
Total equity		<u>2,190</u>	<u>1,829</u>
Liabilities			
Non-current liabilities			
Deferred tax liability	6	290	282
Current liabilities			
Trade and other payables	12	2,497	1,968
Current tax payable		174	90
Total liabilities		<u>2,961</u>	<u>2,340</u>
Total liabilities and equity		<u><u>5,151</u></u>	<u><u>4,169</u></u>

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 June 2014.

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 2013**

	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Operating activities				
Profit from operations	1,247		1,103	
Taxation paid	(50)		(165)	
Adjustments for Depreciation & amortisation	<u>355</u>		<u>275</u>	
Operating cash flows before movements in working capital	1,552		1,213	
(Increase)/decrease in receivables	(1,227)		97	
Increase in inventories	(15)		(50)	
Increase/(decrease) in payables	<u>532</u>		<u>(42)</u>	
Net cash generated from operating activities		842		1,218
Investing activities				
Interest received	-		-	
Dividends received	244		125	
Purchases of property plant and equipment	(45)		(62)	
Investment in development costs	<u>(498)</u>		<u>(400)</u>	
Net cash outflow from investing activities		(299)		(337)
Financing activities				
Dividends paid	<u>(1,000)</u>		<u>(1,000)</u>	
Net cash used in financing activities		(1,000)		(1,000)
Net decrease in cash and cash equivalents		<u>(457)</u>		<u>(119)</u>
Cash and cash equivalents at beginning of year		712		845
Effect of foreign exchange rate changes		31		(14)
Cash and cash equivalents at end of year		<u>286</u>		<u>712</u>

The notes on pages 13 to 28 are an integral part of these financial statements.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Dillistone Systems Limited (the "Company") is a company incorporated in England and Wales. The financial statements are presented in thousand pounds Sterling, and were authorised for issue by the Directors on 25 June 2014.

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.

Significant estimates

In the application of the Company's accounting policies the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key areas are summarised below:

Impairment of goodwill and other intangible assets

There are a number of assumptions management have considered in performing impairment reviews of intangible assets which include an estimate of a suitable discount rate in order to calculate present value.

Judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management make various judgements that can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

Customers' practical acceptance of licence software

As detailed in 1.4, perpetual licence fee revenues are recognised on practical acceptance of the software. The Company uses the "live" date as the basis of determining the timing of customer practical acceptance, thereby reducing the judgment required to ascertain the timing of licence revenue recognition.

Capitalisation of internal development expenditure

Management exercises judgement in establishing both the technical feasibility of completing an intangible asset which can be used internally or sold and the degree of certainty that a market exists for the asset, or its output, for the generation of future economic benefits. In addition amortisation rates are based on estimates of the useful economic lives and residual values of the assets involved. The assessment of these useful economic lives is made by projecting the economic lifecycle of the asset which is subject to alteration as a result of product development and innovation. Amortisation rates are changed where economic lives are re-assessed and technically obsolete items written off where necessary.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies (continued)

Valuation of assets and liabilities

Management has made a number of assumptions with regards to the models used to value assets and liabilities at the statement of financial position date. Valuation techniques commonly used by market practitioners are applied. In respect of the provision for bad and doubtful receivables and credit note provisions, management have made relevant judgments based on discussions with the account managers as regards the recoverability of trade receivables.

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 Strategic Report on page 3. In addition, note 16 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.

1.4 Revenue

General

Revenue is the fair value of the total amount receivable by the Company for supplies of services which are provided in the normal course of business. VAT or similar local taxes and trade discounts are excluded.

Licensing

The Company licenses software under licence agreements. Perpetual licence fee revenues are recognised on practical acceptance of the software, when all obligations have been substantially completed. This is when the customer has accepted the product, the risks and rewards of ownership have been transferred, it is probable that the economic benefits of the transaction will flow to the Company, all costs and revenue in relation to the transaction can reliably be measured and the Company has no further managerial involvement over the goods to the degree usually associated with ownership. To the extent that payments have been received in advance for

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies (continued)

licences, where practical acceptance has not yet been reached, these amounts are recognised as deferred income.

Professional services

The Company provides professional services which include installation, consulting, data translation and training. Such revenues are recognised as the services are completed or where they are part of the sale and installation of software, they are recognised when the obligations under the contract are complete. To the extent that payments have been received in advance for such services these amounts are recognised as deferred income.

Product support, hosting and software as a service (SaaS)

Revenues from support, hosting or SaaS agreements are recognised over the period to which they relate but only after practical acceptance of the software, as defined above, have been received. As revenue is invoiced in advance for such services, the amount in advance is included in deferred revenue and released over the period to which the service relates.

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 Development costs

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 Group's FileFinder product (up to version 9) and for expenditure on subsequent enhancements and releases to FileFinder 10 is amortised over its useful life of three years, commencing a year following the costs being incurred. Maintenance costs are expensed.

Capitalised product development expenditure for the Company's FileFinder version 10 is amortised over its useful life of 10 years or to 30 June 2021, whichever is the shorter period, commencing in the year in which the product is first brought into use.

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 statement of comprehensive income.

Development costs that do not meet the requirements for capitalisation are written off to profit and loss as incurred.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies (continued)

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	5 years or the remaining lease period whichever is shorter
Office and computer equipment	33.33% straight line
Fixtures and fittings	25% straight line

1.8 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.

1.9 Leasing

Finance leases are recognised as being those that transfer substantially all the risks and rewards of ownership. Assets held under finance leases are capitalised and the outstanding future lease obligations are shown in payables at the present value of the lease payments. They are depreciated over the term of the lease or their useful economic lives, whichever is the shorter. The interest element (finance charge) of lease payments is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss in the period in which they are incurred. The Company does not act as a lessor.

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. 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 statement of financial position 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups. The impairment loss estimate is then based on recent historical counterparty default rates and current economic conditions.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies (continued)

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each statement of financial position date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

1.11 Financial liabilities

The Company classifies its financial liabilities under the definitions provided in IAS 39 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.

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

1.12 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 and which are subject to an insignificant risk of changes in value.

1.13 Equity

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Retained earnings' represents retained profits and losses.
- 'Translation reserve' represents translation differences arising on the consolidation of investments in overseas subsidiaries.

1.14 Foreign currency translation

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

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

1.15 Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Company carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in profit and loss.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies (continued)

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

1.16 Defined contribution pension scheme

The pension costs charged in the financial statements represent the contributions payable by the Company during the year.

1.17 New accounting standards

(i) New and amended standards adopted by the Company:

The following new standards and amendments to standards are mandatory for the first time for the Company for financial year beginning 1 January 2013. Except as noted, the implementation of these standards is not expected to have a material effect on the Company.

Standard

IAS 12 (Amendment): Deferred tax - Recovery of Underlying Assets

IAS 19 (Revised): IAS 19 Employee Benefits

IFRS 7 (Amendment): Disclosures - Offsetting Financial Assets and Financial Liabilities -

IFRS 13: Fair Value Measurement

(ii) Standards, amendments and interpretations which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. Segmental information

Although the Company has a branch operation in German, all sales are made from the UK. Accordingly no geographically information is provided.

Products and services

The following table provides an analysis of the Company's revenue by products and services

Revenue	2013 £'000	2012 £'000
Recurring income	2,068	1,979
Non-recurring income	1,144	861
	<u>3,212</u>	<u>2,840</u>

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

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

No customer represented more than 10% of revenue of the Company.

3. Other operating income

	2013 £'000	2012 £'000
Management charge received from fellow subsidiary undertakings	<u>469</u>	<u>408</u>

4. Result from operating activities

	2013 £'000	2012 £'000
Operating profit is stated after charging:		
Depreciation	60	54
Amortisation	295	221
(Profit)/loss on foreign exchange translations	(49)	12
Operating lease rentals		
Money purchase pension contributions	12	19
Fees receivable by the Company auditors:		
Audit of financial statements	15	12
Other services relating to taxation	9	8
	<u></u>	<u></u>

DILLISTONE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. Financial income

	2013	2012
	£'000	£'000
Dividends received	244	125
	<u>244</u>	<u>125</u>

6. Tax expense

	2013	2012
	£'000	£'000
Current tax	134	57
Deferred tax	8	9
Income tax expense for the year	<u>142</u>	<u>66</u>

	2013	2012
	£'000	£'000
Profit before tax	<u>1,491</u>	<u>1,228</u>
Effective rate of taxation	23.25%	24.5%
Profit before tax multiplied by the effective rate of tax	347	301
Effects of :		
Deferred tax not provided	-	-
Enhanced R&D relief	(65)	(47)
Group relief	(34)	(136)
Disallowed expenses	9	10
Overseas dividend income	(57)	(31)
Rate change impact on deferred tax	(26)	(23)
Prior year adjustments	(32)	(8)
Current tax charge	<u>142</u>	<u>66</u>

Deferred tax note

	2013	2012
	£'000	£'000
Accelerated capital allowances	<u>290</u>	<u>282</u>

The UK corporation tax rate in the year fell from 24% to 23% giving an effective rate for the year of 23.25%. The tax rate is expected to fall again to 21% in April 2014 and subsequently to 20%. Where deferred tax is provided in relation to the UK it has been provided at 21%. The tax charge is impacted by the R&D tax credits available.

DILLISTONE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****7. Intangible assets**

	Development costs £'000
Cost	
At 1 January 2012	2,149
Additions	400
At 31 December 2012	2,549
Additions	498
At 31 December 2013	3,047
Amortisation	
At 1 January 2012	661
Charge for the year	221
At 31 December 2012	882
Charge for the year	295
At 31 December 2013	1,177
Carrying Amount	
At 31 December 2013	1,870
At 31 December 2012	1,667

DILLISTONE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

8. Property, plant and equipment

	Leasehold land and buildings £'000	Office and computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2012	163	345	17	525
Additions	3	59	-	62
Disposals	-	(43)	-	(43)
At 31 December 2012	166	361	17	544
Additions	-	43	2	45
Disposals	-	(25)	-	(25)
At 31 December 2013	166	379	19	564
Depreciation				
At 1 January 2012	163	260	17	440
Charge for the year	1	53	-	54
Disposals	-	(43)	-	(43)
At 31 December 2012	164	270	17	451
Charge for the year	1	58	1	60
Disposals	-	(25)	-	(25)
At 31 December 2013	165	303	18	486
Carrying Amount				
At 31 December 2013	1	76	1	78
At 31 December 2012	2	91	-	93
At 31 December 2011	-	85	-	85

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

9. Investments

	Unlisted Investments £'000
Cost	
At 1 January 2013 & 31 December 2013	18

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 2013 £'000	Profit for year 2013 £'000
Dillistone Systems (Australia) Pty Limited	<u>177</u>	<u>110</u>

10. Inventories

Inventories	2013 £'000	2012 £'000
Licences for resale	<u>77</u>	<u>62</u>

11. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	994	974
Group receivables	1,726	523
Prepayments and sundry debtors	102	120
	<u>2,822</u>	<u>1,617</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. The movement in the provision is shown below:

	2013	2012
	£'000	£'000
At start of year	33	30
Movement in the year	6	3
At the year end	<u>39</u>	<u>33</u>

The ageing profile of trade receivables past due date but not impaired as at the year end is as follows:

	2013	2012
	£'000	£'000
Current	900	811
31 - 60 days overdue	51	11
More than 60 days overdue	43	152
Total	<u>994</u>	<u>974</u>

12. Trade and other payables

	2013	2012
	£'000	£'000
Trade payables	72	76
Group payables	627	64
Social security and other taxes	203	184
Deferred income	1,496	1,553
Accruals and sundry creditors	99	91
	<u>2,497</u>	<u>1,968</u>

13. Share capital

	2013	2012
	£'000	£'000
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 2013

14. Operating lease arrangements

The Company leases its offices under non-cancellable operating lease agreements.

At 31 December 2013 the Company had future total commitments under these operating leases as follows:

	2013 £'000	2012 £'000
Expiry date:		
Within one year	76	75
Between two and five years	<u>2</u>	<u>56</u>

15. Employees

The average number of employees was:

	2013	2012
Operations	41	38
Employee numbers	<u>41</u>	<u>38</u>

All directors are employed and remunerated in the parent company.

Their aggregate remuneration comprised:

	2013 £'000	2012 £'000
Wages and salaries	1,481	1,316
Social security costs	171	157
Pension costs	12	19
	<u>1,664</u>	<u>1,492</u>

The aggregate remuneration includes costs totalling £404,000 (2012: £299,000) that have been capitalised in intangible assets.

16. Financial Instruments

The Company uses various financial instruments; these include cash and bank deposits and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

16. Financial Instruments (continued)

The Company finance department maintains liquidity, manages relations with the Company's bankers, identifies and manages foreign exchange risk and controls Company treasury operations. Treasury dealings such as investments and foreign exchange are conducted only to support underlying business transactions. Consequently, the Company does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

The Company's policies for management of the financial risks to which it is exposed are outlined below.

(i) 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 on the Company's bank deposits. The Company's policy is to maintain capital preservation and flexibility rather than to optimise interest rates on bank deposits held. Cash deposits in sterling and foreign currencies are made at prevailing interest rates. Where rates are fixed, the fixed interest period is generally no more than 1 month.

At the year end, the Company had positive cash balances totalling £286,000 (2012: £712,000). Had interest rates been 1% higher during the financial year, the impact on profit would have been an increase in profit for the year of £7,000 (2012: increase of £12,000).

(ii) Credit risk

The Company's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and monies on deposit with financial institutions.

Historically, the cash collection profile has been very good. Debt aging and collections are monitored on a regular basis. Some of the unimpaired trade receivables are past due as at the reporting date. Information on financial assets past due but not impaired are included in Note 11.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has no significant concentration of credit risk.

The Company's maximum exposure to credit risk at the reporting date is represented by the carrying value of financial assets, as follows:

	2013	2012
	£'000	£'000
Trade and other receivables (current assets)	2,822	1,617
Cash and cash equivalents	286	712
Total	<u>3,108</u>	<u>2,329</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

16. Financial Instruments (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. As at 31 December 2013, the Company's financial liabilities (being trade and other payables and deferred income and income tax) have contractual maturities of less than one year (2012: less than one year).

The Directors consider there to be no significant liquidity risks due to the significant cash balances of the Company.

(iv) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases which are denominated in a currency other than sterling. Exposures to currency exchange rates are primarily denominated in Euros (€). The Company does not use derivatives to hedge translation exposures arising on the consolidation of its overseas operations.

At the year end, the Company had assets totalling £577,000 and liabilities totalling £456,000 denominated in Euros (2012: assets totalling £1,261,000 and liabilities totalling £515,000). If the exchange rate weakened by 5%, the impact on the income statement would be a decrease in profit before tax by £2,000 (2012: decrease of £3,000).

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.

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 £2,190,000 (2012: £1,829,000). Further details in respect of movements in capital are provided in the statement of changes in equity.

Summary of financial assets and liabilities by category

The carrying amounts of the financial assets and liabilities as recognised at the statement of financial position date of the years under review may also be categorised as follows:

	Company	
	2013	2012
	£'000s	£'000s
Financial assets		
Loans and receivables	-	-
Cash and Cash equivalents	286	712
Trade and other receivables	2,720	1,497
	<u>3,006</u>	<u>2,209</u>
Financial liabilities held at amortised cost		
Trade and other payables	<u>2,497</u>	<u>1,968</u>

DILLISTONE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

17. Control

Dillistone Systems Limited is a wholly owned subsidiary of Dillistone Group PLC, a company registered in England and Wales.

18. Related party transactions

During the year Dillistone Systems (US) Inc paid a management charge to Dillistone Systems Limited of £289,000 (2012: £294,000). At the year end the Company owed £462,000 to Dillistone Systems (US) Inc (2012: owed by Dillistone Systems (US) Inc £41,000).

In 2013 Dillistone Systems Limited paid a dividend of £1,000,000 (2012: £1,000,000) to Dillistone Group Plc and a management charge of £94,000 (2012: £128,000). At the year end Dillistone Systems Limited was owed £1,616,000 (2012: £435,000).

Dillistone Systems (Australia) Pty Limited paid a management charge to the Company of £100,000 (2012: £117,000) and paid a dividend of £325,000 (2012: £125,000). At the year end Dillistone Systems Limited owed £35,000 (2012: £60,000) to Dillistone Systems (Australia) Pty Limited.

Voyager Software Limited paid a management charge to the Company of £50,000 (2012: £40,000) and owed the Company £89,000 (2012: £40,000).

FCP Internet Limited paid a management charge to the Company of £30,000 and was owed £110,000 at the year end

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 £nil (2012: £ nil).

19. Dividends

The dividends paid in 2013 and 2012 were £1,000,000 (£40 per share).