Tialis Essential IT Plc

("Tialis" or the "Company")

Audited Results for the Year Ended 31 December 2023 and Notice of AGM

Tialis, the mid-market IT Managed Services provider, is pleased to announce its audited results for the year ended 31 December 2023.

Highlights in the year include:

- 54% growth in revenue to £22.4 million (2022: £14.5 million)
- The successful asset purchase & integration of the Allvotec business
- Improved payment terms on all resource-based contracts
- Renewals & extensions in the following sectors: nuclear industry, UK utilities, government/public sector, global entertainment company, international health-care corporation, investment management company
- New business awards in the following sectors: printing solutions market leader, UK utilities, consumer health-care corporation, government/public sector, international vehicle rental, workplace and facility management, postal service and courier company, international multi-sourcing service integration
- Award of ISO 14001 together with Award of Gold Ecovadis status and developing a new carbon neutral lifecyle solution
- Successful renewals ISO 9001, ISO 20000-1 & ISO 27001 certifications
- Cyber Essentials & Cyber Essentials Plus re-award
- Significant D&B score improvement
- Rebranding of company and new website
- Part of a consortium that has won a significant preferred supplier agreement with the government/public sector
- New partnership agreements signed with six new major partners, and two further partners who have expressed interest in signing agreements.
- Strong start to 2024 with numerous new end-user customer contract awards expected, including four new channel partners, gives us a multi-year current pipeline (new business and contract renewals) of over £20.1m, giving us strong visibility over future growth

The Annual Report and Accounts for the year ended 31 December 2023 will shortly be available on the Company's website at www.tialis.com.

Copies of the Annual Report and Accounts will be posted to shareholders by 13 May 2024 along with the notice of AGM which will be held at 10.00am on 26 June 2024 at the offices of Cavendish, 1 Bartholomew Close, London EC1A 7BL.

For more information, contact:

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Chairman's Statement

I am delighted to report the growth that Tialis has achieved in 2023, demonstrated by our growth in revenue of by 54% to £22.4 million (2022: £14.5 million). These results are based on developing long-term relationships with third-party system integrators and supply contracts typically with 3–5-year terms. Therefore, as we experience further growth, we are generating a strong annuity income stream, with a strong pipeline of prospects.

We have had a strong start to 2024 with eight new end-user customer contract awards, including four new channel partners, giving us a multiyear current pipeline (new business and contract renewals) of £20.1 million, allowing us strong visibility over future growth.

Following the Groups reorganisation and series of acquisitions and divestments in recent years we now have a strong base to support a period of sustained growth and we are exploring organic and further acquisitive methods to accelerate this development.

This year we welcomed Nicolas Bedford and Matthew Riley as Non-Executive Directors to Board. Their experience and input have been invaluable and we welcome their advice and support as we continue to deliver on our strategic ambitions.

Highlights in the year include:

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- Renewals & extensions in the following sectors: nuclear industry, UK utilities, government/public sector, global entertainment company, international health-care corporation, investment management company
- New business awards in the following sectors: printing solutions market leader, UK utilities, consumer health-care corporation, government/public sector, international vehicle rental, workplace and facility management, postal service and courier company, international multi-sourcing service integration
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People

Employee numbers within the Manage business increased by 48% within the year following the Allvotec acquisition and the company taking on more onsite managed service contracts.

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.

Strategy

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

We are also exploring additional complementary solutions that can be added to our current services portfolio, which would increase our offering to customers in the end user device market. In addition to this, we are also looking at marketing strategies to increase our brand awareness to the direct market, which can deliver quicker turnaround on RFP wins and therefore faster in year revenue recognition. The transformation of traditional on-site support maintenance solutions, to our Lifecycle services is also key, as it improves our margins, reduces costs for our customers and has less risk of margin erosion than traditional people-based services.

We also recognise the importance placed on sustainability and plan to continue to improve on our ESG targets and our offering of carbon neutral solutions to our customers.

Current trading and outlook

Trading in the current financial year remains in line with Board expectations. Our multi-year pipeline (new business and contract renewals) stands at £20.1 million and continues to grow, giving us strong visibility over future growth.

Our expectation for the year is that 85% of revenue will come from existing contracts with the remainder through new business wins. This, together with a buoyant pipeline, gives us great confidence in another positive year of strong growth for the Group.

The key objective for 2024 is to increase the focus and utilisation of our lifecycle facility which provides much greater efficiencies for our end-user customer, higher levels of customer satisfaction, together with better margins. Initiatives are underway with our most significant partner to see an increase in this area. Adding six new partners to our partner portfolio provides the company with further opportunities, and we continue to target new partners to expand our channel reach.

Tialis has carved out a unique niche as a provider of support services and contract engineering resources to large BPO operators. The lifecycle solution it has developed is widely admired and is gaining traction quickly both among the new partners and existing end-user customers and is a real differentiator for the company.

Financial Review

Results

Revenue for the full year at £22.4 million (2022: £14.5 million), and we have seen gross profit margin fall by 5%, from 35% to 30% as expected, due to the additional engineering contracts acquired through Allvotec. Resulting gross profit has increased year-on-year to £6.7 million (2022 continuing operations: £5.1 million). Adjusted EBITDA* remained at £2.0 million (2022: Adjusted EBITDA of £2.0 million). The net loss after tax for the year from is £1.5 million (2022: loss £0.4 million), after £2.2 million amortisation and impairment expense (2022: £1.2 million amortisation and £0.9 million gain on conversion of the secured loan notes).

* Adjustments are as followed; Non underlying items, depreciation, amortisation, impairment, share-based payments, fair value profit on deferred consideration

Non-underlying items

Non-underlying items relating to restructuring and reorganisation amount to £0.7 million in the year (2022: £0.4 million).

Finance costs

After incurring net finance charges of £0.6 million relating to interest and arrangement fees for loan notes, leases and bank debt (2022: £2.3 million), the loss before tax is £1.8 million (2022: loss of £1.3 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 £0.2 million (2022: tax credit £0.8 million).

Loss on continuing operations

Whilst the underlying trading performance of Manage shows significant positive EBITDA, group costs, finance costs and amortisation charges on the software licences result in a loss after tax for the year of £1.5 million (2022: £0.6 million), which equates to a basic loss per share of 6.45 pence (2022: loss per share of 0.10 pence).

Statement of Financial Position

Non-current assets

The Group has property, plant and equipment of £0.9 million (2022: £1.1 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 £0.2 million (2022: £0.5 million additions).

Further, intangible assets of customer contracts and related relationships are £7.1 million (2022: £7.1 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 increased to £5.0 million from £3.7 million.

Trade and other payables

Trade and other payables amounted to £4.4 million (2022: £4.5 million), including trade payables of £2.4 million (2022: £2.7 million) taxation and social security of £1.0 million (2022: £0.8 million) and accruals of £0.9 million (2022: £1.0 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 £0.7 million (2022: £0.1 million). Contract liabilities have increased in 2023 as a result of the Allvotec acquisition.

Cashflow and net debt

Net cash generated from operating activities during the year was £0.7 million (2022 £1.5 million generated). Our Manage business continues to be cash generative and has developed excellent relationships with key strategic partners. The Group invested £0.08 million (2022: £0.2 million) in fixed assets. There were no new loans in 2023 (2022: £nil), but repayment of lease liabilities consumed £0.2 million (2022: £0.3 million) of cash. The result is that as at 31 December 2023 there were no bank borrowings or overdraft debt and the cash balance was £0.3 million (2022: £0.4 million).

Borrowings

As at 31 December 2023, the convertible loan notes liability in the balance sheet was £nil (2022: £130,437) as these were repaid in August 2023, and the secured loan notes liability was £3,964,663 (£2022: £3,489,991).

Donations to charities

There were no donations to charities in the year (2022: £33).

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.

Financing and dividend

The Directors do not propose a dividend in respect of the current financial year (2022: £nil).

Andy Parker
Executive Chairman
9 May 2024

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 both continuing revenues and gross margin 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 2023, the Board comprised four Directors (2022: two) all of which were male. At 31 December 2023 the Group had 290 employees including Directors (2022: 196) of which 245 were male (2022:164) and 45 were females (2022:36).

* 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 23 contains details of financial risks.

Customer concentration

The Group has a significant revenue concentration with a single Partner (83%). 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 mitigatedby 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 2023 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 2024 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.

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.

The Company's activities at its Dartford site were delivered HSE incident free in 2023.

Environment 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.

The Company is proud to have been awarded ISO 14001.

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 have invested 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 2023 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

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

We are also exploring additional complementary solutions that can be added to our current services portfolio, which would increase our offering to customers in the end user device market. In addition to this, we are also looking at marketing strategies to increase our brand awareness to the direct market, which can deliver quicker turnaround on RFP wins and therefore faster in year revenue recognition. The transformation of traditional on-site support maintenance solutions, to our Lifecycle services is also key, as it improves our margins, reduces costs for our customers and has less risk of margin erosion than traditional people-based services.

We also recognise the importance placed on sustainability and plan to continue to improve on our ESG targets and our offering of carbon neutral solutions to our customers.

On behalf of the Board

Andy Parker
Executive Chairman
9 May 2024

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	**Year ended 31 December 2023 £000**	Year ended 31 December 2022 £000
Continuing operations			
Revenue	*3*	**22,412**	14,463
Cost of sales	*4*	**(15,762)**	(9,408)
Gross profit		**6,650**	5,055
Administrative expenses	*4*	**(7,866)**	(4,011)
Adjusted EBITDA*		**1,985**	1,950
Non underlying items	*6*	**(713)**	(421)
Depreciation	*12*	**(312)**	(208)
Amortisation and impairment	*13*	**(2,187)**	(1,169)
Gain on the conversion of secured loan notes		**-**	892
Fair value profit on deferred consideration	*4*	**22**	-
Charges for share-based payments	*26*	**(11)**	-
Operating (loss)/profit		**(1,216)**	1,044
Finance income	7	**102**	10
Finance costs	*8*	**(658)**	(2,334)
Loss on ordinary activities before taxation		**(1,772)**	(1,280)
Income tax	*10*	**227**	843
Loss for the year from continuing operations		**(1,545)**	(437)
Derecognition of foreign currency reserve and discontinued operations		**9**	(150)
Loss for the year and total comprehensive loss attributable to owners of the parent company		**(1,536)**	(587)
From continuing operations			
Basic and diluted loss per share	*11*	**(6.45) p**	(0.10) p
From discontinued operations			
Basic and diluted loss per share	*11*	**0.04 p**	(0.04) p
Total basic and diluted loss per share	*11*	**(6.41) p**	(0.14) 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 2023

	Note	Group		Company	
		2023	2022	**2023**	2022
		£000	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	*12*	**943**	1,076	**-**	-
Intangible assets	*13*	**7,097**	7,062	**-**	-
Investments	*14*	**-**	-	**18,211**	18,211
Deferred tax asset	*10*	**3,335**	3,108	**-**	-
Trade and other receivables	*15*	**100**	100	**645**	9
		11,475	11,346	**18,856**	18,220
Current assets					
Trade and other receivables	*15*	**5,020**	3,661	**32**	79
Cash and cash equivalents	*16*	**274**	414	**6**	3
		5,294	4,075	**38**	82
Total assets		**16,769**	15,421	**18,894**	18,302
Current liabilities					
Trade and other payables	*17*	**4,389**	4,544	**322**	778
Contract liabilities	*18*	**676**	51	**-**	-
Borrowings	*20*	**259**	210	**-**	-
		5,324	4,805	**322**	778
Non-current liabilities					
Borrowings	*20*	**4,561**	4,255	**3,965**	3,490
Convertible loan notes	*21*	**-**	143	**-**	143
Provisions	*19*	**301**	245	**-**	-
		4,862	4,643	**3,965**	3,633
Total liabilities		**10,186**	9,448	**4,287**	4,411
Net/assets		**6,583**	5,973	**14,607**	13,891
Equity attributable to equity holders of the parent					
Share capital	*25*	**12,610**	12,586	**12,610**	12,586
Share premium		**52,865**	50,754	**52,865**	50,754
Equity reserve		**58**	58	**58**	58
Share based payment reserve		**11**	-	**11**	-
Retained earnings		**(58,961)**	(57,425)	**(50,937)**	(49,507)
Total equity		**6,583**	5,973	**14,607**	13,891

The notes are an integral part of these financial statements. The Company made a loss of £1.4 million in the year ended 31 December 2023 (2022: Loss £6.3 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 Board of Directors on 9 May 2024 and were signed on its behalf by:

Ian Smith
Executive Director

Company registered number: SC368538

Statements of Changes in Equity

for the year ended 31 December 2023

	Share Capital (a)	Share Premium (b)	Equity reserve (c)	Share based payments reserve (d)	Retained Earnings (e)	Foreign currency translation reserve(f)	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Group							
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 25)	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**
Balance at 1 January 2023	**12,586**	**50,754**	**58**	**-**	**(57,425)**	**-**	**5,973**
Loss for the financial year and total comprehensive expense	-	-	-	-	(1,536)	-	(1,536)
Shares issued for the acquisition of Allvotec and in lieu of a bonus to an employee (note 25)	24	2,111	-	-	-	-	2,135
Transactions with owners recorded directly in equity							
Share based payments charge (note 26)	-	-	-	11	-	-	11
At 31 December 2023	**12,610**	**52,865**	**58**	**11**	**(58,961)**	**-**	**6,583**

(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) Share based payments reserve represents the accumulated cost of the share options in issue
(e) Retained earnings represents retained profits and accumulated losses
(f) 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.

Company	Share Capital (a)	Share Premium (b)	Equity reserve (c)	Share based payments reserve (d)	Retained Earnings (e)	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	12,418	35,882	58	-	(43,209)	5,149
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(6,298)	(6,298)
Shares issued for the conversion of secured loan notes and in lieu of a bonus to an employee (note 25)	168	14,872	-	-	-	15,040
Share based payments charge	-	-	-	-	-	-
Balance at 31 December 2022	**12,586**	**50,754**	**58**	**-**	**(49,507)**	**13,891**
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(1,430)	(1,430)
Shares issued for the acquisition of Allvotec and in lieu of a bonus to an employee (note 25)	24	2,111	-	-	-	2,135
Share based payment charge	-	-	-	11	-	11
Balance at 31 December 2023	**12,610**	**52,865**	**58**	**11**	**(50,937)**	**14,607**

(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 the debt component of the instrument from the face value of the loan note

(d) Share based payments reserve represents the accumulated cost of the share options in issue.

(e) Retained earnings represents retained profits and accumulated losses

Statements of Cash Flows

for the year ended 31 December 2023

Group	*Note*	**2023**	2022
		£000	£000
Cash flows from operating activities			
Profit/(loss) from continuing operations:		**(1,772)**	(1,280)
Profit from discontinued operations		**9**	-
Total loss before tax		**(1,763)**	(1,280)
Adjustments for:			
Depreciation of property, plant and equipment	*12*	**312**	208
Amortisation of intangible assets	*13*	**2,187**	1,169
Net finance expenses	*7, 8*	**556**	2,324
Share based payments	*26*	**11**	-
Gain on conversion of secured loan notes		**-**	(892)
Decrease/(increase) in trade and other receivables		**(1,359)**	521
Increase/(decrease) in trade and other payables and contract liabilities		**658**	(461)
Increase/(decrease) in provisions		**56**	(114)
Net cash generated from operating activities		**658**	1,475
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(75)**	(208)
Net cash used in investing activities		**(75)**	(208)
Cash flows from financing activities			
Interest received		**19**	10
Interest paid		**(84)**	(268)
Supplier finance repaid		**(281)**	(558)
Convertible loan notes repaid		**(152)**	-
Nimoveri loan note repaid		**-**	(100)
Repayment of lease liabilities	*20*	**(225)**	(286)
Net cash generated from/ (absorbed by) financing activities		**(723)**	(1,202)
Net (decrease)/increase in cash and cash equivalents		**(140)**	65
Cash and cash equivalents at 1 January		**414**	349
Cash and cash equivalents at 31 December		**274**	414
Cash and cash equivalents comprise			
Cash at bank	*16*	**274**	414

for the year ended 31 December 2023

Company	*Note*	**2023**	2022
		£000	£000
Cash flows from operating activities			
Loss before tax for the year		**(1,430)**	(4,298)
Adjustments for:			
Net financial expenses		**484**	2,067
Share based payments		**11**	-
		(935)	(2,231)
Decrease in trade and other receivables		**47**	(49)
(Decrease)/increase in trade and other payables		**(456)**	239
Net cash used in operating activities		**(1,344)**	(2,041)
Cash flows from investing activities			
Amounts repaid by subsidiaries		**1,499**	2,042
Net cash generated from investing activities		**1,499**	2,042
Cash flows from financing activities			
Repayment of loan notes, net of expenses		**(152)**	-
Net cash generated from financing activities		**(152)**	-
Net decrease in cash and cash equivalents		**3**	1
Cash and cash equivalents at 1 January		**3**	2
Cash and cash equivalents at 31 December	*16*	**6**	3

Notes to the Consolidated Financial Statements

1 Accounting policies

Tialis Essential IT 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 1.26 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 acquisitionof 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-

Notes to the Consolidated Financial Statements

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 theinvestment 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 isequal 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 2-13 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

Notes to the Consolidated Financial Statements

- 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

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 costof 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.

1.5 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

Notes to the Consolidated Financial Statements

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.

1.6 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.

1.7 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 ratecannot 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 thecorresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

1.8 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 moneyand, where appropriate, the risks specific to the liability.

1.9 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;

Notes to the Consolidated Financial Statements

- 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.

1.10 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 lifetimeexpected 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.

1.11 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.

1.12 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.

1.13 Pensions

The Group operates a defined contribution scheme. Pension costs are charged directly to the income statement in the period to which they relate on an accruals basis. The Group has no further payment obligations once contributions have been made.

The Group also operates two individual defined benefit plans, as a result of two employees who were TUPE'd into the Group. These are closed to any other employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability is recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. If the defined benefit plan is in surplus an asset is only recognised if this is deemed recoverable.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

Notes to the Consolidated Financial Statements

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed in other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:
(a) the increase in pension benefit liability arising from employee service during the period; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'finance expense/ income'.

The company also contributes to group personal pension policies, such contributions being charged against profits when paid.

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.

Notes to the Consolidated Financial Statements

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 recognisedwhen 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 fee

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

Notes to the Consolidated Financial Statements

as held forsale 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 2023. There was no significant impact of new standards and interpretations adopted in the year.

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 2024, 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 affectthe 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 1.22 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 10 to the financial statements. The judgement involves assessing the extent to which trading losses can be offset against future profits.

Useful economic lives of tangible and intangible assets - The annual depreciation and amortisation charge for tangible and intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets.

Notes to the Consolidated Financial Statements

The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The remaining useful economic life of the Allvotec contract lists and assets are considered a source of estimation uncertainty.

Deferred Consideration – the Directors have exercised judgement on the costs that will arise for the deferred consideration and the valuation as shown in note 13 to the financial statements. At the year end, the deferred consideration amounted to £0.08m (31 December 2022: £nil).

2 Segment reporting

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 2023	Managed services	Projects	**Total**
Geographical regions	£000	£000	**£000**
United Kingdom	17,172	5,198	**22,370**
Europe	39	3	**42**
Total	17,211	5,201	**22,412**

Timing of revenue recognition			
Goods transferred at a point in time	98	-	**98**
Services transferred over time	17,113	5,201	**22,314**
Total	17,211	5,201	**22,412**

The revenue from the largest customer was £18.7m (2022: £11.7 million) or 83% of total revenue (2022: 81%). No other customers account for more than 10% of revenue.

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**

Contract balances

Notes to the Consolidated Financial Statements

	2023	2022
	£000	£000
Receivables included within trade and other receivables	3,748	2,499
Contract assets	622	664
	4,370	3,163
Contract liabilities	(676)	(51)
Total	3,694	3,112

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 Expenses by nature

	2023	2022
	£000	£000
Direct staff costs	9,408	6,048
Third party cost of sales	6,354	3,360
Employee costs within administrative expenses	3,196	2,027
Amortisation of intangible assets	2,187	1,169
Depreciation	312	208
Share-based payments	11	-
Non-underlying items	713	421
Profit on sale of assets	(9)	-
Fair value profit on deferred consideration	22	-
Gain on the conversion of secured loan notes	-	(892)
Other administrative costs	1,434	1,078
Total cost of sales and administrative expenses	23,628	13,419

5 Auditor's remuneration

	2023	2022
	£000	£000
Audit of these financial statements	30	28
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	50	45
Additional fees charged in respect of prior year's audit	-	14
Total	80	87

Notes to the Consolidated Financial Statements

6 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:

	2023	2022
	£000	£000
Allvotec acquisition expense	242	-
Due diligence on potential acquisitions in the year	25	-
Employee share option plan set-up expense	49	-
One-off legal fees	9	-
Rebranding as Tialis from IDE Group	35	-
Restructuring and reorganisation costs	353	421
	713	421

Restructuring and reorganisation costs in the year ended 31 December 2023 and the year ended 31 December 2022 relate to costs incurred on the restructure of the Group, predominantly redundancy costs, of which £0.4 million are staff related as disclosed in note 9 (2022: £0.04 million). Other integration costs relate to the costs incurred in integrating the Allvotec acquisition. The redundancy costs include employment related costs of staff made redundant because of restructuring post the Allvotec acquisition. The legal and rebranding expenses were non-recurring expenses incurred during the year.

7 Finance Income

	2023	2022
Continuing Operations	£000	£000
Unwinding of discounted liabilities	83	-
Interest received	19	10
	102	10

8 Finance costs

	2023	2022
Continuing Operations	£000	£000
Interest expense on lease liabilities	84	98
Unwind of discount on trade payables	90	170
Interest expense in respect of convertible loan notes	9	12
Interest expense in respect of loan notes	475	2,054
	658	2,334

9 Employee benefits expense

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

	2023	2022
	£000	£000
Wages and salaries	10,643	6,750
Social security costs	1,086	739
Other pension costs	876	586
Restructuring costs	380	-

Notes to the Consolidated Financial Statements

	12,985	8,075

At 31 December 2023, the Group employed 284 staff, including Directors (2022: 191).

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		
	2023	2022
Operations	**250**	168
Sales and Marketing	**9**	6
Administration	**21**	15
Directors	**4**	2
Total average monthly headcount	**284**	191

The Company employed an average of 5 employees during 2023 (2022: 2), which were the Non-Executive Chairman Andy Parker, the Non-Executive Director Nicolas Bedford and the Executive Directors Ian Smith and Matthew Riley, and the Chief Financial Officer. 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 2023 for the Group were as follows:

	Salary/fees	Salary/fees
	2023	2022
	£	£
Executive		
Ian Smith[1]	**221,000**	221,000
Andy Parker	**181,250**	53,333
Non-Executive		
Nicolas Bedford	**40,000**	-
Matthew Riley	**36,667**	-
Total	**478,917**	274,333

1. Directors’ emoluments to Ian Smith were paid to MXC Advisory Limited, a subsidiary of MXC Capital Limited.
2. Andy Parker stepped down from his role as Executive Chairman to become Non-Executive Chairman on 1 June 2020. On 1 February 2023, Andy Parker was reappointed Executive Chairman. Included in Andy Parker's salary/fees, there was a bonus of £25,000 paid during the year which is disclosed in the non-recurring costs – see note 6.

Social security costs in respect of Directors’ emoluments were £32,168 (2022: £6,354). No pension contributions were made to any Director during the year (2022: £nil).

None of the Directors made any gains on the exercise of share options in 2023 or 2022.

10 Taxation

	2023	2022
	£000	£000

Notes to the Consolidated Financial Statements

Current tax		
Current year	**-**	-
Current tax	**-**	-
Deferred tax credit	**(227)**	(843)
Total tax credit	**(227)**	(843)

(a) Tax on loss on ordinary activities

Reconciliation of the total income tax credit:

	2023	2022
	£000	£000
Loss before taxation from continuing operations	**(1,772)**	(1,280)
Tax using the United Kingdom corporation tax rate of 25% (2022: 19%)	**(443)**	(243)
Non-deductible expenses	**312**	(117)
Amortisation and impairment of goodwill and intangibles – non qualifying assets	**-**	-
Tax losses utilised – not previously recognised	**(106)**	(279)
Adjustment for rate change	**(16)**	(202)
Prior year adjustment	**26**	(2)
Total tax credit	**(227)**	(843)

Notes to the Consolidated Financial Statements

(b) Deferred tax (asset)/liability

	2023	2022
	£000	£000
At 1 January	**(3,108)**	(2,265)
Credit to income statement	**(227)**	(843)
At 31 December	**(3,335)**	**(3,108)**

	(Asset)	Liability	Net (asset)/ liability
	£000	£000	£000
At 1 January 2022	**(4,323)**	**2,058**	**(2,265)**
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)**
Timing differences in respect of tangible assets	**83**		**83**
Timing differences in respect of intangible assets	**-**	**(292)**	**(292)**
Short term timing differences	**(3)**	**-**	**(3)**
Recognition of losses	**310**	**(325)**	**(15)**
	390	**(617)**	**(227)**
At 31 December 2023	**(4,484)**	**1,149**	**(3,335)**

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

	2023	2022
	£000	£000
Fixed asset timing differences	**1,474**	1,766
At 31 December	**1,474**	1,766

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

	2023	2022
	£000	£000
Tax losses recognised	**4,152**	4,454
Other temporary differences	**-**	5
Depreciation in advance of capital allowances	**332**	415
At 31 December	**4,484**	4,874

Deferred tax assets are recognised for tax losses carried forward of £17.9 million (2022: £15.8 million) to the extent that the realisation of the related tax benefit through future taxable profits is probable. In assessing recoverability, management considersthat the appropriate period over which profits can be assessed with a reasonable degree of certainty, and therefore used to offsetthe 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.

Notes to the Consolidated Financial Statements

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 2023 of £3.3 million (2022: £3.1 million). The Company has no deferred tax assets or deferred tax liabilities as at 31 December 2023 or 31 December 2022.

The Finance Bill 2023, which was substantively enacted on 24 May 2023, 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.

11 Earnings per share

Basic earnings per share has been calculated using the loss after tax for the year of £1.5 million (2022: Loss £0.6 million and a weighted average number of ordinary shares of 23,973,027 (2022: 418,575,630). 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 26, 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

	2023	2022
Basic and diluted loss per share (pence)	**(6.45)** p	(0.10) p

Discontinued operations

Basic and diluted loss per share (pence)	**0.04**	(0.04) p
Total basic and diluted loss per share	**(6.41)p**	(0.14) p

Notes to the Consolidated Financial Statements

11 Property, plant and equipment

Group	Leasehold property	Car Leases	Equipment, fixtures, and fittings	Computer software	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2023	1,821	11	151	116	2,099
Additions	-	105	70	4	179
Disposals	(306)	-	-	-	(306)
At 31 December 2023	**1,515**	**116**	**221**	**120**	**1,972**
Accumulated depreciation					
At 1 January 2023	954	2	57	10	1,023
Charge for the year	208	21	44	39	312
Disposals	(306)	-	-	-	(306)
At 31 December 2023	**856**	**23**	**101**	**49**	**1,029**
Net carrying amount					
31 December 2023	**659**	**94**	**119**	**71**	**943**
31 December 2022	867	9	94	106	1,076

Notes to the Consolidated Financial Statements

Group	Leasehold property	Car Leases	Equipment, fixtures, and fittings	Computer software	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2022	1,549	278	2,751	337	4,915
Additions	272	11	92	116	491
Disposals	-	(278)	(2,692)	(337)	(3,307)
At 31 December 2022	**1,821**	**11**	**151**	**116**	**2,099**
Accumulated depreciation					
At 1 January 2022	784	272	2,718	328	4,102
Charge for the year	170	8	20	10	208
Disposals	-	(278)	(2,681)	(328)	(3,287)
At 31 December 2022	**954**	**2**	**57**	**10**	**1,023**
Net carrying amount					
31 December 2022	**867**	**9**	**94**	**106**	**1,076**
31 December 2021	765	6	33	9	813

Notes to the Consolidated Financial Statements

Right of use assets

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

	Leasehold	Network Infrastructure	Car leases	Total
Cost	£000	£000	£000	£0000
At 1 January 2022	1,549	-	278	1,827
Additions	272	-	11	283
Disposal	-	-	(278)	(278)
At 31 December 2022	1,821	-	11	1,832
Additions	-	-	105	105
Disposal	(306)	-	-	(306)
At 31 December 2023	**1,515**	**-**	**116**	**1,631**
Accumulated depreciation				
At 1 January 2022	784	-	272	1,056
Charge for the year	170	-	8	178
Disposal	-	-	(278)	(278)
At 31 December 2022	954	-	2	956
Charge for the year	208	-	20	228
Disposal	(306)	-	-	(306)
At 31 December 2023	**856**	**-**	**22**	**878**
Net carrying amount				
31 December 2023	**659**	**-**	**94**	**753**
31 December 2022	867	-	9	876

Additions to the right-of-use assets during the year were £0.1 million (2022: £0.3 million).

The depreciation charge for the year of £0.3 million (2022: £0.2 million) relates to continuing operations and has been charged to administrative expenses.

Company

The Company has no property, plant and equipment at 31 December 2023 or at 31 December 2022.

Notes to the Consolidated Financial Statements

13 Intangible assets

Group	Goodwill	Trademarks	Customer contracts and related relationships	Technology development	Software and Licensing	Total
	£000	£000	£000	£000	£000	£000
Cost:						
At 1 January 2022	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
Additions **	-	-	2,222	-	-	2,222
At 31 December 2023	**15,598**	**1,707**	**17,418**	**935**	**1,833**	**37,491**
Impairment and amortisation:						
At 1 January 2022	15,598	1,707	6,965	935	1,833	27,038
Amortisation for the year *	-	-1,169		-	-	1,169
Disposal	-	-	-	-	-	-
At 31 December 2022	15,598	1,707	8,134	935	1,833	28,207
Amortisation for the year *	-	-	2,187	-	-	2,187
Disposal	-	-	-	-	-	-
At 31 December 2023	**15,598**	**1,707**	**10,321**	**935**	**1,833**	**30,394**
Net carrying amount:						
At 31 December 2023	**-**	**-**	**7,097**	**-**	**-**	**7,097**
At 31 December 2022	-	-	7,062	-	-	7,062

*£2.8 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 2023 is as follows:

- Tialis IT Essential Manage customer contracts and related relationships – 7 years, net carrying value £5.9 million.
- Allvotec customer contracts acquired 2023 and related relationships – 2 years, net carrying value £1.2 million.

Allvotec asset acquisition February 2023 **

On 1 February 2023, Tialis Essential IT PLC acquired the profitable partner contracts from Allvotec Limited, a division of Daisy Group, for an initial consideration of £2.042 million. On the same date, Tialis Essential IT Manage Limited, a subsidiary of Tialis Essential IT PLC, acquired the same contracts from Tialis Essential IT PLC for the consideration of £2.042 million.

In addition to the partner contracts the Company has provided for the estimated deferred consideration of £0.1 million, onerous contract provision of £0.08 million and subtracted £0.008 million of acquired tangible assets to arrive at the £2.222 million addition for the year.

Notes to the Consolidated Financial Statements

Company	2023 £000	2022 £000
Additions **	**2,222**	-
Disposals **	**(2,222)**	-
At 31 December	**-**	-

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

Notes to the Consolidated Financial Statements

14 Investments

Company	2023 £000	2022 £000
At 1 January 2022	**18,211**	7,877
Additions	-	20,211
Impairment of investment in subsidiary companies	-	(9,877)
At 31 December	**18,211**	18,211

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership 2023	2022
Held directly by Tialis Essential IT PLC				
IDE Group Limited[2]	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 Subholdings Limited[2]	England[1]	Ordinary	**100%**	100%
IDE Group Voice Limited[2]	England[1]	Ordinary	**100%**	100%

1 Registered office is located at Unit 2, Quadrant Court, Crossways Business Park, Greenhithe, Dartford, England, DA9 9AY.
2 In solvent liquidation at the year-end 31 December 2023.

At 31 December, the only trading subsidiary of the Company was Tialis Essential IT Manage Limited.

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

The following subsidiary is non-trading.

Tialis Essential IT Financing Limited is 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.

Notes to the Consolidated Financial Statements

15 Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
Current	**£000**	£000	**£000**	£000
Trade receivables	**3,748**	2,499	-	-
Contract assets	**622**	664	-	-
Prepayments and other receivables	**650**	498	-	2
Taxation and social security	-	-	**32**	77
	5,020	3,661	**32**	79

	Group		Company	
	2023	2022	**2023**	2022
Non-current	**£000**	£000	**£000**	£000
Other receivables	**100**	100	-	-
Amounts due from subsidiary undertakings	-	-	**645**	9
	100	100	**645**	9

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**		**Credit loss allowance (net of VAT)**	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**£000**	£000	**£000**	£000
Top 10	**0**	0	**3,748**	2,499	-	-
Top 50	**2**	2	-	-	-	-
Other	**5**	5	-	-	-	-
Specific	**100**	100	-	-	-	-
			3,748	2,499	-	-

The group is exposed to credit concentration risk with its largest customer comprising 83% (2022: 82%) of outstanding trade receivables.

Notes to the Consolidated Financial Statements

Specific provisions are also made based on known issues or changes in the lifetime expected credit loss. As at 31 December 2023, trade receivables of £nil (2022: £nil) were impaired and fully provided for.

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 (2022: £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 19.

16 Cash and cash equivalents

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Cash and cash equivalents	**274**	414	**6**	3

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

	Group		Company	
	2023	2022	**2023**	2022
Credit rating	**£000**	£000	**£000**	£000
A	**274**	414	**6**	3

17 Trade and other payables

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Current				
Trade payables	**2,431**	2,719	**253**	536
Amounts due to subsidiary undertakings	**-**	-	**5**	175
Other payables	**85**	-	**-**	-
Taxation and social security	**951**	846	**-**	-
Accruals	**922**	979	**64**	67
	4,389	4,544	**322**	778

Notes to the Consolidated Financial Statements

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

18 Contract liabilities

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Contract liabilities recognisable within 12 months	**676**	51	-	-

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

19 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 2027.

Other provisions

Other provisions relate to payments payable by the Group with regards to defined benefits pension schemes in which one employee is a participant – see note 27.

Group	**Property provision**	**Other provision**	**Total**
	£000	**£000**	**£000**
Balance at 1 January 2023	245	-	245
Increase in year	42	14	56
Balance at 31 December 2023	**287**	**14**	**301**

	2023	2022
	£000	**£000**
Non-current	**301**	245

The Company has no provisions at 31 December 2023 (31 December 2022: £nil).

Notes to the Consolidated Financial Statements

20 Borrowings

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Non-current				
Lease liabilities	**596**	765	**-**	-
Loan Notes	**3,965**	3,490	**3,965**	3,490
	4,561	4,255	**3,965**	3,490

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Current				
Lease liabilities	**259**	210	-	-
	259	210	-	-

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%.

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 £25.5 million of loan notes (including fees and interest) into share capital. Details of the capital reorganisation and consolidation are set out in Note 25.

Notes to the Consolidated Financial Statements

Lease liabilities
The present value of lease liabilities is as follows:
31 December 2023

Group	**Gross contractual amounts payable**	**Interest**	**Carrying amount**
	2023	**2023**	**2023**
	£000	**£000**	**£000**
Less than one year	**331**	**72**	**259**
Between one and five years	**672**	**76**	**596**
	1,003	**148**	**855**

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

The Company has no lease liabilities at 31 December 2023 (31 December 2022: nil)

Reconciliation of borrowings:

Group	Non-current Lease liabilities	Curren tLease liabilities	Non-current Borrowings	Convertibl e Loan Notes	Supplier Finance	**Total Borrowings**
	£000	£000	£000	£000	£000	**£000**
Balance at 1 January 2023	765	210	3,490	143	1,091	**5,699**
Non-cash changes						
Transfer from current to non-current	(169)	169	-	-	-	**-**
New finance leases	-	105	-	-	-	**105**
Loan note interest	-	-	475	9	-	**484**
Interest	-	-	-	-	90	**90**
Lease interest	-	84	-	-	-	**84**
Cash flows						
Lease interest paid	-	(84)	-	-	-	**(84)**
Repayment	-	-	-	(152)	(281)	**(433)**
Repayment of lease liabilities	-	(225)	-	-	-	**(225)**
Balance at 31 December 2023	**596**	**259**	**3,965**	**-**	**900**	**5,720**

The total cash outflow for leases in the year including interest was £309,000 (2022: £384,000).

Notes to the Consolidated Financial Statements

Company	Lease liabilities	Current Borrowings	Non-current Borrowings	**Total Borrowings**
	£000	£000	£000	**£000**
Balance at 1 January 2023	-	-	3,490	**3,490**
Non-cash changes				
Loan note interest	-	-	475	**475**
Balance at 31 December 2023	-	-	3,965	**3,965**

21 Convertible loan notes

Group and Company

	£000
Balance at 1 January 2023	143
Interest unwound	9
Loan repaid August 2023	(152)
Balance at 31 December 2023	-

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 2022 £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.

On 21 August 2023 the CLNs were repaid.

22 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

	2023	2022
Assets	**£000**	£000
Amortised cost:		
Trade receivables net of credit loss provision	**3,748**	2,499
Contract assets	**622**	664
Other receivables	**650**	498

Notes to the Consolidated Financial Statements

Cash and cash equivalents	**274**	414
Total	**5,294**	4,075

Notes to the Consolidated Financial Statements

Company

	2023	2022
Assets	**£000**	£000
Amortised cost:		
Amounts due from subsidiary undertakings	**645**	9
Cash and cash equivalents	**6**	3
Total	**651**	12

The carrying amount of these assets is equivalent to their fair value. At 31 December 2023, trade receivables are reported net of the expected credit loss provision of £nil (2022: £nil), amounts due from subsidiary undertakings are reported net of the expected credit loss provision of £nil (2022: £nil).

Group

	2023	2022
Liabilities at amortised cost	**£000**	£000
Trade payables	**2,431**	2,719
Accruals and other payables	**1,007**	979
Lease liabilities	**855**	975
Convertible loan notes	**-**	143
Loan Notes	**3,965**	3,490
Total	**8,258**	8,306

Company

	2023	2022
Liabilities	**£000**	£000
Trade payables	**253**	536
Accruals and other payables	**64**	67
Intercompany payables	**5**	175
Convertible loan notes	**-**	143
Loan Notes	**3,965**	3,490
Total	**4,287**	4,411

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.

Notes to the Consolidated Financial Statements

23 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 bymanagement. 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 (2022: £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 15 and note 24.

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 2023	**£000**	**£000**	**£000**	**£000**

Notes to the Consolidated Financial Statements

Trade and other payables	4,389	-	-	**4,389**
Lease liabilities	259	596	-	**855**
Loan Notes	-	3,965	-	**3,965**
	4,648	**4,561**	**-**	**9,209**

Notes to the Consolidated Financial Statements

Group

At 31 December 2022	Within 1 year £000	1-2 years £000	More than2 years £000	Total £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**
	4,897	**728**	**3,527**	**9,152**

Company

At 31 December 2023	**Within 1 year £000**	**1-2 years £000**	**More than2 years £000**	**Total £000**
Trade and other payables	253	-	-	**253**
Intercompany payables	5	-	-	**5**
Loan Notes	-	3,965	-	**3,965**
	258	3,965	**-**	**4,223**

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**
	854	**-**	**3,490**	**4,344**

24 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. TheGroup 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 2023 the ratio was 2.3. Net debt as at 31 December 2023 is calculated as total bank borrowings, as at 31 December 2023 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.

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

25 Called up share capital – Group and Company

Shares issued and fully paid	**2023**	2022
	£000	£000
24,222,744 (2022: 21,829,449) Ordinary shares at 1p	**242**	218
496,702,800 (2022: 496,702,800) deferred shares at 2.49p	**12,368**	12,368
Shares issued and fully paid	**12,610**	12,586

Shares issued and fully paid	**2023**	2022
	£000	£000
Beginning of the year	**12,586**	12,418
Issued during 2023 to acquire Allvotec assets (see note 13).	**23**	-
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**	1
Shares issued and fully paid	**12,610**	12,586

Share capital allotted, called up and fully paid	**2023 No. Ordinary Shares**	**2023 No. Deferred Shares**	2022 No. Shares
Beginning of the year 496,702,792 shares at 2.5p	**21,829,449**	**496,702,800**	496,702,792
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 104,000 shares at 1p in lieu of 2021 staff bonus (first and second tranche of three tranches)	**104,000**	-	104,000
Issue of 16,758,421 shares at 1p on conversion of secured loan notes	-	-	16,758,421
Issue of 2,289,295 to acquire Allvotec (see Note 13)	**2,289,295**	-	-
End of the year	**24,222,744**	**496,702,800**	**518,532,249**

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 3 February 2023 2,289,295 new Ordinary 1p shares were allocated to acquire the assets and liabilities of Allvotec (see note 13).

Notes to the Consolidated Financial Statements

On 31 May 2023 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 2023 the Company has a total number of shares in issue of 520,925,544 with a total nominal value of £12,610,127. The Company has 24,222,744 new Ordinary shares of 1p and 496,702,800 Deferred shares of 2.49p.

26 Share-based payments

The share-based payment charge comprises:

	2023	2022
	£000	£000
Equity-settled share-based charges arising from share options	**11**	-
Total charge	**11**	-

On 15 December 2023 the Company granted a total of 1,547,288 share options to executive directors, senior managers, employees and consultants of the Company (the "Share Options"). Of the total Share Options, 400,000 were granted to Andy Parker, Executive Chairman, and 400,000 were granted to Ian Smith, Executive Director. The award of the Share Options is part of Tialis' Long Term Incentive Plan ("LTIP") and is designed to retain and motivate the senior leadership team, employees and consultants. Under the rules of the LTIP, the Share Options are being granted at nil cost or the nominal value of the Company's ordinary shares of 1p each and are subject to vesting rules (the "Vesting Rules").

Under the Vesting Rules, the Share Options vest as follows:
- the second anniversary of the Grant Date: One-third of Award vests;
- the third anniversary of the Grant Date: Two-thirds of Award vests; and
- the fourth anniversary of the Grant Date: Remainder of Award vests.

The shares cannot be issued until the Group releases them in accordance with the rules of the LTIP. If the relevant trading company of Tialis is sold or the overall Group is taken over, the award will vest and be released in full, subject to the detailed rules of the LTIP. It is at this point that the employee can realise the value of their Share Options.

The resulting interests of Andy Parker and Ian Smith in Tialis can be summarised as follows:

Director	Ordinary shares of 1p held	% of issued share capital	LTIP Options held prior to this award	LTIP Options awarded
Andy Parker	-	-	-	400,000
Ian Smith*	293,000	1.21%	-	400,000

* Ian Smith is also the Chief Executive Officer and major shareholder of MXC Capital Limited ("MXC") whose holding of 18,204,685 Ordinary Shares represents 75.16% of the Company's issued ordinary share capital. Ian Smith and MXC hold in aggregate 18,497,685 Ordinary Shares, representing 76.36% of the Company's issued ordinary share capital.

Following the grant of Share Options, there is a total of 1,547,288 Share Options outstanding, representing approximately 6.39% of the current issued share capital of the Company with an Exercise Price of 1p.

In determining the fair value of the share options granted during the year, the Company assessed the historical share price volatility associated with the Company's share price. The fair value of options issued during the year were calculated using a Black-Scholes model. The share price at grant date was 62p per share and no dividend yield was expected.

27 Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £0.9 million for the year ended 31 December 2023 (year ended 31 December 2022: £0.7 million). Contributions totalling £0.1 million (31 December 2022: £0.1 million) were payable to the fund at 31 December 2023 and are included in creditors: amounts due within one year.

In addition, the Group operates two individual defined benefit pension schemes; details of each are noted below.

The Mercer DB Master Trust – Tialis Group Limited Section
This scheme is open. It has one individual who is no longer employed by the Group and as a result is a deferred member. The value of plan assets is £0.04 million. The value of plan liabilities is £0.02 million. Total net assets are £0.02 million and the funding level is 189%. Due to the size and nature of the scheme, and the fact that the funding is a positive position, and the Directors are not certain that the Group will get a recovery on the scheme, so therefore no amounts have been provided in the accounts.

The impact on the statement of comprehensive income for this scheme was £0.02 million during the year ended 31 December 2023. (31 December 2022: £0.02 million). This is in relation to fees. In addition, in the year ending 31 December 2022, the Group paid £0.009 million in employer's pension contributions.

The assets are held as follows:

	£000	**%age**
Mercer Flex LDI Real Enhanced Match	10	27
Mercer Diversified Growth Fund	13	34
Mercer Passive Global Equity CCF	10	26
Net Current Assets	5	13
Total Assets	**38**	**100**

Future funding obligations
The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Schemes was performed by the Scheme Actuary for the Trustees as at 5 April 2023.

Refer to other commitments, note 30 for the fees funding position going forward.

Railways Pension Scheme – Omnibus Section
This scheme is open. It has one individual who is employed by the Group and as a result is an active member. No further deficit contribution commitment will be sought outside of the Trustees have estimated Tialis would need to pay in the event the employee left the scheme or retired.

The Trustees have estimated that Tialis would need to provide an additional amount of £0.01 million for every £0.01 million of pension contributions paid. The Company has therefore provided an additional amount of £0.01 million, which can be seen in the Provisions note 19.

The impact on the statement of comprehensive income for this scheme was £0.02 million during the year ended 31 December 2023. (31 December 2022: £0.003 million). This is in relation to the employer's contributions and the provision noted above.

Future funding obligations

The Trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Schemes was performed by the Scheme Actuary for the Trustees as at 31 December 2022.

28 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 9.

Key management personnel

Total remuneration for key management personnel	**2023**	2022
	£000	£000
Compensation	**525**	622
Social security	**90**	19
Pension contributions to money purchase pension scheme	**44**	73
Total	**659**	714

Number of key management personnel accruing benefits under defined contributions	4	3

Ian Smith, Executive Director at 31 December 2023, held 1.21% (2022: 0.54%) through his Self-Invested Pension Plan. Ian Smith is also Chief Executive Officer and a substantial shareholder of MXC Capital Limited (MXC). MXC owned 75.2% (2022: 83.4%) of the issued share capital of the Company at 31 December 2023. Together, Ian Smith and MXC owned 76.4% (2022: 83.9%) of the issued share capital of the Company at 31 December 2023.

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 (2022: £94,800). The balance owed to MXC Capital Markets LLP as at 31 December 2023 was
£15,000 (2022: £33,000).

In addition, the Group paid MXC Advisory Limited, a subsidiary of MXC, fees of £221,000 (2022: £221,000) in respect of the services of Ian Smith as Executive Director. The balance owed to MXC Advisory Limited as at 31 December 2023 was £110,500 (2022: £265,200).

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 2023 was £nil (2022: £nil).

The Company had the following balances with its subsidiary companies:

	2023	2022
Receivables	**£000**	£000
Tialis Essential IT Manage Limited	**636**	-
IDE Group Protect Limited	**9**	9
Total	**645**	9

	2023	2022
Payables	**£000**	£000
Tialis Essential IT Mange Limited	-	66
Selection Services Limited	-	61

Notes to the Consolidated Financial Statements

Hooya Digital Limited	**-**	42
Connexions4London Limited	**5**	5
Aggregated Telecom Limited	**1**	1
Total	**6**	175

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29 Contingent liabilities

There was a contingent liability in the prior year in respect of tax owed of £819,047 by a former owner, when the business was privately owned relating to a tax scheme from 2006. This was settled by the individual 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 was unable to pay.

30 Other commitments

The Group has signed an agreement for the administration of the defined benefit pension with Mercer Trust with regards to an employee. Tialis has an obligation under this agreement to continue to remit £2,000 per month for management and administration charges until the employee either withdraws from the pension or retires. A commitment of £288,000 based on his retirement date of 2036 (12 years x £24,000 pa) has been estimated by the Board.

31 Post balance sheet events

There are no post balance sheet events.

32 Ultimate controlling party

MXC Capital Limited (MXC) is the ultimate controlling party and, at 31 December 2023, owned 75.2% of the issued share capital and voting rights of the Company. There is no ultimate controlling party of MXC.