Tialis Essential IT Plc

("Tialis" or the "Company")

9 May 2023

Audited Results for the Year Ended 31 December 2022

Tialis, the mid-market network, IT Managed Services provider, announces its audited results for the year ended 31 December 2022.

The Annual Report and Accounts for the year ended 31 December 2022 will shortly be available on the Company's website at www.idegroup.com.

Copies of the Annual Report and Accounts will be posted to shareholders shortly along with the notice of annual general meeting which will be held at 10.00am on 28 June 2023 at the offices of finnCap, 1 Bartholomew Close, London EC1A 7BL

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Chairman's Statement

2022 was an important year in the ongoing rationalisation of our trading business and at a group level, with the conversion of the MXC debt into equity.

In November 2022 the members at the General Meeting voted to reorganise the Company's share structure so as enable the Company to issue new ordinary shares. Immediately following the capital reorganisation, the loan notes ("Loan Notes") held by MXC were converted into equity, reducing the debt level of the group to a sensible level. Note 27 sets-out in detail the Company's capital reorganisation.

Manage

During 2022, Tialis Essential IT Manage Limited's turnover remained consistent at £14.5 million (2021: £14.5 million).

Adjusted EBITDA for Manage, before unallocated group overheads, decreased from £3.8 million to £2.6 million, this reflects the change in business mix and a decrease in one-off projects experienced in 2022.

For the 2023 financial year, we have a higher level of visibility over revenues. It is anticipated that the successful transition of some of our traditional service contracts into our lifecycle facility will see margins step back up year on year.

Employee numbers within the Manage business increased by 15% within the year due to the company taking on more onsite managed service contracts. The number of heads in our central function decreased by 12 in the year.

Highlights in the year include:

- The sale of IDE Connect in October 2021 enabled the company to return to profit (before finance costs) in 2022 and allowed us to concentrate on end user device and on-site support services rather than chase the market in many different directions.
- Although revenue for 2022 was flat on 2021, the company is fundamentally stronger as the income is derived from recurring revenue. 2021 revenue was bolstered by a number of very large, one-off projects.
- The acquisition of the profitable partner contracts from Allvotec Limited, a division of Daisy Group, adds circa 50% to our revenues in 2023.
- In May 22, the company signed a seven figure multi-year contract with a major nuclear organisation which has doubled the annualised revenue on that account.
- Extended relationship with Indian Global outsourcer to mid-2023.
- Continued to expand our preferred supplier agreement with major partner and over doubled the revenue from 2021 to 2022.
- Via our partnership with CloudCoCo two large charities started large lifecycle contracts across all users within their organisations.
- Took over the Tech Bar support operation for major German multinational in multi-year deal.
- Started two important support relationships with large City insurance companies, which will both be experiencing significant expansion in 2023.
- Started year one of a three-year project with UK utility in 2022.
- Awarded Approved Supplier status with major UK IT service provider.
- In December 2022, signed in excess of a million pound a year contract for a minimum of 3 years with major UK print company which is due to start in June 2023.

Results

Revenue remained steady for the full year at £14.5 million (2021 continuing operations: £14.5 million), and we have seen gross profit margin fall by 8%, from 43% to 35%. Resulting gross profit has decreased year-on-year to £5.1 million (2021 continuing operations: £6.3 million). Adjusted EBITDA decreased to £2.0 million (2021: Adjusted EBITDA of £3.1 million). The net loss after tax for the year from continuing operations is £0.6 million (2021: £2.0 million), after £1.2 million amortisation expense and a £0.9 million gain on conversion of the secured loan notes (2021 continuing operations: £3.0 million amortisation and impairment charge).

People
The management team has made continued progress in simplifying the structure of the business and aligning services better to support our clients. The board would like to recognise and thank its employees who have worked hard to deliver excellent client service and retain existing key clients. The headcount in Tialis Essential IT Manage Limited has increased by 15% reflecting increased activity and trading.

Strategy
Our plan is to continue with our organic initiatives that will continue to demonstrate positive growth. We intend to expand our partner network and are also looking to expansion into Europe. After four long years of restructuring the Group is now considering growth through acquisition and would consider synergistic targets that would expand and deepen our service offerings.

Financing and dividend
The Company had been exploring several options for the secured loan notes, as the final stage of its restructuring, to reduce the Company's indebtedness to allow the Company to grow organically and through acquisition.

Prior to the secured loan note conversion on 2 November 2022, the balances owed to the loan note holders were as summarised below:

Holder	**Value of loan notes Pre Conversion**	**Value of loan notes Post Conversion at 31 December 2022**
MXC	£15,588,902	£-
Richard Griffiths	£1,854,546	£1,891,435
Funds managed by Kestrel Partners LLP	£1,354,963	£1,382,896
Other loan note holders	£204,138	£215,660
Total secured loan note value	£19,002,549	£3,489,991

The Company did not have adequate cash resources to repay the loan notes and therefore, after exploring several options, the Board believed that the capital reorganisation and loan note conversion was the best option available to the Company. The loan note conversion resulted in MXC materially increasing their percentage shareholding in the Company, MXC have confirmed to the Company that it has no current intention in taking the Company private.

Note 27 sets out the full details of the capital reorganisation which took place on 2 November 2022 having been approved by the Members in General Meeting.

The capital reorganisation consisted of the following steps:
1. the amendment of the Articles to set out the rights and restrictions attached to the Deferred Shares issued;
2. the sub-division of each existing Ordinary Share into 2 new shares – a Redenominated Ordinary Share of 0.01p and a Deferred Share of £2.49p; and
3. every 100 Redenominated Ordinary Shares of 0.01p each were consolidated into one New Ordinary Share of 1p each.

The Board is not proposing to declare a dividend at this time,

Current trading and outlook
Trading in the current financial year remains in line with Board expectations, with current financial performance broadly in line with the same period last year (excluding Allvotec). As our business grows, we are looking to expand our partner channel and possible expansion of our business model into Europe.

Our outlook for the year is 85% of revenue covered by existing contracts and end user customers, and together with a buoyant pipeline gives us great confidence in another positive year of growth for the Group.

The key objective for 2023 is to increase the focus and utilisation of our lifecycle facility which provides much greater efficiencies for our end-user customers and higher levels of customer satisfaction. Initiatives are underway with our most significant partner to see an increase in this area. In February 2023, the Group added three new large partners to the portfolio, providing the group with further opportunities.

Financial Review

The Group reported total revenues from continuing operations for the year to 31 December 2022 of £14.5 million, the same as in 2021 (2021: £14.5 million) and gross profit of £5.1 million (2021: £6.3 million). This shows a reduction in margins year-on-year of 8 percentage points compared to the prior year due to a shift in revenue streams.

The Group uses Adjusted EBITDA which is a non-GAAP measure of performance as it believes this more accurately reflects the underlying performance of the business. This is one of the key operational performance measures monitored by the Board. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charges, non-underlying items, loss on disposal of fixed assets and share-based payments.

The Adjusted EBITDA for the year to 31 December 2022 was a profit of £2.0 million (2021: profit of £3.1 million).

A detailed review of the business is set out in the Chairman's Statement and this Financial Review. Included in these reviews are comments on the key performance indicators that are used by the Board on a monthly basis to monitor and assess the performance of the business. These indicators include the level of revenue, gross profit and Adjusted EBITDA together with net debt.

Manage

The revenue for the continuing operations all relates to the Manage Business. Revenues remained consistent at £14.5 million (2021: £14.5 million). For the year we have seen lower gross profit margins to 35% (2021: 43%), as a result of the services mix and operational efficiencies.

Adjusted EBITDA attributable to Manage has moved to £2.6 million (2021: profit of £3.8 million).

Non-underlying items

Non-underlying items relating to restructuring and reorganisation amount to £0.4 million in the year (2021: £0.4 million).

Finance costs

After incurring net finance charges of £2.3 million relating to interest and arrangement fees for loan notes, leases and bank debt (2021: £2.5 million), the loss before tax is £1.3 million (2021: loss of £3.0 million).

Taxation

The utilisation of tax losses and the benefit of the increase in the rate of corporation tax on the deferred tax asset has resulted in a tax credit for the year of £0.8 million (2021: £1.2 million).

Loss on continuing operations

Whilst the underlying trading performance of Manage shows significant positive EBITDA, group costs, finance costs and impairment charges on the software licences result in a loss after tax for the year on continuing operations of £0.6 million (2021: loss on continuing operations £1.8 million), which equates to a basic loss per share of 0.14 pence (2021: loss per share of pence 0.39).

Loss on discontinued operations

The loss on discontinued operations of £nil million (2021: loss of £0.2 million) arises on the disposal of the Connect Business on 19 October 2021, and from the operations in the period up to the date of disposal.

Statement of Financial Position

Non-current assets

The Group has property, plant and equipment of £1.1 million (2021: £0.8 million) all of which are subject to depreciation as per the policies set out in the accompanying financial statements. During the year there were additions of £0.5 million (2021: £0.03 million additions).

In 2020 we invested in software licences at the year-end amounting to £1.8 million. These licences were purchased with a view to a planned expansion of the group, resale to our clients in our Connect Business and for operational use in the Connect Business and are payable in three tranches at the end of 2021, 2022 and 2023. The licences were capitalised as intangible assets at the present value of the payments, which are included within trade payables at 31 December 2021. Due to planned expansion which didn't materialise and the sale of the Connect Business in 2021, the Group is unable to obtain the full benefit of the licences in its remaining business. Accordingly, these software licenses were impaired and written down to £nil in 2021. They can no longer be utilised by the continuing operations and as such are deemed unlikely to be sold to the customers of the Connect Business, given its disposal in the prior year, or sold to third parties.

Further, intangible assets of customer contracts and related relationships are £7.1 million (2021: £8.2 million) and are subject to amortisation as per the policies set out in the accompanying financial statements.

Trade and other receivables

Trade and other receivables have decreased to £3.8 million from £4.3 million.

Following the disposal of the Connect Business in 2021, working capital management has improved as the underlying nature of the Managed Business has a reduced number of customers; all of them are larger corporates with good credit ratings and regular payment cycles.

Trade and other payables

Trade and other payables amounted to £4.5 million (2021: £6.0 million), including trade payables of £2.7 million (2021: £3.8 million) taxation and social security of £0.8 million (2021: £0.8 million) and accruals of £1.0 million (2021: £1.4 million).

Contract liabilities arise from customers being invoiced in advance of services delivered, in accordance with individual contractual terms, at the balance sheet date this amounted to £0.05 million (2021: £0.05 million). Contract liabilities remain materially unchanged year on year.

Following the disposal of the Connect Business, the number of suppliers has been reduced and allows for better supplier management leading to improved working capital.

Cashflow and net debt

Net cash generated from operating activities during the year was £1.5 million (2021 £0.6 million generated). Our Manage business continues to be cash generative and has developed excellent relationships with key strategic partners. The Group invested £0.2 million (2021: £0.03 million) in fixed assets. There were no new loans in 2022 (2021: £1.0 million net), but repayment of lease liabilities consumed £0.3 million (2021: £0.4 million) of cash. The result is that as at 31 December 2022 there were no bank borrowings or overdraft debt and the cash balance was £0.4 million (2021: £0.3 million).

Borrowings

On 11 May 2021 £2,397,519 of the unsecured convertible loan notes issued in August 2018 were converted into 95,900,760 Ordinary shares of 2.5p each, at a conversion price of 2.5p per share.

The Nimoveri Loan Notes issued on 1st June 2020 (£100,000) were redeemable on 31 December 2021. On 13 December 2021 both parties agreed the Nimoveri Loan Notes would be repaid in four equal monthly instalments commencing 31 January 2022.

The Company issued a loan note net of expenses for proceeds of £1.0 million in November 2022, which if not repaid by 31 March 2022 increases to £1.1875m and incurs interest of 20.4 % per annum, repayable on 23 December 2025. The loan note was not repaid by 31 March 2022.

On 2 November 2022 the members meeting at the Annual General Meeting, and then at the General Meeting that followed, voted to convert £15.5 million of loan notes (including fees and interest) into share capital. Details of the capital reorganisation and consolidation are set out in Note 27.

As at 31 December 2022, the convertible loan notes liability in the balance sheet was £143,480 (2021: £130,437), and the secured loan notes liability was £3,489,991 (£2021: £17,027,016).

Dividend

The Directors do not propose a dividend in respect of the current financial year (2021: £nil).

Donations to charities

The Directors paid £33 to The Prince's Trust as part of the Company capital reorganisation as set out in Note 27 (2021: £nil).

Update and outlook for 2023

Set out within the Chairman's Statement are details of the current trading performance and outlook. Trading in the first four months of 2023 has been strong, including very positive further contract wins from our key partner.

Going concern

The Directors have produced detailed trading and cashflow forecasts. In reaching their conclusion on the going concern basis of accounting, the Directors note and rely on the improved trading performance, the positive cash generation that the business is now experiencing and the current signed order book. A reverse stress test of the model has been run to determine at what level of shortfall in revenues the Group would run out of cash. Given the committed orders already obtained and the visibility of future revenues, the directors do not consider it likely that revenues could drop to such an extent that the Group would run out of cash. They have also considered the impact of any delayed customer payments and have developed plans to mitigate any such delays to ensure that the Group can continue to settle its liabilities as they fall due and operate as a going concern. The Directors therefore have an expectation that the Group and Company have adequate resources available to them to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Group and Company continue to adopt the going concern basis in preparing these consolidated financial statements.

Strategic Report

Review of the Business

A detailed review of the business is set out in the Chairman's Statement and the Financial Review. The year under review was a positive one for the business with continuing revenues remaining consistent year-on-year and Adjusted EBITDA* remaining positive, although the Group reported a post-tax loss due to finance costs, impairments and restructuring. Future developments and current trading and prospects are set out in the Chairman's Statement and the Financial Review. These reports together with the Corporate Governance Statement are incorporated into this Strategic Report by reference and should be read as part of this report. The Group's strategy is focused on maximising value for stakeholders by increasing revenues and profits by upselling to our current customer base as well as by bringing new customers on board.

At 31 December 2022, the Board comprised two Directors (2021: two) all of which were male. At 31 December 2022 the Group had 196 employees including Directors (2021: 165) of which 164 were male (2021:134) and 36 were female (2021:31).

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charges, non-underlying items,loss on disposal of fixed assets and share-based payments.

Principal Risks and Uncertainties

Identifying, evaluating, and managing the principal risks and uncertainties facing the Group is an integral part of the way the Group does business. There are policies and procedures in place throughout the operations, embedded within our management structure and as part of our normal operating processes.

The Board reviews the principal risks on a bi-annual basis. The risks have been amended following the sale of the Connect Business with the resultant Group being greatly simplified. The impact, measures in place and tactics to mitigate risks are assessed on a regular basis. The risk categories, set out below, have been identified by the Board as those currently considered to potentially have the most material impact on the Group's future performance. In addition to these risks, note 24 contains details of financial risks.

Customer concentration
The Group has a significant revenue concentration with a single Partner (84%). This is mitigated as there are a number of end customers, all with different agreements and contract end dates. The Group has traded with the Partner for over 20 years and has long standing relationships. The Group is also focused on reducing this concentration and is working on several opportunities to achieve this.

Market and Economic Conditions
Market and economic conditions are recognised as one of the principal risks in the current trading environment. Risk is mitigated by the monitoring of trading conditions and changes in government legislation, the development of action plans to address specific legislative changes and the constant search for ways to achieve new efficiencies in the business without impacting service levels.

The Board does not believe the current macro-economic outlook has changed the Group's prospects given the large proportion of the end-customers being in the public sector. The Group has also undertaken stress testing of the detailed trading forecasts and cashflows taking into account inflation and interest rate increases. The Board does not consider that these will change the outlook at present. In relation to interest rates increases, the Group's debt is at a fixed rate.

Reliance on Key Personnel and Management
The success of the Group is dependent on the services of key management and operating personnel. The Directors believe that the Group's future success will be largely dependent on its ability to retain and attract highly skilled and qualified personnel and to train and manage its employee base. During the year, the restructuring programme continued which resulted in more members of staff being made redundant and other members of staff moving into new roles. For those who remain there are several employee benefits and active communication is encouraged within the business to mitigate the risk of losing skilled and qualified individuals. Furthermore, there is an apprenticeship scheme which the Group believes will assist in training and retaining younger individuals going forward.

Competition
The Group operates in a highly competitive marketplace and while the Directors believe the Group enjoys certain strengths and advantages in competing for business, some competitors are much larger with considerable scale. The Group monitors competitors' activity and constantly reviews its own services and prices to ensure a competitive position in the market is maintained.

Technology
The market for our services is in a state of constant innovation and change. We devote significant resource to the development of new service lines, ensuring new technologies can be incorporated and integrated with the Group's core services. The nature of the Group's services means that they are exposed to a range of technological risks, such as viruses, hacking and an ever-changing spectrum of security risk. We maintain constant pro-active vigilance against such risks and the Group maintains membership of some of the highest levels of security accreditation as part of the service it offers its customers.

s.172(1) Companies Act 2006: Statement of Directors' Duties to Stakeholders

Promoting the success of the Company

The Directors are aware of their duty under section 172(1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

The Board recognises that the long-term success of the Company requires positive interaction with its stakeholders. Positive engagement with stakeholders will enable our stakeholders to better understand the activities, needs and challenges of the business and enable the Board to better understand and address relevant stakeholder views which will assist the Board in its decision making and to discharge its duties under Section 172 of the Companies Act 2006.

Our Commitment
The Company is committed to operating with an inclusive, transparent, and respectful culture and places particular emphasis on operating to the highest ethical and environmental standards.

The Directors take personal ownership of the policies and maintenance of the necessary exacting standards of business conduct throughout the organisation and for delivering these corporate and social responsibilities.

Stakeholder Engagement

Recruitment and employee management are undertaken in line with the Company Employment Policy which has committed to a working environment with equal opportunities for all, without discrimination and regardless of sex, sexual orientation, age, race, ethnicity, nationality, religion, or disability.

We are committed to being an equal opportunities employer and oppose all forms of unlawful discrimination. We believe that staff members should be treated on their merits and that employment-related decisions should be based on objective job-related criteria such as aptitude and skills. For these reasons, all staff members, and particularly managers with responsibility for employment-related decisions, must comply with the practices described below.

• recruitment;
• pay and benefits;
• promotion and training;
• disciplinary, performance improvement and redundancy procedures.

As part of the induction of all employees and on a recurring annual basis, all employees have to complete a mandatory set of training courses, one of which is on equality, diversity and inclusion in both the workplace and local communities.

We conduct a gender pay analysis annually and the report is published on the Company's website.

Tialis seeks to attract and retain staff by acting as a responsible employer. The health, safety and well-being of employees is important to the Company. On the sale of Connect, we engaged with the acquirer and supported all the employees through the transition. All employees had access and were encouraged to use the Employee Assistance Program with a 24-hour helpline.

Furthermore, the Company has committed to continuous development schemes and will support employees to attain the best for themselves and the Company through personal assessment, training and mentoring.

Externally, Tialis has established long-term partnerships that complement its in-house expertise and has built a network of specialised partners within the industry and beyond.

The Directors have committed to promoting a company culture that treats everyone fairly and with respect and this commitment extends to all principal stakeholders including shareholders, employees, consultants, suppliers, customers, and the communities where it is active.

All Directors are encouraged to act in a way they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its shareholders. In doing so, they each have regard to a range of matters when making decisions for the long-term success of the Company.

Health and Safety

Tialis Group cares profoundly about the health and safety of our employees, customers and the communities who could be affected by our activities and aims to protect them from any foreseeable hazard or danger arising from our activities. To this end in 2022 the Company completed a series of safety related studies and reviews, including electrical and gas, quantified risk assessments and layer of protection analysis using external experts to review the product risk and the application on our Dartford site. In all instances the findings of the safety risk assessments have demonstrated that the risk arising from the Tialis Group's activities is well within acceptable tolerable risk levels. In 2023 the Company will revisit these assessments to identify any changes that have been introduced which may represent new or variants of risk.

We have a Health and safety policy and as mentioned above all employees have to complete a mandatory set of training courses, which include several health and safety courses, including manual handling, mental health awareness, stress awareness, bullying and harassment, display screen set-up and a general health and safety course.

During 2022 the Board was particularly mindful of the impact of the ongoing COVID-19 pandemic when making decisions. This has impacted all areas of decision making and is not limited to ensuring that its impact on employees, contractors, suppliers and the communities in which Tialis Group operates is factored into any decision, but also to ensure that its reputational, financial and other impact is also considered.

The Directors recognise that the key to successful health and safety management requires an effective policy, organisation, and arrangements which reflect the commitment of senior management. The executive management team implement the Company's health and safety policy and ensure that the Company Health and Safety (HSE) management system and safety standards are all maintained, monitored, and improved where necessary. During the COVID-19 pandemic and currently, the level of cleaning was improved and a high level of cleanliness is maintained.

The Company's activities at its Dartford site were delivered HSE incident free in 2022.

Environmental Policies

The Company's Environmental Policy recognises the importance of our technology from a global challenge perspective. The Company will regularly evaluate the environmental impact of its activities, products, and services, taking all actions necessary to continually improve the Company's and its products' environmental performance.

At present, we are working towards achieving ISO-14001 certification and are undergoing a third-party gap analysis prior to the certification audit.

Tialis Group has a Carbon Reduction Strategy which is published on the company website. We at Tialis Group are committed to reducing our impact on the environment in order to help safeguard our planet for future generations. We have committed to a well-below 2 degrees Celsius trajectory and to maintaining our scope 1 and scope 2 greenhouse gas emissions at a level 30% lower than in our base year of 2018. We are also investing in an environmental management system certified to ISO 14001 to ensure that we can monitor and manage our activities to meet our targets.

In addition to committing to maintaining our scope 1 and 2 emissions at 30% less than they were in 2018, we will also work to reduce our overall greenhouse gas emissions (scopes 1, 2 and 3) by 2.5% every year from a 2022 baseline. We have engaged with Science Based Targets (SBTi) to validate our 30% reduction target. SBTi has confirmed that our target of a 30% reduction from 2018 has been accepted and will be published on their website. They have undertaken due diligence on the 2018 information we provided and verified its accuracy. As the work we have done in the last few years has helped us achieve the 30% target already, we will now ensure that we maintain this lower level.

As mentioned above, all employees have to complete a mandatory set of training courses, which include an environmental awareness course.

Strategy

The market for IT managed services in the United Kingdom is highly fragmented and is served by a broad spectrum of businesses from global telecommunication companies through hardware and software providers, system integrators and a range of independent managed service providers of varying sizes through to companies providing individual elements of the IT managed services spectrum. The market is growing, driven by the continued move towards off-premise solutions and mobile access to secure services.

Despite the continued challenges we met in 2022, the Board believes that the Group's position between the very large system integrators and the smaller competitors that may lack delivery structure, reputation, reliability, and financial strength remains a very compelling one.

We have developed a delivery model that provides assurance and certainty for customers. This underlying platform is the core strength of the Group and we will continue to consider augmenting underlying organic growth in the Manage business in 2022 with acquisitions to leverage this platform should there be a compelling strategic and financial case.

The decision to dispose of Connect allows us to focus on the core business, as part of this decision-making process which should result in the medium to longer term the Group returning to sustained profits. Through our long standing customer relationships, we have demonstrated a commitment to service quality for over twenty years.

On behalf of the Board

Andy Parker
Executive Chairman

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £000**	Year ended 31 December 2021 £000
Continuing operations			
Revenue	3	**14,463**	14,456
Cost of sales	*5*	**(9,408)**	(8,185)
Gross profit		**5,055**	6,271
Other operating income	*4*	**-**	40
Administrative expenses excluding impairment	*5*	**(4,011)**	(5,151)
Impairment charge on intangibles	*15*	**-**	(1,833)
Impairment credit on trade receivables		**-**	139
Total administrative expenses		**(4,011)**	(6,845)
Adjusted EBITDA*		**1,950**	3,099
Non underlying items	*7*	**(421)**	(433)
Depreciation	*14*	**(208)**	(321)
Amortisation	*15*	**(1,169)**	(1,169)
Gain on the conversion of secured loan notes		**892**	-
Impairment charge on intangibles	*15*	**-**	(1,833)
Impairment credit on trade receivables	*17*	**-**	139
Charges for share-based payments	*28*	**-**	(16)
Operating profit/(loss)		**1,044**	(534)
Finance income	9	**10**	-
Finance costs	*10*	**(2,334)**	(2,453)
Loss on ordinary activities before taxation		**(1,280)**	(2,987)
Income tax	*12*	**843**	1,204
Loss for the year from continuing operations		**(437)**	(1,783)
Derecognition of foreign currency reserve		**(150)**	-
Loss for the year from discontinued operations	*8*	**-**	(193)
Loss for the year and total comprehensive loss attributable to owners of the parent company		**(587)**	(1,976)
From continuing operations			
Basic and diluted loss per share	*13*	**(0.10) p**	(0.39) p
From discontinued operations			
Basic and diluted loss per share	*13*	**(0.04)p**	(0.04) p
Total basic and diluted loss per share	*13*	**(0.14) p**	(0.43) p

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charge, non-underlying items, loss on disposal of fixed assets and share-based payments.

The notes are an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2022

	Note	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Non-current assets					
Property, plant and equipment	*14*	**1,076**	813	**-**	-
Intangible assets	*15*	**7,062**	8,231	**-**	-
Investments	*16*	**-**	-	**18,211**	7,877
Deferred tax asset	*12*	**3,108**	2,265	**-**	-
Trade and other receivables	*17*	**100**	313	**9**	16,842
		11,346	11,622	**18,220**	24,719
Current assets					
Trade and other receivables	*17*	**3,661**	3,969	**79**	31
Cash and cash equivalents	*18*	**414**	349	**3**	2
		4,075	4,318	**82**	33
Total assets		**15,421**	15,940	**18,302**	24,752
Current liabilities					
Trade and other payables	*19*	**4,544**	5,318	**778**	2,445
Contract liabilities	*20*	**51**	49	**-**	-
Borrowings	*22*	**210**	246	**-**	-
Provisions	*21*	**-**	157	**-**	-
		4,805	5,770	**778**	2,445
Non-current liabilities					
Trade and other payables	*19*	**-**	730	**-**	-
Borrowings	*22*	**4,255**	17,737	**3,490**	17,027
Convertible loan notes	*23*	**143**	131	**143**	131
Provisions	*21*	**245**	202	**-**	-
		4,643	18,800	**3,633**	17,158
Total liabilities		**9,448**	24,570	**4,411**	19,603
Net (liabilities)/assets		**5,973**	(8,630)	**13,891**	5,149
Equity attributable to equity holders of the parent					
Share capital	*27*	**12,586**	12,418	**12,586**	12,418
Share premium		**50,754**	35,882	**50,754**	35,882
Equity reserve		**58**	58	**58**	58
Retained earnings		**(57,425)**	(56,838)	**(49,507)**	(43,209)
Foreign currency translation reserve		**-**	(150)	**-**	-
Total equity		**5,973**	(8,630)	**13,891**	5,149

The notes are an integral part of these financial statements. The Company made a loss of £6.3 million in the year ended 31 December 2022 (2021: Loss £3.1 million) and in accordance with s408 of the Companies Act 2006 has not presented a company statement of comprehensive income. These financial statements were approved by the Bord of Directors on 5 May 2023 and were signed on its behalf by:

Ian Smith
Executive Director

Statements of Changes in Equity
for the year ended 31 December 2022

	Share Capital (a)	Share Premium (b)	Equity reserve (c)	Retained Earnings (d)	Foreign currency translation reserve(e)	Total equity
	£000	£000	£000	£000	£000	£000
Group						
Balance at 1 January 2021	**10,020**	**35,439**	**967**	**(54,878)**	**(150)**	**(8,602)**
Loss for the financial year and total comprehensive expense	-	-	-	(1,976)	-	(1,976)
Shares issued for redemption of convertible loan notes (note 27)	2,398	443	(909)	-	-	1,932
Transactions with owners recorded directly in equity						
Share based payments charge	-	-	-	16	-	16
At 31 December 2021	**12,418**	**35,882**	**58**	**(56,838)**	**(150)**	**(8,630)**
Balance at 1 January 2022	**12,418**	**35,882**	**58**	**(56,838)**	**(150)**	**(8,630)**
Loss for the financial year and total comprehensive expense	-	-	-	(587)	-	(587)
Shares issued for the conversion of secured loan notes and in lieu of a bonus to an employee (note 27)	168	14,872	-	-	-	15,040
Transactions with owners recorded directly in equity						
Derecognition of foreign exchange reserve	-	-	-	-	150	150
At 31 December 2022	**12,586**	**50,754**	**58**	**(57,425)**	**-**	**5,973**

(a) Share capital represents the nominal value of equity shares and deferred shares

(b) Share premium represents the excess over nominal value of the fair value of consideration received for equity shares net of expensesof the share issue

(c) The equity reserve consists of the equity component of convertible loan notes that were issued as part of the fundraising in August 2018 less the equity component of instruments converted or settled
The fair value of the equity component of convertible loan notes issued is the residual value after deduction of the fair value of thedebt component of the instrument from the face value of the loan note

(d) Retained earnings represents retained profits and accumulated losses

(e) On consolidation, the balance sheets of the Group's foreign subsidiaries are translated into sterling at the rates of exchange ruling atthe balance sheet date. Exchange gains or losses arising from the consolidation of these foreign subsidiaries are recognised in the foreign currency translation reserve.

Statements of Cash Flows
for the year ended 31 December 2022

Group

	Note	**2022**	2021
		£000	£000
Cash flows from operating activities			
Profit/(loss) from continuing operations:		**(1,280)**	(2,987)
Profit/(loss) from discontinued operations		**-**	(193)
Total loss before tax		**(1,280)**	(3,180)
Adjustments for:			
Depreciation of property, plant and equipment	*14*	**208**	321
Amortisation of intangible assets	*15*	**1,169**	1,169
Profit/(loss) on disposal of discontinued operations	*8*	**-**	(1,286)
Impairment charge on goodwill and intangibles	15	**-**	1,833
Impairment credit on trade receivables	17	**-**	(139)
Net finance expenses	*9,10*	**2,324**	2,453
Share based payments	*28*	**-**	16
Gain on conversion of secured loan notes		**(892)**	-
Decrease/(increase) in trade and other receivables		**521**	(133)
Increase/(decrease) in trade and other payables and contract liabilities		**(461)**	(513)
Increase/(decrease) in provisions		**(114)**	47
Net cash generated from operating activities		**1,475**	588
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(208)**	(28)
Disposal of subsidiaries (cash disposed and expenses)		**-**	(586)
Net cash used in investing activities		**(208)**	(614)
Cash flows from financing activities			
Interest received		**10**	-
Interest paid		**(268)**	(334)
Supplier finance repaid		**(558)**	(550)
New loans and borrowings, net of expenses		**-**	1,000
Nimoveri loan note repaid		**(100)**	-
Repayment of lease liabilities	*22*	**(286)**	(434)
Net cash generated from/ (absorbed by) financing activities		**(1,202)**	(318)
Net (decrease)/increase in cash and cash equivalents		**65**	(344)
Cash and cash equivalents at 1 January		**349**	693
Cash and cash equivalents at 31 December		**414**	349
Cash and cash equivalents comprise			
Cash at bank	18	**414**	349
		414	349

Notes to the Consolidated Financial Statements

1 Accounting policies

Tialis Essential IT PLC (formerly IDE Group Holdings PLC) ("Tialis Group") is a company incorporated in Scotland, domiciled in the United Kingdom and limited by shares which are publicly traded on AIM, the market of that name operated by the London Stock Exchange. The registered office is 24 Dublin Street, Edinburgh EH1 3PP and the principal place of business is in the United Kingdom.

The principal activity of the Group is the provision of network, cloud and IT managed services.

The principal accounting policies, which have been applied consistently in the preparation of these consolidated and parent company financial statements throughout the year and all by subsidiary companies are set out below.

1.1 Basis of preparation

The consolidated and parent company financial statements of Tialis Group have been prepared on the going concern basis and in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention. The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company's Income Statement.

The accounting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.25 in the accounting policies. The financial statements are prepared in GBP (being the functional currency of the Group) and rounded to the nearest £1,000.

Going concern

The Directors have produced detailed trading and cashflow forecasts. In reaching their conclusion on the going concern basis of accounting, the Directors note and rely on the improved trading performance, the positive cash generation that the business is now experiencing and the current signed order book. A reverse stress test of the model has been run to determine at what level of shortfall in revenues the Group would run out of cash. Given the committed orders already obtained and the visibility of future revenues, the directors do not consider it likely that revenues could drop to such an extent that the Group would run out of cash. They have also considered the impact of any delayed customer payments and have developed plans to mitigate any such delays to ensure that the group can continue to settle its liabilities as they fall due and operate as a going concern. The directors therefore have an expectation that the Group and Company have adequate resources available to them to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Group and Company continue to adopt the going concern basis in preparing these consolidated financial statements.

1.2 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the total of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

1.3 Investments

Investments in subsidiaries are held at cost less accumulated impairment losses. A formal assessment of the recoverability of the investment values is undertaken on an annual basis by the Directors. Where indicators of impairment are identified, fixed asset investments are impaired accordingly.

1.4 Intangible assets

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of any non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement as a bargain purchase.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to a cash generating unit.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Other intangible assets arising from business combinations

Intangible assets that meet the criteria to be separately recognised as part of a business combination are carried at cost (which is equal to their fair value at the date of acquisition) less accumulated amortisation and impairment losses. An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired in this manner include trademarks and customer contracts. They are amortised over their estimated useful lives on a straight-line basis as follows:

- Customer contracts and related relationships 13 years
- Trademarks 5 years

Impairment and amortisation charges are included within the administrative expenses line in the income statement.

Technology development

Expenditure on internally developed technology is capitalised if it can be demonstrated that:

- it is technically feasible to develop the technology for it to be used or sold
- adequate resources are available to complete the development
- there is an intention to complete and for the Group to use or sell the technology
- use or sale of the asset will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from using or selling the assets developed. The amortisation expense is included within the administrative expenses line in the income statement. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

Software and licensing

Separately acquired software and licenses are shown at historical cost less accumulated amortisation and impairment losses.
They are amortised over their estimated useful lives on a straight-line basis as follows:

- Software and licensing 8 years

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost includes the original price of the asset and the cost attributable to bringing the asset to its current working condition for its intended use.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset, which is reviewed on an annual basis, as follows:

• Leasehold property	Over remaining lease term
• Network infrastructure	3 - 10 years
• Equipment, fixtures and fittings	3 - 5 years

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

1.6 Impairment of assets

Goodwill is not subject to amortisation and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised.

Other intangible assets and property, plant and equipment are subject to amortisation and depreciation and are reviewed for impairment whenever events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of intangible assets and property, plant and equipment is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash generating unit to which the asset belongs. Fair value less costs to sell is, where known, based on actual sales price net of costs incurred in completing the disposal. Non-financial assets, other than goodwill, that were impaired in previous periods are reviewed annually to assess whether the impairment is still relevant.

1.7 Share capital

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

1.8 Leases

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

1.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.10 Current and deferred income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination that at the time of the transaction neither affects accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences carried forward tax credits or tax losses can be utilised.

1.11 Trade and other receivables

Trade receivables, which principally represent amounts due from customers, are recognised at amortised cost as they meet the IFRS 9 classification test of being held to collect, and the cash flow characteristics represent solely payments of principal and interest.

The Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions.

Trade receivables are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group's trade and other receivables are non-interest bearing.

1.12 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

1.13 Foreign currencies

The presentational currency of the Group is Pound Sterling (£) and the Group conducts the majority of its business in Sterling. Transactions in foreign currencies are initially recorded in the presentational currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the presentational currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

1.14 Accrual for employee benefits, including holiday pay

Provision is made for employee benefits, including holiday pay, to the extent of the liability as if all employees of the Group had left the business at its reporting date.

1.15 Financial assets and liabilities

The Group's financial assets and liabilities mainly comprise cash, borrowings, trade and other receivables and trade and other payables. These are accounted for in accordance with the relevant accounting policy note.

Trade and other payables are not interest bearing and are stated at their amortised cost.

1.16 Convertible loan notes

The component parts of convertible loans issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability portion of convertible loan notes is determined using a market interest rate for a comparable loan note with no conversion option. This amount is recorded as a liability on an amortised cost basis using the effective interest method until the loan notes are redeemed or converted either during or at the end of the term of the convertible loan notes. The remainder of the carrying amount of the loan notes is allocated to the conversion option and shown within equity and is not subsequently remeasured. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in the income statement upon conversion or expiration of the conversion options.

1.17 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in the finance cost line in the income statement.

1.18 Finance costs

Loans are carried at fair value on initial recognition, net of unamortised issue costs of debt. These costs are amortised over the loan term.

All other borrowing costs are recognised in the income statement on an accruals basis, using the effective rate method.

1.19 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Valued Added Tax, returns, rebates and discounts and after the elimination of sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Recurring revenue

The largest portion of the Group's revenues relates to a number of network, cloud and IT managed services, which the Group offers to its customers. All of the revenue in this category is contracted and includes a full range of support, maintenance, subscription and service agreements. Revenue for these types of services is recognised as the services are provided on the basis that the customer simultaneously receives and consumes the benefits provided by the Group's performance of the services over the contract term. In terms of performance obligations, the customer can benefit from each service on its own and the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract. The transaction price for each service is allocated to each performance obligation. The costs incurred for these revenue streams typically match the revenue pattern. A contract liability is recognised when billing occurs ahead of revenue recognition. A contract asset is recognised when the revenue recognition criteria were met but in accordance with the underlying contract, the sales invoice has not been issued yet.

Project revenue
These project services include mainly installation and consultancy services. Performance obligations are met once the hours or days have been worked. Revenue is therefore recognised over time based on the hours or days worked at the agreed price per hour or day. The costs incurred for this revenue stream generally match the revenue pattern, as a significant portion of consultancy costs relate to staff costs, which are recognised as incurred. Consultancy services are generally provided on a time and material basis.

1.20 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

1.21 Non-underlying items

It is the policy of the Group to identify certain costs, which are material either because of their size or nature, separately on the face of the Income Statement in order that the underlying profitability of the business can be clearly understood. These costs are identified as non-underlying items, and comprise;

a) Professional fees incurred in sourcing and completing acquisitions and disposals including legal expenses
b) Professional fees incurred in restructuring and refinancing acquisitions
c) Integration costs which are incurred by the Group when integrating one trading business into another, including rebranding of acquired businesses
d) Redundancy costs, including employment related costs of staff made redundant up to the date of their leaving as a consequence of integration
e) Property costs such as lease termination penalties and vacant property provisions and third-party advisor fees

1.22 Discontinued operations

Cash flows and operations that relate to a major component of the business that has been disposed of or is classified as held for sale or distribution are shown separately from continuing operations.

1.23 Segmental reporting

The Chief Operating Decision Maker has been identified as the Executive Board. The Chief Operating Decision Maker reviews the Group's internal reporting in order to assess performance and allocate resources. For management reporting purposes and operationally, the continuing operations of the Group consist of Tialis IT Essential Manage Limited for this year and the prior year.

1.24 Standards and interpretations not yet applied by the Group

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2022. There was no significant impact of new standards and interpretations adopted in the year, which include:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and –FRS 16) - effective 1 Jan 2022

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2022, or later periods, have been adopted early. The new standards and interpretations are not expected to have any significant impact on the financial statements when applied.

1.25 Critical accounting estimates and judgements

Estimates

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Recoverability of deferred tax asset –This includes estimates of the level of future profitability, and a judgement as to the likelihood of the group undergoing a restructure of its finances which would result in significant finance cost savings.

A change in the estimate of future profits would result in an equivalent change to the deferred tax asset recognised of 25% of the change in profits. There are no reasonably plausible scenarios which would result in the future profitability not being sufficient to enable full recovery of the tax losses in the assessment period.

Impairment of intercompany balances - The directors use estimates in assessing the level of impairment of intercompany balances at each period end, including the likely methods of recovery of the balances and future profitability of the underlying trade which would enable repayments to be made.

Judgements

In the process of applying the Group's accounting policies, management makes various judgements which can significantly affect the amounts recognised in the financial statements. Critical judgements are considered to be:

Classification of non-underlying items - the Directors have exercised judgement when classifying certain costs arising during integration and strategic reorganisation projects. The Directors believe that these costs are all related to the types of costs described in 1.21 above and are appropriately classified.

Recoverability of deferred tax asset – the Directors have exercised judgement on the recoverability of tax losses attributable to future trading profits generated by the Group, and in doing so this has given rise to a deferred tax asset, details of which are shown in note 12 to the financial statements. The judgement involves assessing the extent to which trading losses can be offset against future profits.

Impairment of software licences - As set out in note 15, the directors performed an impairment review in respect of software licences in 2021, which had a carrying amount at the previous balance sheet date of £1.8m. The impairment review was triggered both because the licences were not yet in use, and because of an indicator of impairment due to planned expansion which didn't materialise, and the sale of the Connect business, which meant the licences had no addressable market. Following the review the licences were fully impaired. The directors' judgement is that it is very unlikely that the benefit of trying to earn revenues for the licences would exceed the cost of funding the activities that would be required.

2 Segment reporting

With the sale of the Connect and Nimoveri Businesses in 2021 the Group has only one operating segment, the Manage Business.

3 Revenue

Disaggregation of revenue from contracts with customers is as follows:

Year ended 31 December 2022	Managed services	Projects	**Total**
Geographical regions	£000	£000	**£000**
United Kingdom	10,770	3,632	**14,402**
Europe	61	-	**61**
Total	10,831	3,632	**14,463**
Timing of revenue recognition			
Goods transferred at a point in time	84	-	**84**
Services transferred over time	10,747	3,632	**14,379**
Total	10,831	3,632	**14,463**

The revenue from the largest customer was £11.7m (2021: £6.8 million) or 84% of total revenue (2021: 63%). No other customers account for more than 10% of revenue.

Year ended 31 December 2021	Managed Services	Projects	**Total**
Geographical regions	£000	£000	**£000**
United Kingdom	10,704	3,716	**14,420**
Europe	13	23	**36**
Total	10,717	3,739	**14,456**
Timing of revenue recognition			
Goods transferred at a point in time	48	-	**48**
Services transferred over time	10,669	3,739	**14,408**
Total	10,717	3,739	**14,456**

Contract balances

	2022	2021
	£000	£000
Receivables included within trade and other receivables	**2,499**	2,677
Contract assets	**664**	837
	3,163	3,514
Contract liabilities	**(51)**	(49)
Total	**3,112**	3,465

Contract assets predominantly relate to fulfilled obligations in respect of projects and managed services which are billed monthly and in arrears. At the point where completed work is invoiced, the contract asset is derecognised, and a corresponding receivablerecognised. Contract liabilities relate to consideration received from customers in advance of work being completed.

The Group's standard payment terms are 30 days from the date of invoice. Refunds are only due in the exceptional circumstances where the Group does not meet the performance obligations set out in a contract. The majority of revenue for services is invoicedmonthly, sometimes quarterly, in advance, and goods are invoiced on delivery.

Unsatisfied performance obligations

All contracts for the provision of services are for periods of one year or less or are billed based on resources utilised. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 Other operating income

Other operating income comprises government grants receivable.

5 Expenses by nature

	2022	2021
	£000	£000
Direct staff costs	6,048	4,902
Third party cost of sales	3,360	3,283
Employee costs within administrative expenses	2,027	2,133
Amortisation of intangible assets	1,169	1,169
Depreciation	208	321
Impairment charge on intangible assets	-	1,833
Share-based payments	-	16
Non-underlying items	421	433
Impairment credit on trade receivables	-	(139)
Gain on the conversion of secured loan notes	(892)	-
Other administrative costs	1,078	1,079
Total cost of sales and administrative expenses	13,419	15,030

6 Auditor's remuneration

	2022	2021
	£000	£000
Audit of these financial statements	**28**	59
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**45**	59
Additional fees charged in respect of prior year's audit	**14**	33
Total	**87**	151

7 Non-underlying costs

In accordance with the Group's policy in respect of non-underlying costs, the following charges were incurred for the year in relation to continuing operations:

	2022	2021
	£000	£000
Restructuring and reorganisation costs	**421**	433
	421	433

Restructuring and reorganisation costs in the year ended 31 December 2022 and the year ended 31 December 2021 relate to costs incurred on the restructure of the Group, predominantly redundancy costs, of which £29k are staff related as disclosed in note 11 (2021: £0.3 million) and £0.25m for cost relating to the loan note conversion.

8 Discontinued operations

On 19 October 2021, the Group completed the sale of 100% of the issued share capital of IDE Group Connect Limited, Nimoveri Holdings Limited, and Nimoveri Limited, to CloudCoCo Group PLC for a consideration of £250,000 to enable management to focus on growth of the Manage business. Immediately prior to the sale, Tialis Essential IT PLC (formerly IDE Group Holdings PLC) wrote-off the inter-company loan of £15,235,000 owed to Tialis Essential IT PLC (formerly IDE Group Holdings PLC) and its subsidiaries.

Financial performance	**Period ended**
Discontinued Operations	**31 December**
	2021
	£000
Revenue	10,542
Cost of sales	(9,708)
Gross profit	834
Other operating income	95
Administrative expenses	(2,486)
Operating loss	(1,557)
Finance costs	(16)
Loss for the year from discontinued operations	(1,573)
Tax	-
Gain on sale of subsidiaries	1,380
Profit/(loss) for the financial period from discontinued operations	(193)

Carrying amounts of assets and liabilities disposed

	£000
Cash and cash equivalents	490
Trade and other receivables	557
Other current assets	1,228
Deferred tax asset	592
Property, plant and equipment	17
Goodwill	196
Total assets	3,080
Trade and other payables	(4,304)
Total liabilities	(4,304)
Net Liabilities disposed	(1,224)

Details of the sale of the subsidiaries

	£000
Cash consideration receivable	250
Carrying amount of net liabilities sold	1,224
Less disposal costs incurred	(94)
Gain on sale	1,380

Cashflow statement	Period ended 19 October 2021 £'000
Net cash generated from/ (used in) operating activities	211
Net cash used in investing activities	(27)
Net cash used in financing activities	(139)
Net cash generated from/ (used in) the subsidiaries sold	45

9 Finance Income

Continuing Operations	**2022 £000**	2021 £000
Interest received	**10**	-
	10	-

10 Finance costs

Continuing Operations	**2022 £000**	2021 £000
Interest expense on lease liabilities	**98**	84
Unwind of discount on trade payables	**170**	242
Interest expense in respect of convertible loan notes	**12**	80
Interest expense in respect of loan notes	**2,054**	2,039
Other interest	**-**	8
	2,334	2,453

11 Employee benefits expense

Staff costs for the year for the Group, including Directors, relating to continuing operations amounted to:

	2022 £000	2021 £000
Wages and salaries	**6,750**	6,065
Social security costs	**739**	552
Other pension costs	**586**	418
Restructuring costs	**-**	267
	8,075	7,302

At 31 December 2022, the Group employed 191 staff, including Directors (2021: 166).

The average monthly number of persons employed by the Group during the year, including Directors, analysed by category, and relating to continuing operations, was as follows:

Number of employees

	2022	2021
Operations	**168**	131
Sales and Marketing	**6**	7
Administration	**15**	26
Directors	**2**	2
Total average monthly headcount	**191**	166

The Company employed an average of 2 employees during 2022 (2021: 2), which were the Non-Executive Chairman Andy Parker and the Executive Director Ian Smith. Their remuneration is as shown below. No social security costs were payable.

For Directors who held office during the year, emoluments for the year ended 31 December 2022 for the Group were as follows:

	Salary/fees 2022 £	Salary/fees 2021 £
Executive		
Ian Smith[1]	**221,000**	221,000
David Templeman	**-**	72,885
Non-Executive		
Andy Parker	**53,333**	40,000
Sebastian White[2]	**-**	2,500
Total	**274,333**	336,385

1. Directors' emoluments to Ian Smith were paid to MXC Advisory Limited, a subsidiary of MXC Capital Limited
2. Directors' emoluments to Sebastian White were paid to Kestrel Partners LLP

Social security costs in respect of Directors' emoluments were £6,354 (2021: £16,799). Pension contributions were made to a defined contribution scheme in respect of one participating Director in 2022 of £nil (2021: £1,500).

None of the Directors made any gains on the exercise of share options in 2022 or 2021.

12 Taxation

	2022	2021
	£000	£000
Current tax		
Current year	**-**	-
Current tax	**-**	-
Deferred tax credit	**(843)**	(1,204)
Total tax credit	**(843)**	(1,204)

(a) Tax on loss on ordinary activities

Reconciliation of the total income tax credit:

	2022	2021
	£000	£000
Profit/(loss) before taxation from continuing operations	**(1,280)**	(2,987)
Tax using the United Kingdom corporation tax rate of 19% (2021: 19%)	**(243)**	(568)
Non-deductible expenses/(income)	**(117)**	95
Amortisation and impairment of goodwill and intangibles – non qualifying assets	**-**	-
Tax losses utilised – not previously recognised	**(279)**	(188)
Adjustment for rate change	**(202)**	(543)
Prior year adjustment	**(2)**	-
Total tax credit	**(843)**	(1,204)

(b) Deferred tax (asset)/liability

	2022	2021
	£000	£000
At 1 January	**(2,265)**	(1,653)
On discontinued operations	-	592
Credit to income statement	**(843)**	(1,204)
At 31 December	**(3,108)**	**(2,265)**

	(Asset)	Liability	Net (asset)/ liability
	£000	£000	£000
At 1 January 2021	(3,439)	1,786	(1,653)
Disposal of discontinued operations	592	-	592
Credit to income statement			
Timing differences in respect of tangible assets	(47)	-	(47)
Timing differences in respect of intangible assets	-	272	272
Short term timing differences	(2)	-	(2)
Recognition of losses	(1,427)	-	(1,427)
	(1,476)	272	(1,204)
At 31 December 2021	(4,323)	2,058	(2,265)
Credit to income statement	-	-	-
Timing differences in respect of tangible assets	140	-	140
Timing differences in respect of intangible assets	-	(292)	(292)
Short term timing differences	4	-	4
Recognition of losses	(695)	-	(695)
	(551)	(292)	(843)

At 31 December 2022	**(4,874)**	**1,766**	**(3,108)**

Deferred tax liabilities arose in respect of the amortisation of intangible assets recognised on acquisitions as follows:

	2022	2021
	£000	£000
Fixed asset timing differences	**1,766**	2,058
At 31 December	**1,766**	2,058

Deferred tax assets arose in respect of trade losses and fixed asset and other differences, details as follows:

	2022	2021
	£000	£000
Tax losses recognised	**4,454**	3,758
Other temporary differences	**5**	9
Depreciation in advance of capital allowances	**415**	556
At 31 December	**4,874**	4,323

Deferred tax assets are recognised for tax losses carried forward of £15.8 million (2021: £15.0 million) to the extent that the realisation of the related tax benefit through future taxable profits is probable. In assessing recoverability, management considers that the appropriate period over which profits can be assessed with a reasonable degree of certainty, and therefore used to offset the losses, is the period to 31 December 2029. The future taxable profits are assumed to include the impact of the planned conversion of borrowings to equity.

The evidence supporting the recognition of the deferred tax asset for losses is the partial use of losses in the year.

The Group had unrecognised trading losses carried forward at 31 December 2022 of £3.1 million (2021: £3.1 million). The Company has no deferred tax assets or deferred tax liabilities as at 31 December 2022 or 31 December 2021.

The Finance Bill 2022, which was substantively enacted on 24 May 2022, included the announcement that the corporation tax rate for years starting from April 2023 would increase to 25% on profits over £250,000 and that the rate for small profits under £50,000 will remain at 19% and there will be a tapered rate for businesses with profits under £250,000 so that they pay less than the main rate. Deferred tax balances have been re-measured at the reporting date taking into account the new rate of tax.

13 Earnings per share

Basic earnings per share has been calculated using the loss after tax for the year for continuing operations of £0.4 million (2021: Loss £1.8 million), a loss after tax for the year for discontinued operations of £0.2 million (2021 loss: £0.2 million) and a weighted average number of ordinary shares of 418,575,630 (2021: 461,185,527). The weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding warrants details of which are given in note 28, would have the effect of reducing the loss from continuing operations per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

Continuing operations

	2022	2021
Basic and diluted loss per share (pence)	**(0.10) p**	(0.39) p

Discontinued operations

Basic and diluted loss per share (pence)	**(0.04)p**	(0.04) p
Total basic and diluted loss per share	**(0.14)p**	(0.43) p

14 Property, plant and equipment
Group

Group	Leasehold property	Network infrastructure	Equipment, fixtures, and fittings	Total
	£000	£000	£000	£000
Cost				
At 1 January 2022	1,549	3,029	337	4,915
Additions	272	103	116	491
Disposals	-	(2,970)	(337)	(3,307)
At 31 December 2022	**1,821**	**162**	**116**	**2,099**
Accumulated depreciation				
At 1 January 2022	784	2,990	328	4,102
Charge for the year	170	28	10	208
Disposals	-	(2,959)	(328)	(3,287)
At 31 December 2022	**954**	**59**	**10**	**1,023**
Net carrying amount				
31 December 2022	**867**	**103**	**106**	**1,076**
31 December 2021	765	39	9	813

Group	Leasehold property	Network infrastructure	Equipment, fixtures, and fittings	Total
	£000	£000	£000	£000
Cost				
At 1 January 2021	2,181	14,637	3,726	20,544
Disposal of discontinued operations	(632)	(7,179)	(2,279)	(10,090)
Acquisitions	-	-	28	28
Disposals	-	(4,429)	(1,138)	(5,567)
At 31 December 2021	**1,549**	**3,029**	**337**	**4,915**
Accumulated depreciation				
At 1 January 2021	1,144	14,558	3,634	19,336
Disposal of discontinued operations	(632)	(7,172)	(2,269)	(10,073)
Charge for the year – continuing operations	191	33	97	321
Charge for the year – discontinued operations	-	-	4	4
Impairment – discontinued operations	81	-	-	81
Disposals	-	(4,429)	(1,138)	(5,567)
At 31 December 2021	**784**	**2,990**	**328**	**4,102**

Net carrying amount				
31 December 2021	**765**	**39**	**9**	**813**
31 December 2020	1,037	79	92	1,208

Right of use assets

The carrying amounts of property, plant and equipment include right of use assets as detailed below:

	Leasehold	Network Infrastructure	Equipment, Fixtures & Fittings	Total
Cost	£000	£000	£000	£0000
At 1 January 2021	2,054	85	307	2,446
Disposal – discontinued operations	(505)	(85)	(29)	(619)
At 31 December 2021	1,549	-	278	1,827
Additions - continuing operations	272	-	11	283
Disposal - continuing operations	-	-	(278)	(278)
At 31 December 2022	**1,821**	**-**	**11**	**1,832**
Accumulated depreciation				
At 1 January 2021	1,017	85	261	1,363
Charge for the year- continuing operations	191	-	33	224
Charge for the year- discontinued operations	-	-	4	4
Impairment – discontinued operations	70	-	-	70
Disposal – discontinued operations	(494)	(85)	(26)	(605)
At 31 December 2021	784	-	272	1,056
Charge for the year - continuing operations	170	-	8	178
Disposal - continuing operations	-	-	(278)	(278)
At 31 December 2022	**954**	**-**	**2**	**956**
Net carrying amount				
31 December 2022	**867**	**-**	**9**	**876**
31 December 2021	765	-	6	771

Additions to the right-of-use assets during the year were £0.3 million (2021: £nil).

The depreciation charge for the year of £0.2 million (2021: £0.2 million) relates to continuing operations and has been charged to administrative expenses.

15 Intangible assetsGroup

	Goodwill	Trademarks	Customer contracts and related relationships	Technology development	Software and Licensing	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost:						
At 1 January 2021	32,452	1,707	29,076	935	1,833	66,003
Disposal – discontinued operation	(16,854)	-	(13,880)	-	-	(30,734)
At 31 December 2021	15,598	1,707	15,196	935	1,833	35,269
Additions	-	-	-	-	-	-
At 31 December 2022	**15,598**	**1,707**	**15,196**	**935**	**1,833**	**35,269**
Impairment and amortisation:						
At 1 January 2021	32,256	1,707	19,676	935	-	54,574
Amortisation for the year – continuing operations*	-	-	1,169	-	-	1,169
Impairment charge – continuing operations	-	-	-	-	1,833	1,833
Disposal - discontinued operations	(16,658)	-	(13,880)	-	-	(30,538)
At 31 December 2021	15,598	1,707	6,965	935	1,833	27,038
Amortisation for the year – continuing operations*	-	-	1,169	-	-	1,169
At 31 December 2022	**15,598**	**1,707**	**8,134**	**935**	**1,833**	**28,207**
Net carrying amount:						
At 31 December 2022	**-**	**-**	**7,062**	**-**	**-**	**7,062**
At 31 December 2021	-	-	8,231	-	-	8,231

*£1.2 million of the amortisation charge is included in the loss for the year from continued operations in the Income Statement within administrative expenses.

The remaining unamortised life of the intangible assets at 31 December 2022 is as follows:

- Tialis IT Essential Manage customer contracts and related relationships – 6 years, net carrying value £7.1 million.

Impairment of licences

In 2020 Tialis Group invested in software licences at the year-end amounting to £1.8 million. These licences were purchased with a view to a planned expansion of the group, resale to our clients in our Connect Business and for operational use in the Connect Business. Because the planned expansion didn't materialise and with the sale of the Connect Business in 2021, the directors believe that the Group would be unable to obtain the full benefit of the licences in its remaining business (see also note 1.25). The directors consider that the investment required to be able to sell the licences to third parties would exceed any potential benefit. Accordingly, these software licenses have been impaired and written down to £nil in 2021.

Company

The company had no intangible assets at 1 January 2021, 31 December 2021 or 31 December 2022.

16 Investments
Company

	2022	2021
	£000	£000

At 1 January 2021	**7,877**	7,877
Additions	**20,211**	-
Impairment of investment in subsidiary companies	**(9,877)**	-
At 31 December	**18,211**	7,877

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership 2022	2021
Held directly by Tialis Essential IT PLC				
IDE Group Limited	England[1]	Ordinary	**100%**	100%
Connexions4London Limited[3]	Scotland[2]	Ordinary	**100%**	100%
Selection Services Investments Limited[3]	Scotland[2]	Ordinary	**100%**	100%
Selection Services Limited[3]	England[1]	Ordinary	**100%**	100%
Tialis Essential IT Financing Limited	England[1]	Ordinary	**100%**	100%
Held indirectly by Tialis Essential IT PLC				
Tialis Essential IT Manage Limited	England[1]	Ordinary	**100%**	100%
IDE Group Protect Limited[3]	England[1]	Ordinary	**100%**	100%
IDE Group Subholdings Limited	England[1]	Ordinary	**100%**	100%
IDE Group Voice Limited	England[1]	Ordinary	**100%**	100%
Holdfast Systems Limited[3]	England[1]	Ordinary	**100%**	100%

1 Registered office is located at Unit 2, Quadrant Court, Crossways Business Park, Greenhithe, Dartford, England, DA9 9AY.
2 Registered office is located at 24 Dublin Street, Edinburgh EH1 3PP.
3 In solvent liquidation at the year-end 31 December 2022.

At 31 December, the only trading subsidiary of the Company was Tialis Essential IT Manage Limited (31 December 2021: Tialis Essential IT Manage Limited (formerly, IDE Group Manage Limited).

As part of the group restructuring in November 2022, the investment in Tialis Essential IT Financing Limited was transferred from IDE Group Limited to Tialis Essential IT PLC for £20.2m.

Tialis Essential IT Manage Limited's activity consists of IT Managed services.

All of the remaining subsidiaries are non-trading.

IDE Group Subholdings Limited, IDE Group Voice Limited, Tialis Essential IT Financing Limited, and IDE Group Limited, are exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of Section 479A and the parent company has guaranteed all their liabilities at the reporting date.

17 Trade and other receivables

Current	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Trade receivables	**2,499**	2,677	**-**	**-**
Less provision for impairment of trade receivables	**-**	-	**-**	**-**
Trade receivables – net	**2,499**	2,677	**-**	**-**
Contract assets	**664**	837	**-**	**-**
Prepayments and other receivables	**498**	455	**2**	-
Taxation and social security	**-**	-	**77**	31
	3,661	3,969	**79**	31

Non-current	Group 2022 £000	2021 £000	Company 2022 £000	2021 £000
Other receivables	**100**	313	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**9**	65,575
Provision against amounts due from subsidiary undertakings	**-**	-	**-**	(48,733)
	100	313	**9**	16,842

In accordance with IFRS 9, the Group reviews the amount of credit loss associated with its trade receivables, and contract assets.

Customer credit risk is managed according to strict credit control policies. The majority of the Group's revenues are derived from national or multi-national organisations with no prior history of default with the Group. There is low incidence of default in the top 50 customers. In respect of these customers credit risk is deemed lower on customers that contribute higher revenue due to an increased dependency on the group's services for business continuity, and because they are larger more secure businesses.

The Group has applied the Simplified Approach applying a provision matrix based on categorisation of the customer based on total revenue received by the group per annum to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions and the days past due. The historical loss rates will be adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

At period end, customers were categorised into three categories based on spend in the last 12 months:

1. Top 10
2. Top 50
3. Other

Impairment was calculated based on the category the customer falls in to:

Category	Impairment Rate		Carrying amount (net of VAT)		redit loss allowance	
	2022	2021	**2022**	2021	**2022**	2021
	%	%	**£000**	£000	**£000**	£000
Top 10	**0**	0	**2,499**	2,677	**-**	-
Top 50	**2**	2	**-**	-	**-**	-
Other	**5**	5	**-**	-	**-**	-
Specific	**100**	100	**-**	-	**-**	-
			2,499	2,677	**-**	-

The group is exposed to credit concentration risk with its largest customer comprising 82% (2021: 74%) of outstanding trade receivables.

Specific provisions are also made based on known issues or changes in the lifetime expected credit loss. As at 31 December 2022, trade receivables of £nil (2021: £nil) were impaired and fully provided for.

Movements on the Group provision for impairment of trade receivables are as follows:

	Group	
	2022	2021
	£000	£000
At 1 January	**-**	519
Increase in impairment provision	**-**	-
Provision relating to discontinued operations	**-**	(317)
Write offs	**-**	(63)
Released during the year	**-**	(139)
At 31 December	**-**	-

The creation and release of a provision for impaired receivables has been in the main included in "administrative expenses" in the Income Statement, with an amount being set against contract assets, £nil (2021: £nil). The other asset classes within the Group's trade and other receivables do not contain impaired assets.

Amounts due from subsidiary undertakings
The Company has funded the trading activities of its principal subsidiaries by way of inter-company loans. The amounts advanced do not have any specific terms relating to their repayment, are unsecured and are interest free. As all loans to subsidiaries are to be treated as due on demand, they fall within the scope of IFRS 9.

In accordance with IFRS 9, the Company is required to make an assessment of expected credit losses. Having considered the quantum and probability of credit losses expected to arise, management concluded that no additional impairment charge was required for expected credit loss. There is no movement in the provision.

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgement, in particular in determining the probability weighted likely outcome for each scenario considered to determine the expected credit loss in each scenario. Should the assumptions in the business plan vary, this could have a significant impact on the carrying value of the intercompany loans in following periods.

The recoverability is sensitive to the probability of the achievement of future cash flows; however, given the trading projections and the level of provisions, there is currently no reasonably plausible scenario in which the provision would alter materially. A breakdown of the balances is set out in note 29.

18. **Cash and cash equivalents**

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Cash and cash equivalents	**414**	349	**3**	2

The table below shows the balance with the major counterparty in respect of cash and cash equivalents.

	Group		Company	
	2022	2021	**2022**	2021
Credit rating	**£000**	£000	**£000**	£000
A	**414**	349	**3**	2

19. **Trade and other payables**

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Non-Current				

Trade and other payables	**-**	730	**-**	-
	-	730	**-**	-
Current				
Trade payables	**2,719**	3,079	**536**	949
Amounts due to subsidiary undertakings	**-**	-	**175**	1,203
Other payables	**-**	100	**-**	42
Taxation and social security	**846**	752	**-**	-
Accruals	**979**	1,387	**67**	251
	4,544	5,318	**778**	2,445

Amounts due to subsidiary undertakings are unsecured, interest free and are repayable on demand.

20. **Contract liabilities**

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Contract liabilities recognisable within 12 months	**51**	49	**-**	-
Contract liabilities recognisable after 12 months	**-**	-	**-**	-
Total contract liabilities	**51**	49	**-**	**-**

Income is deferred to the Statement of Financial Position when invoicing of revenue to customers occurs ahead of revenue recognition in the Income Statement.

21. Provisions

Property provision

Dilapidation provisions are built up over the associated lease based on estimates of costs of work required to fulfil the Group's contractual obligation under the lease agreements to return the property to the same condition as at the commencement of the lease. The provision is not expected to be utilised until 2026.

Other provisions

Other provisions primarily relate to committed costs under various onerous supplier contracts across hosting, connectivity, hardware and software services, for example costs in relation to empty racks within data centres which have to be paid for regardless of whether populated or not and costs in relation to excess software licences which are not used. The onerous contract provisions all resolved in the current financial year.

Group	**Property provision**	**Other provision**	**Total**
	£000	**£000**	**£000**
Balance at 1 January 2022	202	157	359
Increase in year	43	-	43
Utilised	-	(157)	(157)
Balance at 31 December 2022	**245**	**-**	**245**

	2022	2021
	£000	**£000**
Non-current	**245**	202
Current	**-**	157
	245	359

Company	**Other Provision**	**Total**
	£000	**£000**
Balance at 1 January 2022	**-**	50
Released in the year	**-**	(50)
Balance at 31 December 2022	**-**	**-**

Non-current	**-**	-
Current	**-**	-
	-	**-**

22. **Borrowings**

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Non-current				
Lease liabilities	**765**	710	**-**	-
Loan Note 2025	**-**	1,061	**-**	1,061
Loan Notes	**3,490**	15,966	**3,490**	15,966
	4,255	17,737	**3,490**	17,027

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Current				
Nimoveri Loan Notes	**-**	100	**-**	-
Lease liabilities	**210**	146	**-**	-
	210	246	**-**	-

The carrying value is not materially different to the fair value of these liabilities.

In January 2019 the Company issued £5.3 million of secured loan notes with a six-year term and a 12% coupon which is compounded, rolled up and payable at the end of the term ("Loan Notes"). In February and March 2019, a further £4.7 million in total of secured Loan Notes were issued. The Loan Notes carry an arrangement fee of 2.5 per cent., payable at the end of the term, and an exit fee of 2.5 per cent, also payable at the end of the term. The security comprises a debenture over all the assets of the Group.

In December 2019 the Company issued an additional £1.5 million of Loan Notes (with the same terms as those issued in the first quarter of the year).

The Loan Notes are held at amortised cost using the effective interest rate method. The effective interest rate for the Loan Notes has been calculated to be 18%.

On 1 June 2021 the Group completed the acquisition of Nimoveri Holdings Limited for £100,000 paid in cash on completion and the issue of £100,000 0% loan notes by IDE Group Limited, a Group company (the "Nimoveri Loan Notes"). The Nimoveri Loan Notes are secured over the assets of Nimoveri Holdings Limited and redeemable on 31 December 2021. On 13 December 2021 both parties agreed the Nimoveri Loan Notes would be repaid in four equal monthly instalments commencing 31 January 2022. The Nimoveri Loan Notes were fully repaid during the financial year ended 31 December 2022.

The Company issued a further loan note ("Loan Note 2025") net of expenses for proceeds of £1m on 1 December 2021. The terms of the loan were that the rate of interest is 1.5% per month if repaid by 31 January 2022, 2.5% per month if repaid by 28 February 2022 and 3% per month if repaid by 31 March 2022. If not repaid by 31 March 2022 the amount due at that date including fees (£1.1875m) is then subject to interest at 20.4% per annum compound. The maturity date is 23 December 2025. The Loan Note 2025 was included in the 2 November 2022 conversion.

On 2 November 2022 the members meeting at the Annual General Meeting, and then at the General Meeting that followed, voted to convert £15.9 million of loan notes (including fees and interest) into share capital. Details of the capital reorganisation and consolidation are set out in Note 2.

Lease liabilities
The present value of lease liabilities is as follows:
31 December 2022

Group	**Gross contractual amounts payable**	**Interest**	**Carrying amount**
	2022	**2022**	**2022**
	£000	**£000**	**£000**
Less than one year	**288**	**78**	**210**
Between one and five years	**894**	**129**	**765**
	1,182	**207**	**975**

31 December 2021

Group	Gross contractual amounts payable	Interest	Carrying amount
	2021	2021	2021
	£000	£000	£000
Less than one year	214	68	146
Between one and five years	829	150	679
Greater than five years	32	1	31
	1,075	219	856

The Company has no lease liabilities at 31 December 2022 (31 December 2021: nil)

Reconciliation of borrowings:

Group	Non-current Lease liabilities	Current Lease liabilities	Non-current Borrowings	Convertible Loan Notes	Supplier Finance	Current Borrowings	**Total Borrowings**
	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 January 2022	710	146	17,027	131	1,649	100	**19,763**
Non-cash changes							
Transfer from current to non-current	55	(55)	-	-	-	-	**-**
New finance leases		405	-	-	-	-	**405**
Loan note interest	-	-	2,054	12	-	-	**2,066**
Interest	-	-	-	-	170	-	**170**
Lease interest	-	98	-	-	-	-	**98**
Conversion	-	-	(15,591)	-	-	-	**(15,591)**
Cash flows							
Lease interest paid	-	(98)	-	-	-	-	**(98)**
Repayment	-	-	-	-	(558)	-	**(558)**
Interest paid	-	-	-	-	(170)	-	**(170)**
Nimoveri loan note repaid	-	-	-	-	-	(100)	**(100)**
Repayment of lease liabilities	-	(286)	-	-	-	-	**(286)**
Balance at 31 December 2022	**765**	**210**	**3,490**	**143**	**1,091**	**-**	**5,699**

The total cash outflow for leases in the year including interest was £384,000 (2021: £518,000).

Company	Lease liabilities	Current Borrowings	Non-current Borrowings	**Total Borrowings**
	£000	£000	£000	**£000**
Balance at 1 January 2022	**-**	**-**	17,027	**17,027**
Non-cash changes				
Loan note interest	**-**	-	2,054	**2,054**
Conversion of secured loan notes	**-**	-	(15,591)	**(15,591)**
Balance at 31 December 2022	**-**	-	3,490	**3,490**

23 Convertible loan notes

Group and Company

	£000
Balance at 1 January 2022	131
Interest unwound	12
Balance at 31 December 2022	**143**

On 21 August 2018, as part of a wider fundraising, the Company issued £2.55 million of unsecured loan notes, which have a term of 5 years and a zero per cent coupon ("CLNs"). The CLNs can be converted into new ordinary shares in the capital of Tialis Essential IT plc at a price of 2.5 pence per share. Conversion is at the option of the holder at any time during the 5-year term. At the end of the term, if the holder has not chosen to convert the CLNs, the CLNs will be settled with a cash repayment. At issue, the CLNs have a fair value of £2.54 million, split into an equity component (£0.96 million) and a debt component (£1.58 million).

On 7 June 2021 £2,397,519 of the unsecured convertible loan notes issued in August 2018 were converted into 95,900,760 Ordinary shares of 2.5p each, at a conversion price of 2.5p per share.

24 Financial instruments by category

The objectives of the Group's treasury activities are to manage financial risk, secure cost-effective funding where necessary and minimise adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on cash flows of the Group.

The Group's principal financial instruments for fundraising are convertible loan notes and loan notes. The Group has various other financial instruments such as cash, trade receivables and trade payables that arise directly from its operations.

Group

	2022	2021
Assets	**£000**	£000
Amortised cost:		
Trade receivables net of credit loss provision	**2,499**	2,677
Contract assets	**664**	837
Other receivables	**498**	455
Cash and cash equivalents	**414**	349
Total	**4,075**	4,318

Company

Assets	2022 £000	2021 £000
Amortised cost:		
Amounts due from subsidiary undertakings	**9**	16,842
Cash and cash equivalents	**3**	2
Total	**12**	16,844

The carrying amount of these assets is equivalent to their fair value. At 31 December 2022, trade receivables are reported net of the expected credit loss provision of £nil (2021: £nil million), amounts due from subsidiary undertakings are reported net of the expected credit loss provision of £nil (2021: £48.7 million)

Group

Liabilities at amortised cost	2022 £000	2021 £000
Trade payables	**2,719**	3,809
Accruals and other payables	**979**	1,486
Lease liabilities	**975**	856
Loan, net of expenses	**-**	1,061
Convertible loan notes	**143**	131
Loan Notes	**3,490**	16,066
Total	**8,306**	23,409

Company

Liabilities	2022 £000	2021 £000
Trade payables	**536**	948
Accruals and other payables	**67**	293
Intercompany payables	**175**	1,203
Loan, net of expenses	**-**	1,061
Convertible loan notes	**143**	131
Loan Notes	**3,490**	15,966
Total	**4,411**	19,602

The carrying amount of these liabilities is equivalent to their fair value.

The Group has not entered into any derivative financial instruments in the current or preceding period.

25 Financial risk management

The Group's activities are exposed to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. Management identifies, evaluates and seeks to mitigate financial risks. The Board of Directors provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments of excess liquidity.

Cash flow interest risk
The Group pays interest on its borrowings.

The Group has no borrowings at variable rates which would expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not enter into derivatives.

Price risk
The Group is not exposed to significant commodity or security price risk.

Credit risk
Credit risk is managed at a subsidiary level. Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables. Individual risk limits are set based on internal and external ratings and reviewed by management. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the event of the breach of a credit limit. The Group has applied the simplified approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions. The Group has recognised a provision in respect of trade receivables of £nil (2021: £nil)

Liquidity risk
Management reviews cash forecasts of trading companies of the Group in accordance with practice and limits set by the Group. The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

The parent company's operations expose it to the following risks:

Interest rate risk
The Company pays interest on its loan note borrowings. These are at fixed rates and therefore there is no exposure to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company does not enter into derivatives.

Credit risk
The Company is exposed to credit risk mainly in respect of inter-company receivables. Details of the approach to credit loss provisions in respect of intercompany receivables is set out in note 17 and note 30.

The tables below analyse the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. These amounts disclosed in the table are the contracted undiscounted cash flows. Balances within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

	Within 1 year	1-2 years	More than2 years	Total
At 31 December 2022	£000	£000	£000	**£000**
Trade and other payables	4,544	-	-	**4,544**
Lease liabilities	210	728	37	**975**
Convertible loan notes	-	-	143	**143**
Loan Notes	-	-	3,490	**3,490**
	4,754	**728**	**3,670**	**9,152**

Group

At 31 December 2021	Within 1 year £000	1-2 years £000	More than2 years £000	Total £000
Trade and other payables	6,379	730	-	**7,109**
Lease liabilities	214	415	446	**1,075**
Loan Note 2025	-	-	1,061	**1,061**
Convertible loan notes	-	-	152	**152**
Loan Notes	100	-	16,517	**16,617**
	6,693	**1,145**	**18,176**	**26,014**

Company

At 31 December 2022	**Within 1 year £000**	**1-2 years £000**	**More than2 years £000**	**Total £000**
Trade and other payables	536	-	-	**536**
Intercompany payables	175	-	-	**175**
Convertible loan notes	-	-	143	**143**
Loan Notes	-	-	3,490	**3,490**
	711	-	**3,633**	**4,344**

Company

At 31 December 2021	Within 1 year £000	1-2 years £000	More than2 years £000	Total £000
Trade and other payables	2,414	-	-	**2,414**
Intercompany payables	1,203	-	-	**1,203**
Convertible loan notes	-	-	131	**131**
Loan Notes	-	-	17,578	**17,578**
	3,617	**-**	**17,709**	**21,326**

26 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's future growth and its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group operates in the network and cloud hosting sector, which, from time-to-time requires substantial fixed asset investments, but the Group is financed predominately by equity.

In order to maintain or adjust the capital structure, the Group has previously both issued new shares, bank debt and bank facilities, and both unsecured and secured loan notes. The Group monitors capital on the basis of the ratio of net debt to Adjusted EBITDA. As at 31 December 2022 the ratio was 2.3. Net debt as at 31 December 2022 is calculated as total bank borrowings, as at 31 December 2022 nil, and loan notes (including 'current and non-current borrowings' as shown in the consolidated balance sheet) ,plus loans, less cash and cash equivalents. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charge, non-underlying items, (loss)/gain on disposal of fixed assets and share-based payments.

The loan note instrument under which the Secured Loan Notes were issued does not contain any covenants, however, the Group continues to carefully monitor its capital position. The Group adopts a risk-averse position with respect to borrowings and maintains significant headroom to ensure that any unexpected situations do not create financial stress.

The Group has not proposed a dividend for the current or prior year.

27 Called up share capital – Group and Company

Shares issued and fully paid	**2022**	2021
	£000	£000
496,702,792 ordinary shares at 2.5p	**-**	12,418
21,829,449 ordinary shares at 1p	**218**	-
496,702,800 deferred shares at 2.49p	**12,368**	-
Shares issued and fully paid	**12,586**	12,418

Shares issued and fully paid	**2022**	2021
	£000	£000
Beginning of the year	**12,418**	10,020
Issued during 2021 on redemption of £2,397,519 of convertible loan notes	**-**	2,398
Issued during the year on conversion of secured loan notes (see below)	**167**	-
Issued during the year in lieu of 2021 staff bonus (see below)	**1**	-
Shares issued and fully paid	**12,586**	12,418

Share capital allotted, called up and fully paid	**2022**	**2022**	2021
	No. Ordinary Shares	**No. Deferred Shares**	No. Ordinary Shares
Beginning of the year 496,702,792 shares at 2.5p	**496,702,792**	**-**	400,802,032
Issued during 2021 of 95,900,760 shares at 2.5p on redemption of convertible loan notes	**-**	**-**	95,900,760
Issue to the Company Secretary of 8 new shares at 2.5p	**8**	**-**	-
Sub-division of 496,702,780 shares into a redenominated 0.01p share and a deferred share 2.49p	**-**	**496,702,800**	-
Consolidation of 496,702,800 redenominated 0.01p share to 4,967,028 shares at 1p	**(491,735,772)**	**-**	-
Issue of 16,758,421 shares at 1p on conversion of secured loan notes	**16,758,421**	**-**	-
Issue of 104,000 shares at 1p in lieu of 2021 staff bonus (first tranche of three tranches)	**104,000**	**-**	-
End of the year	**21,829,449**	**496,702,800**	**496,702,792**

The par value of the shares new Ordinary shares is 1p and the Deferred shares is 2.49p (2021: old Ordinary shares 2.5p).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of Deferred shares are not entitled to receive dividends, nor are they entitled to vote. The holders of Deferred shares are entitled to £1 for the entire class on winding up. The Company at anytime may, at its option, redeem all the Deferred shares for £1. The Directors' consider the Deferred shares of no economic value.

On 11 May 2021 95,900,760 new ordinary shares of 2.5p each were issued following the receipt of conversion notices from Kestrel Opportunities and Kestrel Partners LLP for the conversion of 78,638,640 and 17,262,120 new ordinary shares of 2.5p respectively.

On 2 November 2022 the Members at the Annual General Meeting followed by the General Meeting passed several resolutions as set out in the Directors' Report. The capital reorganisation consisted of the following steps:

1. The amendment of the Articles of Association to set out the rights and restrictions attaching to the new Deferred shares;
2. the sub-division of each existing Ordinary share into 2 new shares – a redenominated Ordinary share of 0.01p and a Deferred

share of £2.49p each; and
3. every 100 redenominated Ordinary share of 0.01p be consolidated into a new Ordinary share of 1p each.

Shareholders with fewer than 100 existing Ordinary shares as at 2 November 2022 ceased to be a shareholder.

The 8 existing shares issued to the Company Secretary and fractional entitlements to a new Ordinary share, where any holding was not precisely divisible by 100, no fractional share certificates were issued. The Board decided in the best interest of the Company was to aggregate the fractional shares and sell them in the market. The £33 proceeds of the sale was donated to the Prince's Trust, a charity registered with the charities commission with Charity number 1079675 and which was selected by the Board in accordance with article 15 of the Company's Articles of Association.

On 2 November 2022 £20,995,862 secured loan notes (including interest and fees), held by MXC at a rate equivalent to 70 pence in the pound, were converted into 16,476,574 new Ordinary shares of 1p at an assumed share price of £0.892 per new ordinary share. Another 3 secure loan note holders converted their 1,578 secure loan notes to new Ordinary 1p shares on the same terms as the MXC conversion receiving. Fees relating to the capital reorganisation were £250,000.

On 24 November 2022 104,000 new Ordinary 1p shares were allotted to a member of staff in lieu of one-third of his 2021 bonus.

As at 31 December 2022 the Company has a total number of shares in issue of 518,532,249 with a total nominal value of £12,586,194. The Company has 21,829,449 new Ordinary shares of 1p and 496,702,800 Deferred shares of 2.49p

28 Share-based payment

The share-based payment charge comprises:

	2022 £000	2021 £000
Equity-settled share-based charges arising from warrants	**-**	16
Total charge	**-**	16

	MXC warrants Number
Warrants as at 1 January 2022	**20,040,101**
Lapsed during the year	**(20,040,10)**
Warrants as at 31 December 2022	**-**

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in warrants during the year:

	2022 Number	**2022 WAEP**	2021 Number	2021 WAEP
Opening balance	**20,040,101**	**£0.17**	20,040,101	£0.17
Lapsed during the year	**(20,040,101)**	**£0.17**	(20,040,101)	-
Closing balance	**-**	**-**	-	-

There were no warrants exercisable at 31 December 2022 (2021: 20,040,101). All warrants expired during the year.

The amount charged to the income statement in respect of the share-based payments was £nil (2021: £16,000).

On 24 November 2022 104,000 new Ordinary 1p shares were allotted to a member of staff in lieu of one-third of his 2021 bonus. As these new shares were issued at market value no additional accounting was required under IFRS 2.

29 Pensions

The Group operates a defined contribution pension schemes for eligible employees. The charge for the year ended 31 December 2022 relating to continuing operations is £0.7 million (continuing operations 2021: £0.4 million). An amount of £0.06 million is included in creditors being outstanding contributions at 31 December 2022 (2021: £0.06 million).

30 Related parties

Key management comprise of the Directors, Chief Financial Officer, the Group Managing Director, and the Group Director. Directors' emoluments are disclosed in note 11.

Key management personnel

Total remuneration for key management personnel	**2022**	2021
	£000	£000
Compensation	**622**	1,187
Social security	**19**	134
Pension contributions to money purchase pension scheme	**73**	30
Total	**889**	1,351
Number of key management personnel accruing benefits under defined contributions	3	3

Ian Smith, Executive Director at 31 December 2022, held 0.54% (2021: 0%) through his Self-Invested Pension Plan. Mr Smith is also Chief Executive Officer and a substantial shareholder of MXC Capital Limited (MXC). MXC owned 83.4% (2021: 34.8%) of the issued share capital of the Company at 31 December 2022. Together, Mr Smith and MXC owned 83.9% (2021: 34.8%) of the issued share capital of the Company at 31 December 2022.

During the year, the Group and Company paid MXC Capital Markets LLP, a subsidiary of MXC, for corporate finance advice and other services amounting to £30,000 (2021: £29,000). The balance owed to MXC Capital Markets LLP as at 31 December 2022 was £33,000 (2021: £91,800).

In addition, the Group paid MXC Advisory Limited, a subsidiary of MXC, fees of £221,000 (2021: £200,083) in respect of the services of Ian Smith as Executive Director. The balance owed to MXC Advisory Limited as at 31 December 2022 was £265,200 (2021: £612,123).

The Group also paid MXC Guernsey Limited, a subsidiary of MXC Capital Limited in the past in respect of underwriting of loan notes and guarantee fee of the finance leases with Lombard. The balance owed to MXC Guernsey as at 31 December 2022 was £nil (2021: £29,560).

During the year, Kestrel Partners LLP invoiced the Company £nil (2021: £2,500) in respect of the services of Sebastian White as Non-Executive Director. The balance owed to Kestrel Partners LLP as at 31 December 2022 was £nil (2021: £nil).

The Company had the following balances with its subsidiary companies:

	2022	2021
Receivables	**£000**	£000
IDE Group Limited	**-**	53,664
Tialis Essential IT Manage Limited	**-**	11,846
IDE Group Voice Limited	**-**	3
IDE Group Protect Limited	**9**	9
Tialis Essential IT Financing Limited	**-**	52
IDE Group Subholdings Limited	**-**	1
Total	**9**	65,575

	2022	2021
Payables	**£000**	£000
Cupid.com inc	**-**	1,033

Castle Digital services inc	**-**	61
Tialis Essential IT Manage Limited	**66**	-
Selection Services Limited	**61**	61
Hooya Digital Limited	**42**	42
Connexions4London Limited	**5**	5
Aggregated Telecom Limited	**1**	1
Total	**175**	1,203

31 Contingent liabilities

There is a contingent liability in respect of tax owed of £499,404 (2021: £819,047) by a former owner, when the business was privately owned relating to a tax scheme from 2006.We expect this to be settled by the individual in instalments in 2023. The Board is confident there will be no recourse to the Group as the Group would only have a liability if the individual is unable to pay, which management considers highly unlikely.

32 Other commitments

None.

33 Post balance sheet event

On 1 February 2023, Tialis Essential IT Manage Limited, the trading subsidiary of Tialis Essential IT PLC, acquired the profitable partner contracts from Allvotec Limited, a division of Daisy Group, for an initial consideration of £2.037 million. The acquisition will bring three new channel partners to Tialis, supporting the diversification of Tialis' partner base and will build on the existing relationship that Tialis has with its largest channel partner.

The initial acquisition of £2.037 million was satisfied through the issue of 2,289,295 ordinary shares of 1p each in the Company. An estimated £0.1 million of deferred consideration will be paid in shares, subject to certain performance conditions being met by February 2025, also at an effective price of 89.2 pence per ordinary share.

34 Group reorganisation

During the year ended 31 December 2022, there was an internal reorganisation of the group structure impacting many non-trading subsidiaries of the Company. Several of the Company's non-trading subsidiaries were put into liquidation on a solvent liquidation basis and since all subsidiaries are under common control of the Company, all the trade and assets were transferred to the Company or one of its subsidiaries under the predecessor values method of accounting. All subsidiaries were wholly owned either directly or indirectly by the Company.

35 Ultimate controlling party

Following the Secure Loan Note exchange on 2nd November 2022 MXC Capital Limited, a company incorporated and domiciled in Guernsey, became the ultimate controlling party with 83.4% of the voting shares. There is no ultimate controlling party of MXC Capital Limited.