

Tialis Essential IT PLC

Annual report and financial statements
Registered number SC368538
Year ended 31 December 2024

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Directors and Advisers

Directors

Ian Smith (Executive Director)
Matthew Riley (Non-Executive Director)
Nicola Chown (Chief Financial Officer)

Company Secretary

Delgany Corporate Services Limited

Registered Office

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Edinburgh EH1 3PP

Company Number SC368538

Nominated Adviser and Broker

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Solicitors

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Share Registrar

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Principal Banker

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Triton Square
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NW1 3AN

Company Profile

The principal activities of Tialis Essential IT PLC ('Company' and 'Group') are the provision of end-to-end solutions to enterprise scale end-customers, public and private, concentrating on end-user device management and on-site support solutions.

The country of incorporation is Scotland; the Company's registered number is SC368538 and the Company is limited by shares. The main country of operation is the United Kingdom.

Further information on the Company can be found at www.tialis.com.

Business summary

- Tialis Essential IT PLC ('Tialis') is a UK based managed services provider delivering outsourced IT services as a strategic technology partner primarily on behalf of system integrators. After a series of acquisitions and divestments, the group is now wholly focused on Tialis Essential IT Manage Limited ('Manage').
- Within its portfolio of services, Tialis specialises in activities including the storage, build, configuration, and shipping of all end-user devices as well as the provision of on-site support engineers, tech bars, server maintenance and fully managed project deployments.
- Its support services have been developed to support clients with all IT requirements, to either complement an existing in-house IT team or act as a fully dedicated IT team on its customers' behalf.
- Revenues from continuing operations were 7% lower in 2024 at £20.8 million (2023: £22.4 million), gross margins decreased by 1% to 29% (2023: 30%) due to the loss of an engineering contract and the decrease in project work from a major customer. Adjusted EBITDA¹ remained steady at £2.0 million (2023: £2.0 million).

¹ Adjustments are as followed; Non underlying items, depreciation, amortisation, impairment, share-based payments, fair value profit on deferred consideration.

Executive Director's Statement

I am delighted to report that Tialis has achieved a third consecutive year of Adjusted EBITDA¹ of £2m, driven by the continued development of long-term relationships with third-party system integrators and favourable supply contracts typically with 3 to 5 year terms. We are generating a strong annuity income stream, with a strong pipeline of prospects.

To date Tialis has confirmation of new business, preferred partner and contract extensions totalling approximately £17.8m, marking an excellent start to 2025. Encouragingly a sizeable proportion of the customer wins are 5 year contracts, with multi-million-pound contracts for our lifecycle division.

Leveraging on the continued success of the Allvotec acquisition in 2023, during the year 2024, Tialis was able to agree renewals and extensions of the existing contracts, increasing the deferred and contingent consideration estimate to £1.055 million. Once agreed, this will be paid in shares issued in Tialis Essential IT PLC, at an effective price of 89.2 pence per ordinary share. This increase of £971,243 is shown as a fair value adjustment on the face of the Statement of Comprehensive Income.

Highlights in the year include:

- Significant year on year increase in positive cash generation
- Tialis entered into a £4m Revolving Credit Facility ("RCF") with Santander during the year. The RCF carries an interest rate of SONIA + 3.75 per cent, with a term of 3 years. The RCF was used for early repayment of the loan notes totalling £4.2m which were due for repayment in January and December 2025.
- New business awards with net new partners of £2.5m annual value in 2024
- New business awards of £15m TCV to date in 2025
- A strong current sales pipeline of £8m annual value with a record number of 16 different partners, allowing for good visibility over future growth
- Successful renewals ISO 9001, ISO 14001, ISO 20000-1 & ISO 27001 certifications
- Cyber Essentials & Cyber Essentials Plus re-award
- Silver EcoVadis status awarded for sustainability performance
- Looking forward, revenue for 2025 is expected to be made up of 46% contracted revenue, 28% anticipated contract extensions, and 26% new business

The board is committed to growing Tialis both from M&A activities and organic sales, and we collectively intend the Group to become a cash generating vehicle and will look to implement a progressive dividend policy in the future. The recent acquisition of shares from an existing institution is testament to our commitment, which only adds to the substantial shareholding between Daisy Intermediate Holdings Limited / Matthew Riley and MXC Capital Limited / Ian Smith. Despite recent proposed changes to the IHT legislation we believe that trading AIM equities retain their IHT attractiveness.

As announced on 9 April 2025, the Company created a new subsidiary to house its consultancy operations. Led by Andy Mills and Ian Smith, AI Auxesis Limited (the "Subsidiary"), will be redefining the future of business growth by combining practical strategic consulting with investment. We will partner with early-stage organisations and visionary founders to accelerate innovation, scale intelligent solutions, and unlock long-term value. Our dual approach gives us a unique edge, bridging the gap between investment and execution. We work closely with companies in AI and automation to identify transformative opportunities, offering tailored guidance backed by real capital support. Whether streamlining operations, deploying intelligent systems, or scaling cutting-edge startups, we bring both the expertise and the resources to drive meaningful impact.

¹ Adjustments are as followed; Non underlying items, depreciation, amortisation, impairment, share-based payments, fair value loss / profit on deferred consideration

Executive Director's Statement *(continued)*

The creation of the Subsidiary required an upfront investment of £250,000 that has been used to fund its first consulting project has started generating revenue. This investment was 50% funded by the Company and the remaining 50% funded by direct contributions of £62,500 made into the Subsidiary by both Ian Smith, Executive Director of the Company, and Andy Mills, in exchange for 25% of the shares each in the Subsidiary. As non-corporate shareholders, both Ian and Andy are entitled to a 10% per shareholder uncapped profit share on any capital gain in the underlying investment in the Subsidiary (the "Profit Share"). The Company contributed £125,000 to the Subsidiary. In order to meet this contribution to the Subsidiary, the Company conducted a direct subscription in the Company's ordinary shares at 60 pence per share, being the mid-market closing price on 8 April 2025 (the "Subscription Shares"). This was then passed on to the Subsidiary. In total the Company issued 208,333 Subscription Shares for cash for a total of approximately £125,000 (the "Subscription"). The subscribers to this fundraising were Ian Smith and Andy Mills in equal proportion to each other at 50% each in return for their respective 25% holdings in the Subsidiary.

Board changes

On 10 September 2024, Andy Parker stepped down from the Board and his role as Executive Chairman and Nicolas Bedford, previously a Non-Executive Director, was appointed Non-Executive Chairman. Nicolas Bedford subsequently stepped down from the Board on 1 December 2024 following his decision to retire from corporate work. The Group's Chief Financial Officer, Nicola Chown, was appointed as Director on 16 September 2024.

The Board comprises two executive directors and one non-executive director. It will announce the appointment of a new chairman in due course. I welcome the appointment of Nicola and would like to thank both Andy and Nick for their contribution and commitment to the Company during their tenures.

People

Employee numbers have remained broadly consistent year on year.

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. 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 Request For Proposal (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. Please find more details in the Strategic Report under the Environmental Policies.

Current trading and outlook

Trading in the current financial year remains in line with Board expectations. Our in-year pipeline for 2025 stands at £8 million annual value with a broad range of customers and continues to grow, giving us strong visibility over future growth.

Our expectation for the year is that approximately 74% 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.

Executive Director's Statement *(continued)*

The key objective for 2025 will be to continue 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 three 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 Business Process Outsourcers (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 was £20.8 million (2023: £22.4 million). Gross profit margin fell by 1%, from 30% to 29% due to the reduction in one-off lifecycle projects in 2024. Resulting gross profit has decreased year-on-year to £6.0 million (2023: £6.7 million). Adjusted EBITDA¹ remained at £2.0 million (2023: Adjusted EBITDA of £2.0 million). The net loss after tax for the year from was £3.2 million (2023: loss £1.5 million), after £2.2 million amortisation and impairment expense and fair value loss on deferred and contingent consideration (2023: £2.2 million amortisation and impairment expense and fair value profit on deferred and contingent consideration)

¹ Adjustments are as followed; Non underlying items, depreciation, amortisation, impairment, share-based payments, fair value loss / profit on deferred consideration

Non-underlying items

Non-underlying items relating to on-going restructuring and reorganisation amount to £0.7 million in the year (2023: £0.7 million).

Finance costs

After incurring net finance charges of £0.4 million relating to interest and arrangement fees for loan notes, leases and bank debt (2023: £0.6 million), the loss before tax is £3.3 million (2023: loss of £1.8 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 £0.1 million (2023: tax credit £0.2 million).

Loss on continuing operations

Whilst the underlying trading performance of Manage shows significant positive EBITDA, group costs, finance costs and amortisation charges result in a loss after tax for the year of £3.2 million (2023: £1.5 million), which equates to a basic loss per share of 13.11 pence (2023: loss per share of 6.45 pence).

Statement of Financial Position**Non-current assets**

The Group has property, plant and equipment of £0.7 million (2023: £0.9 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 (2023: £0.2 million additions).

Further, intangible assets of customer contracts and related relationships are £4.8 million (2023: £7.1 million) and are subject to amortisation as per the policies set out in the accompanying financial statements.

Executive Director's Statement *(continued)***Trade and other receivables**

Trade and other receivables have decreased to £4.3 million from £5.0 million.

Trade and other payables

Trade and other payables amounted to £4.1 million (2023: £4.4 million), including trade payables of £1.3 million (2023: £2.4 million), taxation and social security of £1.2 million (2023: £1.0 million) and accruals of £0.6 million (2023: £0.9 million).

The deferred and contingent consideration of £1.05 million (2023: £0.08 million) is included in other payables.

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 £0.8 million (2023: £0.7 million).

Cashflow and net debt

Net cash generated from operating activities during the year was £1.9 million (2023: £0.7 million). Our Manage business continues to be cash generative and has developed excellent relationships with key strategic partners. The Group invested £0.02 million (2023: £0.08 million) in fixed assets.

During the year, the secured loan notes, which were due for repayment in January and December 2025, were settled early through the drawdown of the new RCF along with a new unsecured convertible loan note with MXC of £0.3m. The unsecured loan note carries an interest rate of 15% and is for a term of 3 years 3 months.

There were no new loans in 2023.

The repayment of lease liabilities consumed £0.3 million (2023: £0.2 million) of cash.

The result is that as at 31 December 2024 there are bank borrowings of £4.0 million, being the drawdown of the RCF, and a cash balance of £0.9 million (2023: there were no bank borrowings and the cash balance was £0.3 million).

Borrowings

As at 31 December 2024, the bank borrowings liability in the balance sheet was £4.0 million and the unsecured convertible loan note liability was £0.3 million. There were no secured loan notes liabilities as there were repaid in September 2024.

Donations to charities

There were donations to charities of £1,982 in the year (2023: £nil).

Going concern

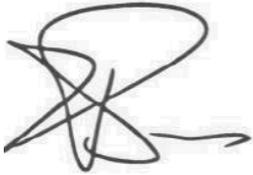
The Directors have produced detailed trading and cashflow forecasts. In reaching their conclusion on the going concern basis of accounting, the Directors note and rely on the improved trading performance, the positive cash generation that the business is now experiencing and the current signed order 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.

Executive Director's Statement *(continued)*

Financing and dividend

The Directors do not propose a dividend in respect of the current financial year (2023: £nil).

A handwritten signature in black ink, appearing to be 'Ian Smith', with a large loop at the top and a horizontal stroke at the bottom.

Ian Smith
Executive Director
9 May 2025

Strategic Report

Review of the Business

A detailed review of the business is set out in the Executive Director'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 EBITDA¹ remaining positive, although the Group reported a post-tax loss due to finance costs, impairments, fair value loss / profit on deferred consideration and restructuring. Future developments and current trading and prospects are set out in the Executive Director'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 2024, the Board comprised three Directors (2023: four) two of whom are male and one female. At 31 December 2024 the Group had 268 employees including Directors (2023: 290) of which 245 were male (2023: 245) and 44 were female (2023: 45).

¹ 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 (81%) (2023: 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 mitigated by the monitoring of trading conditions and changes in government legislation, the development of action plans to address specific legislative changes and the constant search for ways to achieve new efficiencies in the business without impacting service levels.

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

Reliance on Key Personnel and Management

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

Strategic Report *(continued)**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.

Strategic Report *(continued)*

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. All employees have access and are 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 2024 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 2025 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 2024.

Strategic Report *(continued)***s.172 Companies Act 2006: Statement of Directors' Duties to Stakeholders****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 2021 baseline. We have engaged with Science Based Targets (SBTi) to validate our 30% reduction target. SBTi has confirmed that our target of a 30% reduction from 2018 has been accepted and will be published on their website. They have undertaken due diligence on the 2018 information we provided and verified its accuracy. As the work we have done in the last few years has helped us achieve the 30% target already, we will now ensure that we maintain this lower level.

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

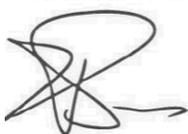
Strategy

The Group's purpose is to build value for the investors and shareholders through the development of innovative service offerings designed to reduce business IT costs and increase efficiencies for our partners and customers.

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. 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

Ian Smith
Executive Director
9 May 2025

24 Dublin Street Edinburgh EH1 3PP

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2024 for Tialis Essential IT PLC ("Tialis" or the "Company") and its subsidiaries (together, the "Group").

Principal Activity

The principal activity of the Group during the year was the provision of end-to-end solutions to enterprise scale end-customers, public and private, concentrating on end-user device management and on-site support solutions. The Company is a holding company.

Review of the Year

The review of the year and the Directors' strategy are set out in the Executive Director's Statement and in the separate Strategic Report on pages 10 to 13.

Dividends

The Company did not pay a dividend during the year ended 31 December 2024 (2023: £nil). The Directors do not recommend the payment of a dividend at 31 December 2024 (2023: £nil).

Directors

The Directors who held office during the period and up to the date of the Annual Report are as follows:

Ian Smith	
Andy Parker	(resigned 10 September 2024)
Nicolas Bedford	(resigned 1 December 2024)
Matthew Riley	
Nicola Chown	(appointed 16 September 2024)

Company Secretary

Delgany Corporate Services Limited

A brief biography of the current Directors can be found below:

Ian Smith – Executive Director

On 1 June 2018, Ian was appointed as Executive Director.

Ian has an extensive track record of investing in and managing technology companies and is co-founder and CEO of MXC Capital Limited. Ian has sat on numerous boards and either led or been involved in a large number of transactions in the TMT sector. Ian led strategic change and value accretion at Redstone PLC and Accumuli PLC and was previously deputy executive chairman and CEO at Castleton Technology PLC.

Ian is CEO and a substantial shareholder of MXC Capital Limited, a substantial shareholder and previous loan note holder in the Company. He also holds approximately 2.2% of the Company's voting rights via his self-invested pension plan. Ian is a member of the Remuneration Committee and the Audit Committee.

Directors' Report *(continued)*

Matthew Riley - Non-Executive Director

Matthew Riley was appointed as a Non-Executive Director on 1 February 2023 following the purchase of profitable partner contracts from Allvotec, a division of Daisy Group. Matthew was the founder and chairman of Daisy Group and he led Daisy Communications Ltd and Daisy Group through rapid growth to become one of the UK's leading end-to-end business technology and communications service providers. Matthew is an award-winning entrepreneur, winning the Bank of Scotland Entrepreneur Challenge and Ernst & Young's UK Young Entrepreneur of the Year in 2007 and the City Awards Dealmaker of the Year in 2012. He received the Comms Industry Awards Lifetime Achievement Award in 2017 and the ICT Forum Outstanding Achievement Award in 2019.

Matthew is also a director and major shareholder of Daisy Intermediate Holdings Limited, a shareholder of the Company. He also holds approximately 1% of the Company's voting rights and is a member of the Remuneration Committee and the Audit Committee.

Nicola Chown – Chief Financial Officer

Nicola, a qualified chartered accountant, is a highly experienced finance professional who has over twenty years' experience in finance and business development leadership roles and was appointed to the Board on 16 September 2024. Nicola has been the Chief Financial Officer of Tialis since 2021 and oversees the financial operations of the Group as well as the HR, property and legal teams. She has introduced financial and operational processes and has been central in the integration of new systems and in implementing strategic and cost cutting measures.

Nicola is a member of the Remuneration Committee.

Directors' Indemnity Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained Directors' and Officers' liability insurance throughout the financial year in respect of itself and its Directors.

Re-election of Directors

Ian Smith and Matthew Riley will retire in line with best practice set out in the QCA Corporate Governance Code and, being eligible, will offer themselves for re- election at the forthcoming Annual General Meeting ("AGM"). Nicola Chown will stand for election at the forthcoming AGM having been appointed to the Board since the last AGM.

Directors' Service Contracts

Details of the Directors' service contracts and their respective notice terms are detailed in the Remuneration Committee report.

Directors' Report (continued)

Directors' Interests

At 31 December 2024, Ian Smith held 543,000 Ordinary Shares in the Company representing 2.23% of the issued ordinary share capital on that date through his Self-Invested Pension Plan. Ian Smith is also Chief Executive Officer and a substantial shareholder of MXC Capital Limited (MXC). MXC owned 75.9% at 31 December 2024 (2023: 75.2%) of the issued share capital of the Company. Together, Ian Smith and MXC owned 78.1% at 31 December 2024 (2023: 74.6%) of the issued share capital of the Company.

At 31 December 2024, Matthew Riley held 250,000 Ordinary Shares in the Company representing 1.03% of the issued ordinary share capital on that date. Matthew Riley is also a director and major shareholder of Daisy Intermediate Holdings Limited ("Daisy") which holds 2,289,295 Ordinary Shares representing 9.41% of the Company's issued ordinary share capital. Matthew Riley and Daisy hold in aggregate 2,539,295 Ordinary Shares, representing 10.44% of the Company's issued ordinary share capital at 31 December 2024.

Significant Shareholders

At 31 December 2024 and at 9 May 2025, being the latest practicable date before the publication of the Annual Report, the Company is aware of the following significant interests in its ordinary, voting share capital:

Shareholder name	31 December 2024	31 December 2024	9 May 2025	9 May 2025
	Number	%	Number	%
MXC Capital Limited ¹	18,454,685	75.9%	18,454,685	75.2%
Daisy Intermediate Holdings Limited ²	2,289,295	9.4%	2,289,295	9.3%

1. MXC Capital Limited is a related party; Ian Smith, Executive Director, is Chief Executive Officer and a substantial shareholder of MXC Capital Limited.
2. Daisy Intermediate Holdings Limited is a related party; Matthew Riley, Non-Executive Director, is a director and major shareholder of Daisy Intermediate Holdings Limited.

Auditor

A resolution is to be proposed at the forthcoming AGM for the re-appointment of Barnes Roffe LLP as auditor to the Company, at a rate of remuneration to be determined by the Audit Committee.

Financial Risk Management Objectives and Policy

The Company's financial risk management objectives and policies are described in note 23 to the financial statements.

Capital structure

The Company has two classes of share capital which is divided into Ordinary shares of 1p each and Deferred shares of 2.49p. Details of the Company's issued share capital can be found in note 25 to the financial statements.

Employee involvement

The flow of information to staff has been maintained by our staff email bulletins and staff meetings. Members of the management team regularly discuss matters of current interest and concern to the business with members of staff; in particular in regard to providing information on performance indicators, encouraging employee participation and engendering a common awareness of financial and economic factors which affect the Group's performance.

The Group continues to focus on building channels that ensure the Company is effectively listening and responding to employees. In doing so, we can identify opportunities to better meet employee needs and interests, reflecting these where possible in the principal decisions taken by the Company.

Directors' Report *(continued)*

Disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to training, career development and promotion of disabled employees with a view to encouraging them to play an active role in our development.

Disclosure of Information to the Auditor

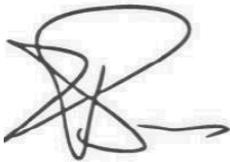
Each of the Directors who was in office on the date of approval of these financial statements, having made enquiries of their fellow Directors, confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Future Developments

Future developments and current trading and prospects are set out in the Executive Director's Statement and the Financial Review.

On behalf of the Board



Ian Smith
Executive Director

9 May 2025

Remuneration Committee Report

Remuneration Committee

Following the resignation of Andy Parker on 10 September 2024 and Nicolas Bedford on 1 December 2024, the Remuneration Committee comprises Matthew Riley, an existing member who was appointed chair on 25 September 2024, Nicola Chown, appointed on 25 September 2024, and Ian Smith also remains a member.

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of Executive Directors and other designated senior executives and, within agreed terms of reference, determining the total individual remuneration packages of such persons, including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors is a matter for the Executive Directors. No director is involved in any decision as to his or her own remuneration or benefits.

There were two meetings of the Remuneration Committee in September and December 2024 in which the salary of a senior member of the management team and objectives were discussed before a recommendation was made to the Board.

For further details of the Remuneration Committee, please refer to the Corporate Governance report in these financial statements.

Remuneration Policy

The Remuneration Committee is aware that the remuneration package should be sufficiently competitive to attract, retain and motivate individuals capable of achieving the Group's objectives and thereby enhancing shareholder value.

Basic Salary and Benefits

Basic salaries for the Executive Directors are reviewed in January each year. The benefits provided to the Executive Directors may include contributions to a Group defined contribution pension scheme, private medical insurance for themselves, their spouse and their children, life assurance cover of 4 times salary, critical illness and income protection cover, a company car allowance and annual leave of 25 days.

Performance Related Bonus

The Remuneration Committee determines the criteria for the award of performance bonuses for the Executive Directors in advance of each year. The bonuses are pensionable. Non-Executive Directors do not receive a bonus.

Fees

The Board, within the limits stipulated by the Articles of Association and following recommendations by the Executive Directors, determines Non-Executive Directors' fees. The annual fees are £40,000 (2023: £40,000) for a Non-Executive Director and £156,250 (2023: £156,250) for an Executive Chairman.

Remuneration Committee Report (continued)

Directors' emoluments

For Directors who held office during the year, emoluments are shown for the full for the year ended 31 December 2024, even when the director was appointed during the year, and are as follows:

	Salary/fees £	Bonus £	Benefits £	Pension £	2024 total £	2023 total £
Executive						
Ian Smith ¹	221,000	-	-	-	221,000	221,000
Andy Parker ²	151,250	-	-	-	151,250	181,250
Nicola Chown ³	142,788	3,999	2,302	23,560	172,649	148,652
Non-Executive						
Nicolas Bedford ⁴	36,667	-	-	-	36,667	40,000
Matthew Riley	40,000	-	-	-	40,000	36,667
Total	591,705	3,999	2,302	-	621,566	627,569

1. Director's emoluments in respect of Ian Smith were paid to MXC Advisory Limited, a subsidiary of MXC Capital Limited.
2. Andy Parker resigned from the Board on 10 September 2024.
3. Nicola Chown was appointed to the Board on 16 September 2024.
4. Nicolas Bedford resigned from the Board on 1 December 2024.

The Executive Directors' salaries are paid by subsidiary companies within the Group. The Non-Executive Director fees and the fee to MXC Advisory Limited for Ian Smith's services are paid by the Company.



Matthew Riley
Chair, Remuneration Committee
On behalf of the Board

9 May 2025

Corporate Governance Statement

Introduction

The Directors attach great importance to maintaining high standards of corporate governance to help achieve the Company's goals. The Company is pleased to be an early adopter of the QCA Corporate Governance Code 2023 (the 'QCA Code') published by the Quoted Companies Alliance, which comprises 10 Principles which was revised in 2023.

The QCA Code explains that companies need to aspire to deliver growth in long-term shareholder value, having regard to the interests of other stakeholders. This requires an efficient, effective and dynamic governance framework and should be accompanied by good communication in order to promote and retain confidence and trust. This aligns with the approach adopted by the Board of Tialis which is responsible for corporate governance.

In usual circumstances, the Chairman is responsible for corporate governance and the overall leadership of the Board and ensuring its effectiveness. This was the case throughout 2024 until 1 December 2024 when the Chairman retired from the Board. The three current directors have assumed the role of implementing good corporate governance between them until a new person is appointed to the role.

We have considered how we apply each principle to the extent that the Board judges these to be appropriate for our circumstances, and below we provide an explanation of the approach taken in relation to each.

We have identified a number of areas where we are not in full compliance with the guidelines of the QCA Code and these are Principle 6, 7, 8 and 9. We explain in detail under the relevant principle why we have departed from the guidelines in these areas.

Our objective is to secure the long-term success of the Group by establishing a sustainable and profitable operating model with an appropriate underlying cost base. The Board believes that applying sensible corporate governance practices can only help achieve our goals.

We operate in the way the Board believes is most suited to the Group at its current stage of development. The Group is led by an experienced board, supported by a strong leadership team to enable it to focus on growing the business to secure its long-term sustainable success whilst creating long-term value for shareholders and stakeholders alike.

Good corporate governance is about ensuring that the board is set up to make robust decisions and manage risk. To do so requires having the necessary breadth of expertise and perspectives around the board table and for each voice to be appropriately heard. It is increasingly about ensuring that a healthy culture is in place which combines a strong focus on performance and a shared sense of purpose. With the appointment of the Chief Financial Officer to the Board in September 2024, the Group believes it has in place a strong leadership team and an appropriate cost base to enable it to focus on growing the business to secure its long-term sustainable success whilst creating long-term value for shareholders and stakeholders alike.

We trust that the result of our efforts to date provide stakeholders with access to the information they need and the confidence that the Board holds corporate governance compliance in the highest regard.

We set out our compliance with these Principles below. This information can also be found on our website here:
<https://www.tialis.com/investors/financial-reports/>

Principle 1 – Establish a purpose, strategy and business model which promote long-term value for shareholders.

The Group's purpose is to build value for the investors and shareholders through the development of innovative service offerings designed to reduce business IT costs and increase efficiencies for our partners and customers.

The Group's principal activity is the provision of end-to-end solutions to enterprise scale end customers, both public and private, concentrating on end-user device management and on-site solutions. The Board's objective is to secure long-term success by establishing a sustainable and profitable operating model with an appropriate underlying cost base in order to create long-term value for shareholders and stakeholders. 2025 will see a focus on positive cash generation and building the sales pipeline with a more diverse range of partners and long term contracts. The strategy involves growing the Company with acquisitions and organic initiatives, as well as expanding the partner network.

Corporate Governance Statement *(continued)*

The Board has set out its purpose, business model and strategy in the Strategic Report of the Annual Report and Financial Statements, giving further information in the Executive Director's Statement and the Financial Review about how we performed against our stated strategy. The Strategic Report includes information on the principal risks and uncertainties faced by the Group and how we have acted to reduce our exposure to risk.

The Strategic Report describes how Tialis' flexible and technically skilled workforce enable the Group to deliver and support critical services and solutions in a highly secure environment and how it seeks to differentiate itself through innovation, reliability and value. This, together with the focus on diversifying the client and partner base, underpins the Board's approach to mitigating risk and securing the Company's long-term future.

The Board will continue to monitor its progress against its stated strategy.

Principle 2 – Promote a corporate culture that is based on ethical values and behaviours.

The Board firmly believes that delivery of the strategy and sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders fairly and with respect.

Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. The Board believes that achieving a common awareness across all employees plays a major role in maintaining good employee relations. The Group's culture of honesty and respect is reflected in the continued support and dedication shown by employees to deliver value to our customers.

The Company is committed to promoting a culture based on ethical values and behaviours across the business. Policies are in place covering key matters such as bribery, protection of intellectual property and sensitive information, conflicts of interest, whistleblowing and anti-slavery. These are vigorously enforced and monitored.

In 2024, we made significant strides in strengthening our Corporate and Social Responsibility, including engaging external auditors and enhancing several key sustainability and decarbonisation functions within the business.

To reinforce these commitments, we require staff to complete several mandatory online training courses on either an annual or 18-month basis. These cover both compliance and culturally driven values. Current completion rates include:

- Anti-Bribery – 84% of staff up to date
- Bullying and Harassment – 77% up to date
- GDPR (Advanced and Refresher) – 75% up to date
- Equality, Diversity and Inclusion – 70% up to date

Our HR team provides regular reports to managers with course completion data to ensure accountability and continued progress.

Central to the Company's culture and values are Collaboration, Excellence, Ethical, Agile, Honest and Ownership. Information on how the Company's beliefs are applied to the business is set out on the website here.

<https://www.tialis.com/careers-at-tialis/>

Certifications

The Company is proud to have been awarded ISO/IEC 20000-1, ISO 9001, ISO 27001 and ISO 14001.

The Company is proud to have been awarded Cyber Essentials and Cyber Essentials Plus.

This has resulted in a number of external ratings including achieving a silver award from Ecovadis.

Corporate Governance Statement (*continued*)

Principle 3 – Seek to understand and meet shareholder needs and expectations.

Tialis Group is committed to open communication with all its shareholders. With the largest shareholder owning over 75 per cent of the Company's voting rights, the Board is conscious of the need to protect minority shareholders and act in the best interest of all shareholders. The Company's nominated adviser is consulted before any corporate action is undertaken as a further check on meeting the needs of all shareholders.

Copies of the Annual Report and Financial Statements are issued to all shareholders who have requested them and copies are available on the Group's investor website www.tialis.com. The Group's interim results are also made available on the website. The Group makes full use of its investor website to provide information to shareholders and other interested parties.

The Board reviews proxy voting reports and any significant dissent is discussed with relevant shareholders and, if necessary, action is taken to resolve any issues. In compliance with best practice, the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at all general meetings and announced.

The Company values the views of its shareholders and recognises their interest in its strategy and performance. The Board believes it is important to explain business developments and financial results to its shareholders and to understand their concerns. Shareholders are given the opportunity to raise questions at the Annual General Meeting ("AGM") and the Directors are available both before and after the meeting for further discussion with shareholders.

Until December 2024, the Non-Executive Chairman was primarily responsible for communicating with investors. Since the Chairman's resignation from the Company, this responsibility has been assumed by Ian Smith, Executive Director. The role will revert to a new Chairman when appointed.

Meetings via the Company's broker are offered to major institutional shareholders to discuss strategy, financial performance, governance matters and investment activity immediately after the full year and interim results announcements. The Directors are available to meet with major shareholders if such meetings are requested. Feedback from such meetings with shareholders is provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of major shareholders.

The Board receives share register analysis reports to monitor the Company's shareholder base and help identify the types of investors on the register.

Principle 4 – Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success.

The Group recognises its employees, customers, suppliers, advisors, banks and shareholders as forming part of the wider stakeholder group. Management identifies key relationships within the business and effort is directed to ensuring these relationships are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly.

The Board reviews its top clients and suppliers in its Board meetings and these are identified in packs provided to the Board.

The Company has a good relationship with its Nomad, broker and other advisers. Feedback from investors is provided by the broker as well as through direct engagement with investors by the Board.

The Company meets frequently with customers and communicates regularly with suppliers. There is a feedback system in place and issues raised can be addressed.

The Company's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age, sex or sexual orientation. The executive directors have regular meetings with senior management and their teams to discuss and monitor new initiatives and training is available.

The Group is committed to delivering solutions and services that create long-term value for all stakeholders, including clients, employees, investors, and wider society. Our approach integrates environmental sustainability, social impact, and ethical business practices into our decision making.

Corporate Governance Statement *(continued)*

Sustainability & Environmental Responsibility

The Tialis team are experts in delivering high-quality, cost-effective and sustainably focused managed IT solutions for businesses in a range of sectors. The team appreciates the financial and technical limits of organisations and considers the impact of our work on the environment and society. Tialis actively seeks to minimise its own operational footprint, with initiatives focused on reducing energy use, material waste, and carbon emissions.

At Tialis, we are committed to reducing our environmental impact and we are proud of the progress we have made.

In 2023, we achieved ISO 14001 accreditation, a key milestone that reflects our dedication to sustainable practices. Our company car fleet is already made up of hybrid vehicles, and we are aiming for a fully hybrid or electric fleet by 2030.

Our people are at the heart of this commitment. Environmental awareness is part of our culture, with mandatory annual training for all staff. So far, 95% of our team is fully up to date.

The Company's environmental policy is available to view on the website:
<https://www.tialis.com/wp-content/uploads/2023/06/Environmental-Policy.pdf>

The Company's carbon reduction plan is available to view on the website:
<https://www.tialis.com/wp-content/uploads/2024/11/Tialis-Carbon-Reduction-Plan-2023-v1.1.pdf>

The Company's waste management policy is available to view on the website:
<https://www.tialis.com/wp-content/uploads/2024/09/Tialis-Waste-Management-2023.pdf>

Social Responsibility

Tialis, are proud to support our local community.

We recently partnered with a school in Dartford for a creative challenge, inviting students to design artwork inspired by local landmarks. The winning entries now brighten our head office, and to keep the creativity flowing, we also donated art supplies to the school.

We are also proud to back local sport. For the 2024/2025 season, Tialis sponsored a local Under-8s football team, providing brand-new training gear. In September, the team steps up to the Under-9s league and moving into 7-a-side football. Training is now focused on building skills and growing team spirit.

We are proud to be part of their journey and excited to continue supporting our community going forward.

Staff policies

The Group's employment policies are designed to ensure that they meet the statutory, social and market practices in the United Kingdom. The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees on the financial and economic factors affecting the Group, plays a major role in maintaining its relationship with its staff.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitude and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled, the Group continues employment, either in the same or an alternative position, with appropriate retraining being given, if necessary.

The Board believes that its investment in the wider stakeholder network is expected to assist the Company's management in achieving its long-term goals creating an environment of trust and communication which will have positive implications for the long-term success of the Company.

Corporate Governance Statement *(continued)*

Principle 5 – Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Group's internal control system. The business and management of the Company and its subsidiaries are the collective responsibility of the Board. At each meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control and risk management.

The Board regularly identifies the most critical current and emerging risks and challenges facing the business and to take the necessary steps to mitigate these risks by strengthening its control systems. The revised and refined system of risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and is explained in the Strategic Report under the heading Principal Risks and Uncertainties. The Board has established a risk register which is bespoke to the Group's business. At least twice a year the risk register is reviewed and the Board considers the appropriateness of the risks identified and the mitigating action taken by management on a risk by risk basis with a particular focus on those deemed most critical. Where required, action is taken to ensure that controls in place are sufficiently robust to manage the identified risks.

The appointment to the Board of the Group's Chief Financial Officer in September 2024 strengthened the Group's approach to risk management, internal controls and assurance activities. Nicola Chown has introduced new financial and operational processes and has been central in the integration of new systems and in implementing strategic and cost cutting measures.

Diversifying the client base and reducing reliance on a single partner has significantly reduced the Group's commercial risk along with developing the LlifeCycle offering.

Tialis follow best security practices and employ cyber security professionals, all access to 365 data is locked down to region and security groups are used to gain access to data using least privilege access. We are 27001 as well as Cyber Essentials Plus certified and have a cyber secure score of 100%.

All access is constantly monitored and reviewed, we implement single sign on and authentication requires a multi factor authentication across all platforms. Data is controlled via labels and we implement Data loss prevention, logs are centrally stored and cyber anomalies are monitored using Microsoft Sentinel.

We promote cyber awareness via mandatory training, all hands communications, email communications and Phishing campaigns.

Our secure facility is alarmed and monitored 24/7, using technologies such as pressure sensors, each area within the facility requires key fobs with controlled access to secure areas. The facility is protected by an uninterrupted power supply and our data communication lines in to the facility are built resilient of failure.

In a meeting of the audit committee in January 2025 in which planning for the audit of the 2024 financial statements was discussed, it was agreed that the appointed auditors met the criteria for auditor independence and no ethical issues were identified. It was noted that the auditor performs the annual audit and review of interim results but does no other work for Tialis. Tialis has a separate independent tax adviser.

Corporate Governance Statement *(continued)*

Principle 6 – Establish and maintain the board as a well-functioning, balanced team led by the Chair.

Following changes to the board in 2024 including the resignation of its non-executive chairman in December 2024, the Group does not currently have a chairman in place. It intends to appoint a non-executive chairman at the appropriate time. Normally, the Chairman is responsible for corporate governance and the overall leadership of the Board and ensuring its effectiveness and this was the case throughout 2024 until December. Due to the current circumstances, the Group's Executive Director has assumed this role as a short-term measure whilst a new chairman is identified and the Board has responsibility for ensuring that the day-to-day activities and decisions of senior management are focused and aligned with the Group's medium and long-term strategy.

Ian Smith is an Executive Director and he led the Group's strategic and operational review in 2018. Ian is the Chief Executive Officer and a substantial shareholder of MXC Capital which is a substantial shareholder of the Company and as such is not considered to be an independent director. Ian is a member of the Audit and Remuneration Committees.

Nicola Chown, a chartered accountant, has been the Chief Financial Officer of Tialis since 2021 and was appointed to the board in September 2024. She oversees the financial operations of the Group as well as the HR, property and legal teams. is a highly experienced finance professional with over twenty years' experience in finance and business development leadership roles. Nicola has introduced financial and operational processes and has been central in the integration of new systems and in implementing strategic and cost cutting measures. Nicola is a member of the Remuneration Committee.

Matthew Riley was appointed as a Non-Executive Director on 1 February 2023 following the purchase of profitable partner contracts from Allvotec, a division of Daisy group. Matthew was the founder and chairman of Daisy Group and he led Daisy Communications Ltd and Daisy Group through rapid growth to become one of the UK's leading end-to-end business technology and communications service providers. Matthew is an independent director and a chair of the Remuneration Committee and the Audit Committee.

Nicolas Bedford, who was appointed as an independent Non-Executive Director on 3 January 2023, became independent Non-Executive Chairman in September 2024 following the resignation of Andy Parker. Nick Bedford was chairman until December 2024 when he retired from corporate work.

The Board currently comprises one Non-Executive Director and two Executive Directors, supported by senior managers, and it oversees and implements the Company's corporate governance programme. Normally the chairman of Tialis leads the Board and is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code and this role will be resumed when a new chairman is appointed.

Each board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend regular board meetings and join ad hoc board calls and offer availability for consultation when needed. The contractual arrangements between the Directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However, in exceptional circumstances all board members understand the need to commit additional time.

Detailed board packs include information on the business units and financial performance and are circulated ahead of board meetings. The format of the board pack has evolved with new metrics added to assist the board in evaluating several performance measures. Key issues are highlighted and explained, providing board members with sufficient information to enable a relevant discussion in the board meeting.

With the adoption of the 2023 QCA Code, all Directors are required to retire by rotation and seek re-election annually.

Corporate Governance Statement *(continued)*

Departures from the Code

Since December 2024 there has been no chairman and only one independent director on the Board following the resignation of Nicolas Bedford. Until that point, there had been two independent directors in 2024. This means there is currently one independent director in both the Audit Committee and the Remuneration Committee. The Board recognises that this is a departure from the Code and will seek to rectify the situation at the earliest opportunity.

Board and committee meetings

The Board is supported by its Audit Committee and its Remuneration Committee.

Attendances of Directors at Board and committee meetings convened in 2024, and which they were eligible to attend, are set out below:

Director	Board Meetings Attended	Remuneration Committee Attended	Audit Committee Attended
Number of meetings in year	10	2	2
Andy Parker	7/7	N/A	2/2
Ian Smith	10/10	2/2	N/A
Nicolas Bedford	9/9	1/1	2/2
Matthew Riley	7/10	1/2	N/A
Nicola Chown	3/3	2/2	N/A

Principle 7 – Maintain appropriate governance structures and processes and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.

The principal governance structures and processes of the Company and its subsidiaries are the collective responsibility of the Board and its Committees. At each Board meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control and risk management.

Audit Committee

The duties of the Audit Committee include reviewing, in draft form, the Company's annual and half-yearly report and accounts and providing advice to the Board. Members of the Audit Committee are also responsible for reviewing and supervising the financial reporting process and internal control systems of Tialis Group. The Audit Committee is currently comprised of one Non-Executive Director and one Executive Director. Both members have extensive listed company transaction experience.

Remuneration Committee

The Remuneration Committee is responsible for determining the policy for Directors' remuneration and setting remuneration for the Company's chair, executive Directors and senior management including share option schemes and any bonus arrangements. No director plays any role in determining his or her own remuneration. The Remuneration Committee is currently comprised of one Non-Executive Director and two Executive Directors. The Remuneration Committee met twice in 2024 to discuss the pay structure for a senior manager which included a partial increase in salary plus a further increase subject to certain objectives being met. The Remuneration Committee made its recommendation to the Board.

Corporate Governance Statement *(continued)*

The members of the Board and their experience and skills etc are set out in the Directors' Report and Financial Statements identifies the members of the Board at the time of publication and describes the relevant experience, skills and qualities they bring.

The Board believes it has a suitable mix of skills and competencies in order to drive the Group's strategy and is best placed to secure the future of the Company and create long-term value for all stakeholders although it acknowledges a new Chairman is required. The directors possess a range of skills with commercial, financial, public markets and technology sector expertise. The directors believe that their combined capabilities enable them to inform and oversee the implementation of the Company's strategy for the benefit of its shareholders.

Board members are encouraged to take on external roles that do not conflict with their directorship. Several directors hold external positions that contribute to their professional development and the company's strategic insights. If required, the Directors are entitled to take independent legal advice.

The nature of the Company's business requires the Directors to keep their skillset up to date. Periodic updates to the Board on regulatory matters are given by Company's professional advisers. The Company retains the services of its financial adviser and Nomad, accountants, tax adviser and lawyers who are consulted on any significant matters where the Board believes external expertise is required. The instances where external advice was sought in 2024 were in relation to compliance with the AIM Rules and various legal matters such as the restructuring of several subsidiary companies.

External advisers attend board meetings as invited by the Chairman to report and/or discuss specific matters relevant to the Company and the markets in which they operate. Additionally, MXC Advisory Limited, which is part of the same group as the significant shareholder MXC Capital Limited, is a retained financial adviser principally focused on acquisitions and provides the services of Ian Smith, Executive Director.

The qualified Company Secretary advises the Board on corporate governance and regulatory matters, attends the Board meetings and reports directly to the Chairman on governance matters. In keeping with best practice as set out in the QCA guidelines the Company has split the role of Chief Financial Officer (who attends the board whilst not a statutory director) and Company Secretary.

Ian Smith is primarily responsible for communicating with investors. When a chairman is appointed, he or she will share this responsibility.

Departures from the Code

Following the resignation of the independent Non-Executive Chairman in December 2024, there is only one independent director who has joined the Audit Committee and was already a member of the Remuneration Committee, Matthew Riley. The Board recognises that this is a departure from the Code and intends to rectify the situation when a new chairman is appointed.

Principle 8 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Board regularly reviews the effectiveness of its performance as that of its committees and individual Directors, a process that is normally overseen by the Chairman. Board members are encouraged to participate in board meetings by asking questions, discussing issues, challenging others and providing input. The Directors' Report in the Annual Report and Financial Statements identifies the members of the Board at the time of its publication and describes the relevant experience, skills and qualities they bring.

The Remuneration Committee meets when necessary to consider the appointment of new directors and makes recommendations to the Board which has overall responsibility for appointments and succession planning. Board appointments are made after consultation with advisers in all cases and with major shareholders in some cases. The Nomad undertakes due diligence on all new potential board candidates. Board members all have appropriate notice periods so that if a board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internal or external.

Departures from the Code

The Board has not undertaken an externally facilitated review for some years. This is a matter to be considered when a new chair is appointed. The Board accepts it needs to strengthen its succession planning and intends to do so.

Corporate Governance Statement *(continued)*

Principle 9 – Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders fairly and with respect. To this end, the Board believes it has established a remuneration policy to reflect the Company's purpose, strategy and culture and therefore supports the aim of long-term value creation. The policy is designed to motivate and reward management

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of Executive Directors and other designated senior executives and, within agreed terms of reference, determining the total individual remuneration packages of such persons, including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors is a matter for the Executive Directors. No director is involved in any decision as to his or her own remuneration or benefits.

There were two meetings of the Remuneration Committee in September and December 2024 in which the salary of a senior member of the management team and objectives were discussed before a recommendation was made to the Board.

Remuneration Policy

The Remuneration Committee is aware that the remuneration package should be sufficiently competitive to attract, retain and motivate individuals capable of achieving the Group's objectives and thereby enhancing shareholder value.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.

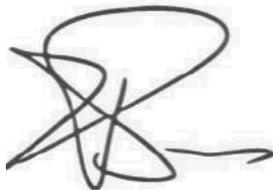
The Company reports formally to its shareholders and the market generally twice each year with the release of its annual and interim and results. The full year results are audited by an external firm of auditors.

The Annual Report and Financial Statements set out how the corporate governance of the Company has been applied in the period under review. Also included are reviews of the Company's sustainability activities and employee gender analysis.

These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects and the reports are made available via the Company's website to anyone who wishes to review them.

The Group maintains a regular dialogue with its key stakeholders including shareholders to enable interested parties to make informed decisions about the Company and its performance with all members of the Board actively involved in this. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to. The Board intends to continue its policy of communication for the mutual benefit of the Company and its stakeholders.

The Board discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In the event that a significant portion of voters vote against a resolution, an explanation of what actions the Board intends to take to understand the reasons behind the vote will be included.



Ian Smith
Executive Director
Date: 9 May 2025

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with UK-adopted international Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

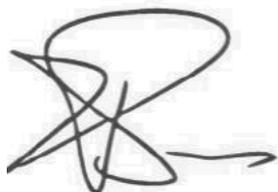
In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards.
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Tialis Essential IT PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Ian Smith
Executive Director
On behalf of the Board
9 May 2025

Report of the Audit Committee

I am pleased to present the Audit Committee's report for the year ended 31 December 2024. The following pages provide an insight into how the Audit Committee discharged its responsibilities during the year and the key topics that it considered in doing so.

Composition

Nicolas Bedford assumed the role of chair of the Audit Committee in 2024 until he retired from the Board on 1 December 2024. Nick, as a chartered accountant, was considered by the Board to have recent and relevant financial experience. The other members of the Audit Committee have competence and experience relevant to the Company's sector of operation. Since the departure of Nick Bedford and Andy Parker, Matthew Riley and Ian Smith form the audit committee, with Matthew appointed as chair. Other members of senior management may also be invited to attend the meetings as guests, including the chief financial officer, Nicola Chown.

Role and Responsibilities

The Audit Committee determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. The Audit Committee meets at least twice in each financial year, with two meetings taking place in 2024.

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems. In addition, it considers the financial performance, position and prospects of the Group and the Company and ensures they are properly monitored and reported on. It oversees the relationship with the Auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The Board and the Audit Committee do not consider it appropriate for the current size of the Group to establish an internal audit function.

Principal activities during the year

The Committee held two dedicated meetings during the year under review and considered the following:

- An overview of the planned work by the external auditors on the 2024 audit including the scope and regulatory requirements of the audit and audit findings;
- The audit completion report for the financial statements for the year ended 31 December 2023.

The Committee has held one meeting so far in 2025 to discuss the planned work and scope by the external auditors for the audit of these financial results and is planning the following activities during 2025:

- Review the Company's procedures, systems and controls for the prevention of bribery or fraud;
- Review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee believe that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- Review the Committee's internal audit role, in the absence of an external provider of an internal audit service.

External Auditor

Barnes Roffe LLP are appointed as the external Auditors of the Group. The continued appointment of Barnes Roffe is to be reviewed by the Committee each year, taking into account relevant legislation, guidance and best practice appropriate for a Company of Tialis' size and nature.

The Committee will consider a number of areas when reviewing the external Auditor appointment, namely its performance in discharging the audit, the scope of the audit and terms of engagement, its independence and objectivity, and its reappointment and remuneration.

Report of the Audit Committee *(continued)*

The fees paid to Barnes Roffe during the financial year are set out in note 5 to the Group's consolidated financial statements.

Attendance at Audit Committee Meetings

Please see the report in the Corporate Governance Report in this document for attendance by the members of the Audit Committee.

A handwritten signature in black ink, appearing to read 'M. Riley', with a large, sweeping flourish at the end.

Matthew Riley
Chairman of the Audit Committee
9 May 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC

Opinion

We have audited the financial statements of Tialis Essential IT PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the consolidated statement of comprehensive income, statements of financial position for the group and parent company, statements of changes in equity for the group and parent company, statements of cash flows for the group and parent company and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	<p>Group</p> <ul style="list-style-type: none"> • Impairment of customer contracts and software licences • Valuation of Investments
Materiality	<p>Group</p> <ul style="list-style-type: none"> • Overall materiality: £200,000 (2023: £215,700) • Performance materiality: £150,000 (2023: £161,800) <p>Parent Company</p> <ul style="list-style-type: none"> • Overall materiality: £195,000 (2023: £185,000) • Performance materiality: £146,000 (2023: £138,800)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC *(continued)*

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Impairment of customer contracts – group only</p> <p>As detailed in note 14 to the financial statements the group has customer contracts and related relationships arising from business combinations which management test for impairment on an annual basis in line with accounting standards.</p> <p>There is a risk that the uncertainty surrounding the trade of the subsidiary could result in a material error in respect of the recoverability of this balance</p>	<p>We have considered the validity of the forecast provided for the trading entity and verified the assumptions used on the goodwill and customer contract calculations.</p> <p>We have considered the assumptions used in the preparation of discounted cash flows for the group forming the basis of managements impairment review and have reviewed management’s sensitivity analysis and reverse stress test in respect of key assumptions.</p> <p>We have also assessed the disclosures made and the application of the standard in line with UK Adopted International Accounting Standards.</p>
<p>Impairment of investments – parent company only</p> <p>There is a risk that the uncertainty surrounding the trade of the group could result in a material error in respect of the recoverability of the investments in the parent company.</p>	<p>We confirmed that the value of investments reported in the financial statements is consistent with the original cost of investment.</p> <p>We have considered the validity of forecasts provided for the subsidiary and verified the assumptions used in the calculations.</p> <p>We have identified the key assumptions that form part of the valuation and performed a sensitivity analysis on these assumptions and confirmed to management’s own sensitivity analysis.</p> <p>These assumptions have then been followed through the discounted cash flow that formed the basis of managements impairment review.</p> <p>Also, we evaluated the related disclosures and the application of the standard to ensure they are in accordance with UK-adopted International Accounting Standards.</p>

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC *(continued)*

	Group	Parent company
Overall materiality	£200,000 (2023: £215,700)	£195,000 (2023: £185,000)
Basis for determining overall materiality	1% of Revenue	1% of gross assets
Rationale for benchmark applied	Revenue has been used as the benchmark as it reflects the scale of the entity’s operations and is a key indicator of activity level and growth, particularly relevant for stakeholders during a growth phase.	Gross assets are considered to be the appropriate measure as the company’s activity is to hold investments in group companies.
Performance materiality	£150,000 (2023: £161,800)	£146,300 (2023: £138,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC (continued)

An overview of the scope of our audit

The group consists of the parent company, one trading company (Tialis Essential IT Manage Limited) and 1 other entity which was non-trading. All entities are based in the UK. Our audit approach was designed to focus on areas of significant risk and materiality across the group. We determined the scope of our work based on our assessment of risks of material misstatement and the financial significance of each component. As a result, we performed:

	Number of components	Revenue	Total assets	Profit/Loss before tax
Full scope audit	2	100%	99%	100%
Specific audit procedures*	1	0%	1%	0%
Total	2	100%	100%	100%

* Specific audit procedures were performed to obtain sufficient appropriate audit evidence in respect of risks identified at the component level

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of management's going concern evaluation and reviewing cashflow forecasts;
- evaluating management's ability to accurately forecast performance through comparison of historic performance against forecast;
- performing sensitivity analysis to understand the impact of reasonably possible outcomes, or changes to assumptions; and
- testing the integrity and mechanical accuracy of the forecast model.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC *(continued)*

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC *(continued)*

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS and Companies Act 2006 and AIM Rule 19	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Review of advice received from external tax advisors.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue cut-off	For a sample of contract assets and liabilities, recalculating the revenue recognised (and the associated accrual/deferral), based upon the terms of the underlying contracts and invoices; and For samples of monthly and quarterly billed revenue transactions, in the identified cut-off periods, verifying that revenue has been recognised in the correct period.
Management override of control	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIALIS ESSENTIAL IT PLC (*continued*)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



MARIO CIENTANNI (Senior Statutory Auditor)
For and on behalf of Barnes Roffe LLP, Statutory Auditor
Chartered Accountants
Charles Lake House
Causeway
Crossways Business Park
Dartford
DA2 6QA

Date:
11 May 2025

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2024

		Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Continuing operations			
Revenue	3	20,842	22,412
Cost of sales	4	<u>(14,830)</u>	<u>(15,762)</u>
Gross profit		6,012	6,650
Administrative expenses	4	(8,911)	(7,866)
Adjusted EBITDA*		2,006	1,985
Non underlying items	6	(688)	(713)
Depreciation	12	(388)	(312)
Amortisation and impairment	13	(2,280)	(2,187)
Fair value (loss) / profit on deferred and contingent consideration	4,13	(971)	22
Charges for share-based payments	26	(578)	(11)
Operating (loss) / profit		(2,899)	(1,216)
Finance income	7	27	102
Finance costs	8	(466)	(658)
Loss on ordinary activities before taxation		(3,338)	(1,772)
Income tax	10	144	227
Loss for the year from continuing operations		(3,194)	(1,545)
Derecognition of foreign currency reserve and discontinued operations		-	9
Loss for the year and total comprehensive loss attributable to owners of the parent company		<u>(3,194)</u>	<u>(1,536)</u>
From continuing operations			
Basic and diluted loss per share	11	(13.11) p	(6.45) p
From discontinued operations			
Basic and diluted loss per share	11	- p	(0.04) p
Total basic and diluted loss per share	11	(13.11) p	(6.41) 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 on pages 45 to 79 are an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2024

	Note	Group		Company	
		2024	2023	2024	2023
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	12	718	943	-	-
Intangible assets	13	4,817	7,097	-	-
Investments	14	-	-	18,211	18,211
Deferred tax asset	10	3,479	3,335	-	-
Trade and other receivables	15	100	100	704	645
		<u>9,114</u>	<u>11,475</u>	<u>18,915</u>	<u>18,856</u>
Current assets					
Trade and other receivables	15	4,317	5,020	144	32
Cash and cash equivalents	16	854	274	13	6
		<u>5,171</u>	<u>5,294</u>	<u>157</u>	<u>38</u>
Total assets		<u>14,285</u>	<u>16,769</u>	<u>19,072</u>	<u>18,894</u>
Current liabilities					
Trade and other payables	17	4,092	4,389	1,533	322
Contract liabilities	18	770	676	-	-
Borrowings	20	325	259	-	-
		<u>5,187</u>	<u>5,324</u>	<u>1,533</u>	<u>322</u>
Non-current liabilities					
Borrowings	20	4,686	4,561	4,335	3,965
Convertible loan notes	21	-	-	-	-
Provisions	19	352	301	-	-
		<u>5,038</u>	<u>4,862</u>	<u>4,335</u>	<u>3,965</u>
Total liabilities		<u>10,225</u>	<u>10,186</u>	<u>5,868</u>	<u>4,287</u>
Net assets		<u>4,060</u>	<u>6,583</u>	<u>13,204</u>	<u>14,607</u>
Equity attributable to equity holders of the parent					
Share capital	25	12,611	12,610	12,611	12,610
Share premium		52,957	52,865	52,957	52,865
Equity reserve		58	58	58	58
Share based payment reserve		583	11	583	11
Retained earnings		(62,149)	(58,961)	(53,005)	(50,937)
Total equity		<u>4,060</u>	<u>6,583</u>	<u>13,204</u>	<u>14,607</u>

The notes on pages 45 to 79 are an integral part of these financial statements. The Company made a loss of £2.1 million in the year ended 31 December 2024 (2023: Loss £1.4 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 2025 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 2024

Group	Share Capital (a) £000	Share Premium (b) £000	Equity reserve (c) £000	Share based payments reserve (d) £000	Retained Earnings (e) £000	Foreign currency translation reserve(f) £000	Total equity £000
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
Balance at 1 January 2024	12,610	52,865	58	11	(58,961)	-	6,583
Loss for the financial year and total comprehensive expense	-	-	-	-	(3,194)	-	(3,194)
Shares issued in lieu of a bonus to an employee (note 25)	1	92	-	-	-	-	93
Transactions with owners recorded directly in equity							
Share based payments charge for leavers	-	-	-	(6)	6	-	-
Share based payments charge (note 26)	-	-	-	578	-	-	578
At 31 December 2024	12,611	52,957	58	583	(62,149)	-	4,060

(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 expenses of 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

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

Statements of Changes in Equity *(continued)*
for the year ended 31 December 2024

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 2023	12,586	50,754	58	-	(49,507)	13,891
<i>Total comprehensive loss for the year</i>						
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
<i>Total comprehensive loss for the year</i>						
Loss for the year	-	-	-	-	(2,074)	(2,074)
Shares issued in lieu of a bonus to an employee (note 25)	1	92	-	-	-	93
Share based payment charge for leavers	-	-	-	(6)	6	-
Share based payment charge	-	-	-	578	-	578
Balance at 31 December 2024	12,611	52,957	58	583	(53,005)	13,204

(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 expenses of 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 2024

Group	Note	2024 £000	2023 £000
Cash flows from operating activities			
Loss from continuing operations:		(3,338)	(1,772)
Profit from discontinued operations		<u>-</u>	<u>9</u>
Total loss before tax		(3,338)	(1,763)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	388	312
Amortisation of intangible assets	13	2,280	2,187
Net finance expenses	7, 8	439	556
Share based payments	26	578	11
Decrease / (increase) in trade and other receivables		702	(1,359)
Increase in trade and other payables and contract liabilities		789	658
Increase in provisions		<u>51</u>	<u>56</u>
Net cash generated from operating activities		1,889	658
Cash flows from investing activities			
Acquisition of property, plant and equipment		<u>(28)</u>	<u>(75)</u>
Net cash used in investing activities		<u>(28)</u>	<u>(75)</u>
Cash flows from financing activities			
Interest received		22	19
Interest paid		(2,133)	(84)
Supplier finance repaid		(900)	(281)
Convertible loan notes repaid		-	(152)
Repayment of loan notes, net of expenses		(2,257)	-
New loan note received		300	-
Bank borrowings received		4,000	-
Repayment of lease liabilities	20	<u>(313)</u>	<u>(225)</u>
Net cash absorbed by financing activities		<u>(1,281)</u>	<u>(723)</u>
Net increase / (decrease) in cash and cash equivalents		580	(140)
Cash and cash equivalents at 1 January		<u>274</u>	<u>414</u>
Cash and cash equivalents at 31 December		<u>854</u>	<u>274</u>
Cash and cash equivalents comprise			
Cash at bank	16	<u>854</u>	<u>274</u>

Statements of Cash Flows *(continued)*
for the year ended 31 December 2024

Company	Note	2024 £000	2023 £000
Cash flows from operating activities			
Loss before tax for the year		(2,074)	(1,430)
<i>Adjustments for:</i>			
Net financial expenses		389	484
Share based payments		<u>578</u>	<u>11</u>
		(1,107)	(935)
(Increase) / decrease in trade and other receivables		(104)	47
Increase / (decrease) in trade and other payables		<u>1,300</u>	<u>(456)</u>
Net cash generated / (used) in operating activities		<u>89</u>	<u>(1,344)</u>
Cash flows from investing activities			
Amounts (lent) / repaid by subsidiaries		<u>(63)</u>	<u>1,499</u>
Net cash (utilised) / generated from investing activities		<u>(63)</u>	<u>1,499</u>
Cash flows from financing activities			
New loan note received		300	-
Bank borrowings received		4,000	-
Interest paid		(2,062)	-
Repayment of loan notes, net of expenses		<u>(2,257)</u>	<u>(152)</u>
Net cash absorbed from financing activities		<u>(19)</u>	<u>(152)</u>
Net increase in cash and cash equivalents		7	3
Cash and cash equivalents at 1 January		<u>6</u>	<u>3</u>
Cash and cash equivalents at 31 December	16	<u>13</u>	<u>6</u>

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

Acquisition related costs are expensed as incurred.

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

Notes to the Consolidated Financial Statements *(continued)*

1.3 Investments

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

1.4 Intangible assets

Goodwill

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

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

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

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

Other intangible assets arising from business combinations

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

- Customer contracts and related relationships 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
- 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

Notes to the Consolidated Financial Statements *(continued)*

1.5 Property, plant and equipment

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

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

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

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

Right-of-use assets

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

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

1.6 Impairment of assets

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

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

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

1.7 Share capital

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

Notes to the Consolidated Financial Statements *(continued)*

1.8 Leases

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

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

1.9 Provisions

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

1.10 Current and deferred income tax

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

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

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

1.11 Trade and other receivables

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

1.12 Cash and cash equivalents

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

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

1.13 Foreign currencies

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

1.14 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').

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.

1.15 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.

Notes to the Consolidated Financial Statements *(continued)*

1.16 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.

Financial liabilities are classified as at fair value through the profit and loss when the financial liability is contingent consideration of an acquirer in a business combination.

1.17 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.

1.18 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.

1.19 Finance costs

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

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

1.20 Revenue

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

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

Recurring revenue

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

Notes to the Consolidated Financial Statements *(continued)*

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.

1.21 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 as held for sale or distribution are shown separately from continuing operations.

1.23 Segmental reporting

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

1.24 Standards and interpretations not yet applied by the Group

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2024. 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 2025, 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.

Notes to the Consolidated Financial Statements *(continued)*

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

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

Judgements

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

Classification of non-underlying items - the Directors have exercised judgement when classifying certain costs arising during integration and strategic reorganisation projects. The Directors believe that these costs are all related to the types of costs described in 1.22 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. 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 and Contingent 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 and contingent consideration amounted to £1.06m (31 December 2023: £0.08m). There are two elements of the contingent consideration. The first element of £0.66m is based on the financial results of the acquired contracts and is calculated by applying the terms of the Asset Purchase Agreement. The second element of £0.4m is calculated based on synergies achieved and are subject therefore to judgement. The Directors have reviewed the estimate and consider it to be adequate.

2 Segment reporting

The Group has only one operating segment, the Manage Business as defined in note 1.24.

Notes to the Consolidated Financial Statements *(continued)*

3 Revenue

Disaggregation of revenue from contracts with customers is as follows:

Year ended 31 December 2024	Managed services	Projects	Total
<i>Geographical regions</i>	£000	£000	£000
United Kingdom	17,897	2,902	20,799
Europe	23	12	35
Rest of the World	8	-	8
Total	17,928	2,914	20,842

Timing of revenue recognition

Goods transferred at a point in time	821	-	821
Services transferred over time	17,107	2,914	20,021
Total	17,928	2,914	20,842

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 2023	Managed Services	Projects	Total
<i>Geographical regions</i>	£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

Contract balances

	2024	2023
	£000	£000
Receivables included within trade and other receivables	2,972	3,748
Contract assets	696	622
	3,668	4,370
Contract liabilities	(770)	(676)
Total	2,898	3,694

Notes to the Consolidated Financial Statements *(continued)*

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 receivable recognised. 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 invoiced monthly, 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

	2024	2023
	£000	£000
Direct staff costs	10,077	9,408
Third party cost of sales	4,753	6,354
Employee costs within administrative expenses	3,197	3,196
Amortisation of intangible assets	2,280	2,187
Depreciation	388	312
Share-based payments	578	11
Non-underlying items	688	713
Profit on sale of assets	-	(9)
Fair value loss / (profit) on deferred consideration	971	(22)
Gain on the conversion of secured loan notes	-	-
Other administrative costs	809	1,476
Total cost of sales and administrative expenses	<u>23,741</u>	<u>23,628</u>

5 Auditor's remuneration

	2024	2023
	£000	£000
Audit of these financial statements	28	30
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	50	50
Additional fees charged in respect of prior year's audit	-	-
Total	<u>78</u>	<u>80</u>

Notes to the Consolidated Financial Statements *(continued)*

6 Non-underlying items

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

	2024	2023
	£000	£000
Allvotec acquisition expense	-	242
Due diligence on potential acquisitions in the year	103	25
Employee share option plan set-up expense	2	49
One-off legal fees	55	9
Rebranding as Tialis from IDE Group	-	35
Loan Note Consultancy Fees	79	-
Restructuring and reorganisation costs	449	353
	<u>688</u>	<u>713</u>

Restructuring and reorganisation costs in the year ended 31 December 2024 and the year ended 31 December 2023 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 (2023: £0.4 million). The redundancy costs include employment related costs of staff made redundant because of restructuring. The legal expenses were non-recurring expenses incurred during the year.

7 Finance Income

	2024	2023
	£000	£000
Continuing Operations		
Unwinding of discounted liabilities	-	83
Interest received	27	19
	<u>27</u>	<u>102</u>

8 Finance costs

	2024	2023
	£000	£000
Continuing Operations		
Interest expense on lease liabilities	77	84
Unwind of discount on trade payables	-	90
Interest expense in respect of convertible loan notes	-	9
Other interest	8	-
Interest expense in respect of bank borrowings	107	-
Interest expense in respect of loan notes	274	475
	<u>466</u>	<u>658</u>

Notes to the Consolidated Financial Statements *(continued)*

9 Employee benefits expense

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

	2024 £000	2023 £000
Wages and salaries	10,740	10,643
Social security costs	1,119	1,086
Other pension costs	967	876
Restructuring costs	449	380
	<u>13,274</u>	<u>12,985</u>

At 31 December 2024, the Group employed 283 staff, including Directors (2023: 284).

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

	2024	2023
Operations	251	250
Sales and Marketing	8	9
Administration	24	21
Directors	5	4
Total average monthly headcount	<u>288</u>	<u>284</u>

The Company employed an average of 5 employees during 2024 (2023: 5), which were the Non-Executive Director Nicolas Bedford and Matthew Riley and the Executive Directors Ian Smith and Andy Parker, and the Chief Financial Officer. Their remuneration is as shown below.

For Directors who held office during the year, emoluments for the year ended 31 December 2024 for the Group were as follows:

	Salary/fees 2024 £	Salary/fees 2023 £
Executive		
Ian Smith ¹	221,000	221,000
Andy Parker ²	151,250	181,250
Nicola Chown	172,649	148,652
Non-Executive		
Nicolas Bedford ³	36,667	40,000
Matthew Riley	40,000	36,667
Total	<u>621,566</u>	<u>627,569</u>

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 on 10 September 2024.
3. Nicolas Bedford resigned 1 December 2024.

Notes to the Consolidated Financial Statements *(continued)*

Social security costs in respect of Directors' emoluments were £46,792 (2023: £32,168). Pension contributions paid to Directors during the year were £23,560 (2023: £nil).

None of the Directors made any gains on the exercise of share options in 2024 or 2023.

10 Taxation

	2024	2023
	£000	£000
Current tax		
Current year	-	-
Current tax	-	-
Deferred tax credit	(144)	(227)
Total tax credit	<u>(144)</u>	<u>(227)</u>

(a) Tax on loss on ordinary activities

Reconciliation of the total income tax credit:

	2024	2023
	£000	£000
Loss before taxation from continuing operations	(3,338)	(1,772)
Tax using the United Kingdom corporation tax rate of 25% (2023: 25%)	(835)	(443)
Non-deductible expenses	464	312
Amortisation and impairment of goodwill and intangibles – non qualifying assets	241	-
Tax losses utilised – not previously recognised	(3)	(106)
Adjustment for rate change	-	(16)
Prior year adjustment	(11)	26
Total tax credit	<u>(144)</u>	<u>(227)</u>

Notes to the Consolidated Financial Statements (continued)

Taxation (continued)

(b) Deferred tax (asset)/liability

	2024		2023
	£000		£000
At 1 January	(3,335)		(3,108)
Credit to income statement	(144)		(227)
At 31 December	<u>(3,479)</u>		<u>(3,335)</u>
	(Asset)	Liability	Net (asset)/ liability
	£000	£000	£000
At 1 January 2023	(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)
	<u>390</u>	<u>(617)</u>	<u>(227)</u>
At 31 December 2023	<u>(4,484)</u>	<u>1,149</u>	<u>(3,335)</u>
	52	-	52
Timing differences in respect of tangible assets	-	(292)	(292)
Timing differences in respect of intangible assets	(51)	-	(51)
Short term timing differences	(177)	324	147
Recognition of losses	<u>(176)</u>	<u>32</u>	<u>(144)</u>
At 31 December 2024	<u>(4,660)</u>	<u>1,181</u>	<u>(3,479)</u>

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

	2024	2023
	£000	£000
Fixed asset timing differences	<u>1,181</u>	<u>1,474</u>
At 31 December	<u>1,181</u>	<u>1,474</u>

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

	2024	2023
	£000	£000
Tax losses recognised	4,321	4,152
Other temporary differences	59	-
Depreciation in advance of capital allowances	280	332
At 31 December	<u>4,660</u>	<u>4,484</u>

Deferred tax assets are recognised for tax losses carried forward of £18.6 million (2023: £17.9 million) to the extent that the realisation of the related tax benefit through future taxable profits is probable. In assessing recoverability, management considers that the appropriate period over which profits can be assessed with a reasonable degree of certainty, and therefore used to offset the losses, is the period to 31 December 2029. The future taxable profits are assumed to include the impact of the planned conversion of borrowings to equity.

Notes to the Consolidated Financial Statements *(continued)*

Taxation *(continued)*

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 2024 of £3.7 million (2023: £3.3 million). The Company has no deferred tax assets or deferred tax liabilities as at 31 December 2024 or 31 December 2023.

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 were re-measured at the 2023 reporting date taking into account the new rate of tax of 25%.

11 Earnings per share

Basic earnings per share has been calculated using the loss after tax for the year of £3.2million (2023: Loss £1.5 million and a weighted average number of ordinary shares of 24,303,502 (2023: 23,973,027). 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

	<u>2024</u>	<u>2023</u>
Basic and diluted loss per share (pence)	<u>(13.11) p</u>	<u>(6.45) p</u>
<i>Discontinued operations</i>		
Basic and diluted loss per share (pence)	<u>-</u>	<u>0.04</u>
Total basic and diluted loss per share	<u>(13.11)p</u>	<u>(6.41)p</u>

Notes to the Consolidated Financial Statements *(continued)*

12 Property, plant and equipment

Group	Leasehold property £000	Car Leases £000	Equipment, fixtures, and fittings £000	Computer software £000	Total £000
Cost					
At 1 January 2024	1,515	116	221	120	1,972
Additions	-	134	28	-	162
Disposals	-	-	-	-	-
At 31 December 2024	1,515	250	249	120	2,134
Accumulated depreciation					
At 1 January 2024	855	23	101	49	1,028
Charge for the year	208	85	55	40	388
Disposals	-	-	-	-	-
At 31 December 2024	1,063	108	156	89	1,416
Net carrying amount					
31 December 2024	452	142	93	31	718
31 December 2023	659	93	120	71	943

Notes to the Consolidated Financial Statements *(continued)*

Property, plant and equipment *(continued)*

Group	Leasehold property £000	Car Leases £000	Equipment, fixtures, and fittings £000	Computer software £000	Total £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	93	120	71	943
31 December 2022	867	9	94	106	1,076

Notes to the Consolidated Financial Statements *(continued)*

Property, plant and equipment *(continued)*

Right of use assets

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

	Leasehold	Car leases	Total
Cost	£000	£000	£0000
At 1 January 2023	1,821	11	1832
Additions	-	105	105
Disposal	(306)	-	(306)
At 31 December 2023	<u>1,515</u>	<u>116</u>	<u>1,631</u>
Additions	-	134	134
Disposal	-	-	-
At 31 December 2024	<u>1,515</u>	<u>250</u>	<u>1,765</u>
Accumulated depreciation			
At 1 January 2023	954	2	956
Charge for the year	208	20	228
Disposal	(306)	-	(306)
At 31 December 2023	<u>855</u>	<u>23</u>	<u>878</u>
Charge for the year	208	85	292
Disposal	-	-	-
At 31 December 2024	<u>1,063</u>	<u>108</u>	<u>1,170</u>
Net carrying amount			
31 December 2024	<u>452</u>	<u>142</u>	<u>595</u>
31 December 2023	<u>659</u>	<u>93</u>	<u>752</u>

Additions to the right-of-use assets during the year were £0.1 million (2023: £0.1 million).

The depreciation charge for the year of £0.3 million (2023: £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 2024 or at 31 December 2023.

Notes to the Consolidated Financial Statements (continued)

13 Intangible assets

Group	Goodwill £000	Trademarks £000	Customer contracts and related relationships £000	Technology development £000	Software and licensing £000	Total £000
Cost:						
At 1 January 2023	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
Additions **	-	-	-	-	-	-
At 31 December 2024	15,598	1,707	17,418	935	1,833	37,491
Impairment and amortisation:						
At 1 January 2023	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
Amortisation for the year *	-	-	2,280	-	-	2,280
Disposal	-	-	-	-	-	-
At 31 December 2024	15,598	1,707	12,601	935	1,833	32,674
Net carrying amount:						
At 31 December 2024	-	-	4,817	-	-	4,817
At 31 December 2023	-	-	7,097	-	-	7,097

*£2.2 million of the amortisation charge is included in the loss for the year from continued operations in the Income Statement within administrative expenses.

The remaining unamortised life of the intangible assets at 31 December 2024 is as follows:

- Tialis IT Essential Manage customer contracts and related relationships – 6 years, net carrying value £4.7 million.
- Allvotec customer contracts acquired 2023 and related relationships – 1 month, net carrying value £0.1 million.

Notes to the Consolidated Financial Statements *(continued)*

Intangible assets *(continued)*

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 had provided for the estimated deferred consideration of £0.1 million, onerous contract provision of £0.08 million and subtracted £0.08 million of acquired tangible assets to arrive at the £2.2 million addition in prior years.

During the year 2024, Tialis was able to agree renewals and extensions of the existing contracts and as a consequence, the deferred consideration estimate has increased to £1.055 million, which once agreed will be paid in shares issued in Tialis Essential IT PLC, also at an effective price of 89.2 pence per ordinary share. This increase of £0.97 million is shown as a fair value adjustment on the face of the Statement of Comprehensive Income.

Company	2024	2023
	£000	£000
Additions **	-	2,222
Disposals **	-	<u>(2,222)</u>
At 31 December	<u>-</u>	<u>-</u>

The company had no intangible assets at 1 January 2024 or 31 December 2024.

Notes to the Consolidated Financial Statements *(continued)*

14 Investments

Company	2024	2023
	£000	£000
At 1 January 2024	18,211	18,211
Additions	-	-
Impairment of investment in subsidiary companies	-	-
At 31 December	<u>18,211</u>	<u>18,211</u>

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2024	2023
Held directly by Tialis Essential IT PLC				
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%

¹ Registered office is located at Unit 2, Quadrant Court, Crossways Business Park, Greenhithe, Dartford, England, DA9 9AY.

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.

IDE Group Limited, IDE Group Subholdings Limited and IDE Group Voice Limited were dissolved through solvent liquidation on 3rd October 2024.

Notes to the Consolidated Financial Statements (continued)

15 Trade and other receivables

	Group		Company	
	2024 £000	2023 £000	2024 £000	2023 £000
Current				
Trade receivables	2,972	3,748	-	-
Contract assets	696	622	-	-
Prepayments and other receivables	649	650	104	-
Taxation and social security	-	-	40	32
	<u>4,317</u>	<u>5,020</u>	<u>144</u>	<u>32</u>
	Group		Company	
	2024 £000	2023 £000	2024 £000	2023 £000
Non-current				
Other receivables	100	100	-	-
Amounts due from subsidiary undertakings	-	-	704	645
	<u>100</u>	<u>100</u>	<u>704</u>	<u>645</u>

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		credit loss allowance			
			Carrying amount		(net of VAT)	
	2024	2023	2024	2023	2024	2023
	%	%	£000	£000	£000	£000
Top 10	0	0	2,972	3,748	-	-
Top 50	2	2	-	-	-	-
Other	5	5	-	-	-	-
Specific	100	100	-	-	-	-
			<u>2,972</u>	<u>3,748</u>	<u>-</u>	<u>-</u>

The group is exposed to credit concentration risk with its largest customer comprising 81% (2023: 82%) of outstanding trade receivables.

Specific provisions are also made based on known issues or changes in the lifetime expected credit loss. As at 31 December 2024, trade receivables of £nil (2023: £nil) were impaired and fully provided for.

Notes to the Consolidated Financial Statements (continued)

Trade and other receivables (continued)

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 (2023: £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 28.

16 Cash and cash equivalents

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Cash and cash equivalents	<u>854</u>	<u>274</u>	<u>13</u>	<u>6</u>

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

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Credit rating				
A	<u>854</u>	<u>274</u>	<u>13</u>	<u>6</u>

17 Trade and other payables

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Current				
Trade payables	1,273	2,431	448	253
Amounts due to subsidiary undertakings	-	-	-	5
Other payables	1,051	85	1,056	-
Taxation and social security	1,179	951	-	-
Accruals	<u>589</u>	<u>922</u>	<u>29</u>	<u>64</u>
	<u>4,092</u>	<u>4,389</u>	<u>1,533</u>	<u>322</u>

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

Notes to the Consolidated Financial Statements *(continued)*

18 Contract liabilities

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Contract liabilities recognisable within 12 months	<u>770</u>	<u>676</u>	<u>-</u>	<u>-</u>

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 2024	287	14	301
Increase in year	<u>43</u>	<u>8</u>	<u>51</u>
Balance at 31 December 2024	<u>330</u>	<u>22</u>	<u>352</u>
		2024	2023
		£000	£000
Non-current		<u>352</u>	<u>301</u>

The Company has no provisions at 31 December 2024 (31 December 2023: £nil).

Notes to the Consolidated Financial Statements (continued)

20 Borrowings

	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Non-current				
Lease liabilities	351	596	-	-
Bank borrowings	4,021	-	4,021	-
Loan Notes	314	3,965	314	3,965
	<u>4,686</u>	<u>4,561</u>	<u>4,335</u>	<u>3,965</u>
	Group		Company	
	2024	2023	2024	2023
	£000	£000	£000	£000
Current				
Lease liabilities	325	259	-	-
	<u>325</u>	<u>259</u>	<u>-</u>	<u>-</u>

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.

The bank borrowings are a revolving credit facility with a termination date of 8 September 2027, with a weighted interest rate comprising of a margin of 3.75% per annum plus the SONIA (Sterling overnight index average) reference rate. Each member of the group is a guarantor and grants security as the lender may require.

The group has complied with the financial covenants of its borrowing facilities during the 2024 reporting period.

Notes to the Consolidated Financial Statements *(continued)*

Borrowings *(continued)*

Lease liabilities

The present value of lease liabilities is as follows:

31 December 2024

Group	Gross contractual amounts payable	Interest	Carrying amount
	2024	2024	2024
	£000	£000	£000
Less than one year	379	54	325
Between one and five years	<u>377</u>	<u>26</u>	<u>351</u>
	<u>756</u>	<u>80</u>	<u>676</u>

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	<u>672</u>	<u>76</u>	<u>596</u>
	<u>1,003</u>	<u>148</u>	<u>855</u>

The Company has no lease liabilities at 31 December 2024 (31 December 2023: nil)

Reconciliation of borrowings:

Group	Non-current Lease liabilities	Current Lease liabilities	Non-current Borrowings	Bank Borrowings	Supplier Finance	Total Borrowings
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2024	596	259	3,965	-	900	5,720
Non-cash changes						
Transfer from current to non-current	(245)	245	-	-	-	-
New finance leases	-	134	-	-	-	134
Loan note interest	-	-	274	-	-	274
Interest	-	-	-	107	-	107
Lease interest	-	77	-	-	-	77
Cash flows						
Lease interest paid	-	(77)	-	-	-	(77)
New loan notes	-	-	300	-	-	300
New bank borrowings	-	-	-	4,000	-	4,000
Interest paid	-	-	(1,968)	(86)	-	(2,054)
Repayment	-	-	(2,257)	-	(900)	(3,157)
Repayment of lease liabilities	-	(313)	-	-	-	(313)
Balance at 31 December 2024	<u>351</u>	<u>325</u>	<u>314</u>	<u>4,021</u>	-	<u>5,011</u>

The total cash outflow for leases in the year including interest was £313,000 (2023: £309,000).

Notes to the Consolidated Financial Statements (continued)

Company	Lease liabilities	Non-Current Borrowings	Bank Borrowings	Total Borrowings
	£000	£000	£000	£000
Balance at 1 January 2024	-	3,965	-	3,965
Non-cash changes				
Loan note interest	-	274	-	274
Interest	-	-	107	107
Cash Flows				
New Loan Notes	-	300	-	300
New Bank Borrowings	-	-	4,000	4,000
Interest Paid	-	(1,968)	(86)	(2,054)
Repayment	-	(2,257)	-	(2,257)
Balance at 31 December 2024	-	314	4,021	4,335

21 Convertible loan notes

Group and Company

	£000
Balance at 1 January 2024	-
New loan issued	300
Interest accrued	14
Balance at 31 December 2024	314

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.

On 9 September 2025, the Company issued £0.3million of an unsecured loan note, which carries an interest rate of 15% and is for a term of 3 years 3 months ("CLN"). The CLN holder may convert all outstanding notes together with all accrued but unpaid interest shall into fully paid Ordinary Shares at the Conversion Price of 40p per ordinary share.

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.

Notes to the Consolidated Financial Statements *(continued)*

Financial instruments by category *(continued)*

Group	2024	2023
	£000	£000
Assets		
Amortised cost:		
Trade receivables net of credit loss provision	2,972	3,748
Contract assets	696	622
Other receivables	649	650
Cash and cash equivalents	<u>854</u>	<u>274</u>
Total	<u>5,171</u>	<u>5,294</u>

Company	2024	2023
	£000	£000
Assets		
Amortised cost:		
Trade receivables net of credit loss provision	144	32
Amounts due from subsidiary undertakings	704	645
Cash and cash equivalents	<u>13</u>	<u>6</u>
Total	<u>861</u>	<u>683</u>

The carrying amount of these assets is equivalent to their fair value. At 31 December 2024, trade receivables are reported net of the expected credit loss provision of £nil (2023: £nil), amounts due from subsidiary undertakings are reported net of the expected credit loss provision of £nil (2023: £nil).

Group	2024	2023
	£000	£000
Liabilities at amortised cost		
Trade payables	1,273	2,431
Accruals and other payables	584	1,007
Liability held at fair value through profit and loss	1,056	-
Lease liabilities	676	855
Loan Notes	<u>4,335</u>	<u>3,965</u>
Total	<u>7,924</u>	<u>8,258</u>

Company	2024	2023
	£000	£000
Liabilities		
Trade payables	448	253
Accruals and other payables	29	64
Liability held at fair value through profit and loss	1,056	-
Intercompany payables	-	5
Loan Notes	<u>4,335</u>	<u>3,965</u>
Total	<u>5,868</u>	<u>4,287</u>

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 *(continued)*

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 by management. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the event of the breach of a credit limit. The Group has applied the simplified approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions. The Group has recognised a provision in respect of trade receivables of £nil (2023: £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 than 2 years	Total
At 31 December 2024	£000	£000	£000	£000
Trade and other payables	4,092	-	-	4,092
Lease liabilities	325	312	39	676
Loan Notes	-	-	314	314
Bank Borrowings	-	-	4,021	4,021
	<u>4,417</u>	<u>312</u>	<u>4,374</u>	<u>9,103</u>

Notes to the Consolidated Financial Statements (continued)

Financial risk management (continued)

Group	Within 1 year	1-2 years	More than 2 years	Total
At 31 December 2023	£000	£000	£000	£000
Trade and other payables	4,389	-	-	4,389
Lease liabilities	259	596	-	855
Convertible loan notes	-	-	-	-
Loan Notes	-	3,965	-	3,965
	<u>4,648</u>	<u>4,561</u>	<u>-</u>	<u>9,209</u>

Company	Within 1 year	1-2 years	More than 2 years	Total
At 31 December 2024	£000	£000	£000	£000
Trade and other payables	1,504	-	-	1,504
Intercompany payables	-	-	-	-
Loan Notes	-	-	314	314
Bank Borrowings	-	-	4,021	4,021
	<u>1,504</u>	<u>-</u>	<u>4,335</u>	<u>5,839</u>

Company	Within 1 year	1-2 years	More than 2 years	Total
At 31 December 2023	£000	£000	£000	£000
Trade and other payables	253	-	-	253
Intercompany payables	5	-	-	5
Convertible loan notes	-	-	-	-
Loan Notes	-	3,965	-	3,965
	<u>258</u>	<u>3,965</u>	<u>-</u>	<u>4,223</u>

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. The Group operates in the network and cloud hosting sector, which, from time-to-time requires substantial fixed asset investments, but the Group is financed predominately by equity.

In order to maintain or adjust the capital structure, the Group has previously both issued new shares, bank debt and bank facilities, and both unsecured and secured loan notes. The Group monitors capital on the basis of the ratio of net debt to Adjusted EBITDA. As at 31 December 2024 the ratio was 2.1 (2023: 2.3). Net debt as at 31 December 2023 is calculated as total bank borrowings, as at 31 December 2024 nil, and loan notes (including 'current and non-current borrowings' as shown in the consolidated balance sheet), plus loans, less cash and cash equivalents. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, impairment charge, non-underlying items, (loss)/gain on disposal of fixed assets and share-based payments.

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

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

Notes to the Consolidated Financial Statements *(continued)*

25 Called up share capital – Group and Company

Shares issued and fully paid	2024	2023
	£000	£000
24,326,744 (2023: 24,222,744) Ordinary shares at 1p	243	242
496,702,800 (2023: 496,702,800) deferred shares at 2.49p	<u>12,368</u>	<u>12,368</u>
Shares issued and fully paid	<u><u>12,611</u></u>	<u><u>12,610</u></u>

Shares issued and fully paid	2024	2023
	£000	£000
Beginning of the year	12,610	12,586
Issued during 2023 to acquire Allvotec assets (see note 13).	-	23
Issued during the year on conversion of secured loan notes (see below)	-	-
Issued during the year in lieu of 2021 staff bonus (see below)	<u>1</u>	<u>1</u>
Shares issued and fully paid	<u><u>12,611</u></u>	<u><u>12,610</u></u>

Share capital allotted, called up and fully paid	2024	2024	2023
	No. Ordinary Shares	No. Deferred Shares	No. Shares
Beginning of the year	24,222,744	496,702,800	518,532,249
Issue of 104,000 shares at 1p in lieu of 2021 staff bonus (three tranches)	104,000	-	104,000
Issue of 2,289,295 to acquire Allvotec (see Note 13)	-	-	2,289,295
End of the year	<u><u>24,326,744</u></u>	<u><u>496,702,800</u></u>	<u><u>520,925,544</u></u>

The par value of the shares new Ordinary shares is 1p and the Deferred shares is 2.49p.

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).

On 31 May 2024 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 2024 the Company has a total number of shares in issue of 520,925,544 with a total nominal value of £12,611,167. The Company has 24,326,744 new Ordinary shares of 1p and 496,702,800 Deferred shares of 2.49p.

Notes to the Consolidated Financial Statements *(continued)*

26 Share-based payments

The share-based payment charge comprises:

	2024 £000	2023 £000
Equity-settled share-based charges arising from share options	<u>578</u>	<u>11</u>
Total charge	<u>578</u>	<u>11</u>

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 was 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. A further 43,750 share options were granted during the year. During the year, 93,644 share options lapsed (2023: nil) in accordance with the share issue documents.

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.

Notes to the Consolidated Financial Statements (continued)

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 £1.0 million for the year ended 31 December 2024 (year ended 31 December 2023: £0.9 million). Contributions totalling £0.1 million (31 December 2023: £0.1 million) were payable to the fund at 31 December 2024 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 2024. (31 December 2023: £0.02 million). This is in relation to fees.

The assets are held as follows:

	2024	2024	2023	2023
	£000	%age	£000	%age
Mercer Flex LDI Real Enhanced Match	-	-	10	27
Mercer Diversified Growth Fund	10,433	35	13	34
Mercer Passive Global Equity CCF	7,792	26	10	26
Mercer MGI UK Inflation Linked Bond Fund	1,921	7	-	-
Mercer GBP Inflation LDI Bond Fund	5,599	19	-	-
Net Current Assets	3,765	13	5	13
Total Assets	29,510	100	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 2024.

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 £0.003 million during the year ended 31 December 2024. (31 December 2023: £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.

Notes to the Consolidated Financial Statements (continued)

28 Related parties

Key management comprise of the Directors, Chief Operating Officer, the Group Managing Director, and the Group Sales Director. Directors' emoluments are disclosed in note 9.

Key management personnel

Total remuneration for key management personnel	2024	2023
	£000	£000
Compensation	466	525
Social security	75	90
Pension contributions to money purchase pension scheme	44	44
Total	<u>585</u>	<u>659</u>
	<u> </u>	<u> </u>
Number of key management personnel accruing benefits under defined contributions	<u>3</u>	<u>4</u>

Ian Smith, Executive Director at 31 December 2024, held 2.23% (2023: 1.21%) through his Self-Invested Pension Plan. Ian Smith is also Chief Executive Officer and a substantial shareholder of MXC Capital Limited (MXC). MXC owned 75.86% (2023: 75.2%) of the issued share capital of the Company at 31 December 2024. Together, Ian Smith and MXC owned 78.09% (2023: 76.4%) of the issued share capital of the Company at 31 December 2024.

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 £ (2023: £30,000). The balance owed to MXC Capital Markets LLP as at 31 December 2024 was £27,000 (2023: £15,000).

In addition, the Group paid MXC Advisory Limited, a subsidiary of MXC, fees of £ (2023: £221,000) in respect of the services of Ian Smith as Executive Director. The balance owed to MXC Advisory Limited as at 31 December 2024 was £132,600 (2023: £110,500).

The Company had the following balances with its subsidiary companies:

	2024	2023
	£000	£000
Receivables		
Tialis Essential IT Manage Limited	695	636
Tialis Essential IT Financing Limited	9	-
IDE Group Protect Limited	-	9
Total	<u>704</u>	<u>645</u>
	<u> </u>	<u> </u>
	2024	2023
	£000	£000
Payables		
Connexions4Lodnon Limited	-	5
Aggregated Telecom Limited	-	1
Total	<u>361</u>	<u>6</u>

29 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 £1,766 per month for management and administration charges until the employee either withdraws from the pension or retires. A commitment of £254,304 based on his retirement date of 2036 (12 years x £21,192 pa) has been estimated by the Board.

30 Post balance sheet events

As announced on 9 April 2025, the Company created a new subsidiary to house its consultancy operations. Led by Andy Mills and Ian Smith, AI Auxesis Limited (the "Subsidiary"), will be redefining the future of business growth by combining practical strategic consulting with investment. We will partner with early-stage organisations and visionary founders to accelerate innovation, scale intelligent solutions, and unlock long-term value. Our dual approach gives us a unique edge, bridging the gap between investment and execution. We work closely with companies in AI and automation to identify transformative opportunities, offering tailored guidance backed by real capital support. Whether streamlining operations, deploying intelligent systems, or scaling cutting-edge startups, we bring both the expertise and the resources to drive meaningful impact.

The creation of the Subsidiary required an upfront investment of £250,000 that has been used to fund its first consulting project has started generating revenue. This investment was 50% funded by the Company and the remaining 50% funded by direct contributions of £62,500 made into the Subsidiary by both Ian Smith, Executive Director of the Company, and Andy Mills, in exchange for 25% of the shares each in the Subsidiary. As non-corporate shareholders, both Ian and Andy are entitled to a 10% per shareholder uncapped profit share on any capital gain in the underlying investment in the Subsidiary (the "Profit Share"). The Company contributed £125,000 to the Subsidiary. In order to meet this contribution to the Subsidiary, the Company conducted a direct subscription in the Company's ordinary shares at 60 pence per share, being the mid-market closing price on 8 April 2025 (the "Subscription Shares"). This was then passed on to the Subsidiary. In total the Company issued 208,333 Subscription Shares for cash for a total of approximately £125,000 (the "Subscription"). The subscribers to this fundraise were Ian and Andy in equal proportion to each other at 50% each in return for their respective 25% holdings in the Subsidiary.

31 Ultimate controlling party

MXC Capital Limited (MXC) is the ultimate controlling party and, at 31 December 2024, owned 75.86% of the issued share capital and voting rights of the Company. There is no ultimate controlling party of MXC.

