ANNUAL REPORT 2022

Dillistone Group Plc Annual Report 2022

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Dillistone Group Plc

ANNUAL REPORT **2022**

DILLISTONE GROUP PLC

POWERING RECRUITMENT

Operating in more than 50 countries over six continents and working with thousands of users, we boast more than 30 years in the market and 100s of years of collective experience. During that time, one thing has never changed: our dedication to delivering a fast and professional service that puts our customers first. We have a reputation for exceptional service, something that can be readily seen from our excellent Trustpilot scores.

Contents

HIGHLIGHTS

- Revenue increased by 2% to £5.699m. First revenue growth since 2016.
- Adjusted* loss before tax decreased to £0.453m (2021: £0.687m) - an improvement of 34%.
- Adjusted* EBITDA increased to £0.949m (2021: £0.747m) - an improvement of 27%.
- Recurring revenues represented 89% (2021: 89%) of Group revenue, which covers administration expenses (excluding depreciation and amortisation).
- Total Annual Contract Value (TACV) up 4% to £4.99m (2021: £4.79m)
- Order book increased by 3% year on year.
- Adjusted operating cash from operating activities 45% up at £1.189m (2021: £0.819m).
- Cash at period end of £0.433m. The Board does not expect the Group to require additional funding.

Commenting on the results and prospects, Giles Fearnley, Non-Executive Chairman, said:

"I am pleased to report continued progress for 2022, delivering financial performance in line with expectations while paying down debt, delivering sector leading customer service and continuing to invest for the future."

"The underlying business has improved. The Group has increased revenue, decreased adjusted loss and improved cash generation. We have delivered on our strategy and present results in line with market expectations."

"The Board is pleased to report a positive start to the year. We expect to see year on year growth in recurring revenue across both our Executive Search and Contingency sectors in H1 and remain confident of achieving market expectations for the full year."

Definitions:

* EBITDA adjusted for furlough support
* Operating cash adjusted for Government support received
* (Loss) before tax adjusted for furlough, Government support and exceptional costs associated with Covid
* TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

See note 5 for a reconciliation to adjusted figures

Visit our investor relations website at **www.dillistonegroup.com** for further information about Dillistone Group Plc.

Strategic Report

DILLISTONE GROUP AT A GLANCE

IKIRU PEOPLE

The Group operates under the trading name of Ikiru People

Ikiru People is a leader in the supply of technology solutions and services to recruitment, staffing and executive search businesses, as well as corporate talent acquisition teams around the world, providing the platforms they need to test and train candidates, support further development, enhance the recruitment process and source the best talent.

Operating in more than 50 countries over six continents and working with thousands of users, we boast more than 30 years in the market and 100s of years of collective experience. During that time, one thing has never changed: our dedication to delivering a fast and professional service that puts our customers first. We have a reputation for exceptional service, something that can be readily seen from our excellent Trustpilot scores.

EXECUTIVE SEARCH BRANDS

FileFinder

FileFinder is an executive search CRM used by recruiting teams at major corporations and executive search firms worldwide.

Talentis Global

Talentis is the next generation of executive search, recruiting and candidate sourcing software. Its proprietary Talentis TalentGraph takes advantage of AI and big data technology to allow recruiters to identify and engage with potential candidates across the world.

GatedTalent

GatedTalent helps recruiters and executives connect. From a recruiter perspective, it provides an extensive search function and GDPR support, while offering candidates increased recruiter visibility.

CONTINGENT BRANDS

Voyager

Voyager Infinity is an easy-to-use, all-in-one solution that streamlines the recruitment processes for all types of permanent, contract and temporary positions automating administrative tasks to make businesses more efficient, customer-centric and competitive.

Voyager Mid-Office is an automated way of managing placements, processing timesheets, raising invoices, paying staff and updating accounts packages.

ISV.online

ISV.online offers online skills testing, working with recruiters, consultancies and employers to help them secure and retain the best talent. ISV works with many of the UK's largest recruiting businesses.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2022

"The underlying business has improved. The Group has increased revenue, decreased adjusted loss and improved cash generation. We have delivered on our strategy and present results in line with market expectations."

I am pleased to report continued progress in 2022, delivering financial performance in line with expectations while paying down debt, delivering sector leading customer service and continuing to invest for the future.

The underlying business has improved. The Group has increased revenue, decreased adjusted loss and improved cash generation. We have delivered on our strategy and present results in line with market expectations.

The Group achieved its first annual total and recurring revenue growth since 2016. Total revenue for the year was up 2% to £5.699m, with recurring revenue increasing 1% to £5.051m.

For the purposes of obtaining true comparatives, we focus on measures which are adjusted to remove items of Government support, acquisition related or exceptional items, to better understand the underlying business.

Excluding furlough and Government support received in 2021, adjusted EBITDA increased by 27% to £0.949m (FY2021: £0.747m). The adjusted operating loss before acquisition related, furlough and other items fell by 58% to (£0.156m) (FY2021: (£0.375m)).

Adjusted net cash from operating activities, excluding Government support, is up 45% at £1,189m (FY2021: £0.819m) with a similarly adjusted net change in cash and cash equivalents up 58% at (£0.362m) (FY2021: (£0.853m)).

Dividends

The Group is not recommending a final dividend in respect of the year to 31 December 2022 (2021: nil).

Staff

I and the Board would like to pay tribute to our employees across the Group, acknowledging their commitment and contribution in facing the challenges of the last few years. It is as a result of their combined efforts that we are heading into 2023 with optimism.

Corporate governance

It is the Board's duty to ensure that the Group is managed for the long-term benefit of all stakeholders.

We welcomed Ian Mackin to the Group Board as Finance Director in June, stepping up from Financial Controller. Ian replaced Joanne Curd who resigned to further pursue her voluntary works.

Details of our governance processes and my role as Chairman of the Board are included in the corporate governance section that follows the Strategic Report.

Outlook

Current economic conditions are challenging for the recruitment industry and as a result we have seen a number of our existing clients reduce headcount – and therefore licences - and new client signups are typically of lower value than anticipated.

Generally speaking, any economic slowdown is likely to impact our executive search clients more than our contingency ones. However, despite this environment, we are pleased to see that in Q1 2023, our next generation executive search software, Talentis was our best performing product in terms of both number of new client sales and TACV growth. Individual order values remain low, partly reflecting the state of the market, but the Group expects this to change as the economy recovers.

The Board is pleased to report a positive start to the year. We expect to see year on year growth in recurring revenue across both our Executive Search and Contingency sectors in H1 and remain confident of achieving market expectations for the full year.

Giles Fearnley
Non-Executive Chairman

24 April 2023

CEO'S REVIEW

For the year ended 31 December 2022

Dillistone Group Plc is a global leader in the supply of solutions and services to the recruitment sector worldwide, working with executive search, contingent recruiting and in-house staffing teams in over 1,200 organisations.

We split our products into two groups – products primarily targeting contingency recruiters (largely, but not exclusively, in the United Kingdom) and products targeting executive search firms and in-house executive search teams across the globe.

Contingency recruitment products:

Our products serving this sector are:

- Infinity, which is an established recruitment CRM used primarily by agencies in the UK, but also with users in Asia and Australia. It enables recruitment businesses to manage prospects, clients, candidates and jobs in one place and offers deep integration to Office365 and other recruitment industry complementary solutions. It is one of the few solutions in the UK market with extensive functionality for permanent, contract and temporary jobs all in one system;
- ISV.Online, which is an online skills testing product used by both recruitment agencies and corporate organisations and has a strong international footprint. It allows recruiters and HR professionals to test individuals using our extensive portfolio of existing tests or to create their own unique tests to meet their requirements; and
- Mid-Office, which is a comprehensive pay & bill solution that allows recruitment businesses and back office service providers to process timesheets and bridges the gap between paying workers and invoicing clients. It can be used standalone or integrated to other recruitment systems including our Infinity product.

Contingency review:

- We delivered strong growth in the recurring revenue associated with this part of our business, generating a combined £3.44m in recurring revenue, (FY2021 £3.04m revenue) an increase of 13%.
- In December 2021 we announced a major contract win. We are pleased to report this was successfully implemented in H1 2022 and the client is now an active reference site.
- Summer 2022 saw us win a similarly sized contract and this was successfully implemented in H2. Once again, the client – who switched from a direct competitor – is now an active reference site for us.

Since year end, we have announced what has the potential to be our largest contract win yet, and we expect to deliver a large part of this contract in 2023.The year saw us discontinue our legacy VDQ product. During the year we were able to successfully migrate over half of our VDQ customers to the Infinity platform. Infinity offers greater functionality and is priced at a premium to VDQ. As a result, recurring revenue from this group of clients grew by 96% over the year.

Infinity is used by permanent, contract and temporary recruitment agencies. However, an increasing percentage of our new contract wins are from firms that are focussed, at least in part on the temporary recruitment sector, validating our decision to focus our efforts on this sector of the market.

Many of our Infinity clients also use our Mid-Office product to facilitate payments to temporary staff. We have also continued to develop this product and expect to deliver a significant upgrade to this product during the second quarter.

Our ISV.online skill testing product continues to generate meaningful revenue, with half of the UK's largest 10 recruiters using the platform.

Executive Search products:

Our primary products in the Executive Search sector are:

- FileFinder, which is an established CRM product with thousands of users Worldwide.
- GatedTalent, which is a service that helps recruiters source candidates and candidates find jobs and;
- Talentis, which is our latest product targeting executive recruiters and is used for both candidate research and sourcing and as an executive recruiting CRM.

Executive search review:

We are pleased to report that we have arrested the decline in revenue for executive search products. Having seen revenue for these products fall 24% in 2021, revenue fell by 10% in 2022 totalling £2.258m compared to £2.512m in 2021. However, performance in H2 improved to a percentage fall of only 6% compared to the same period in 2021. This trend of improvement is continuing in 2023, with Q1 revenue above that of Q1 2022.

The largest contribution to our executive search revenues came from FileFinder, our established executive search CRM product. The Group has invested in architectural improvements for the platform over recent years and this has improved the user experience while also allowing us to deliver the platform in a more cost effective manner. This, combined with our decision to make our new Talentis platform available at no charge to most FileFinder clients, has certainly improved our ability to retain clients on this product.

GatedTalent is used by a number of FileFinder clients to support GDPR compliance, whilst also offering recruiters candidate sourcing functionality. Further revenue is generated from an array of B2C products. The product continues to make a financial contribution in its own right and remains cash generative.

Talentis is our next generation executive search software platform, providing a combination of both candidate sourcing and project management / CRM functionality. Since launch in Q1 2021, recurring revenue has grown every quarter, and this trend continued into Q1 2023.

The Group believes that the Talentis platform is unique in its scope, which is reflected by the global span of its user base. Paying clients can now be found on every continent apart from Antarctica, with North America becoming the fastest growing region in recent months.

We are continuing to develop Talentis, with significant enhancements expected in Q2-Q3.

The Board expects Talentis revenue growth to continue and remains very excited about the potential for the product.

Delivering more, with less.

All of our Group products are developed, sold and supported by our Ikiru People operating business. Our drive to improve efficiency has seen us reduce headcount by 37% from its peak, while maintaining what we believe to be market leading levels of customer service. Indeed, the Ikiru People TrustPilot score of 4.8 (at 24/04/2023 based on 731 reviews) is, at the time of writing, unmatched by any of our direct competitors. This speaks volumes for the performance of our team, and I would like to place on record my appreciation for the effort and aptitude they show for delivering exceptional service to our clients.

KPIs and financial performance

As is noted in the financial review, the Group's operational performance has improved significantly in recent years, although the extent of the improvement has been masked somewhat in 2022 by the impact of Government Covid support received in 2021 but not repeated in 2022.

	FY22 £'000	FY21 £'000	% Move	Success measure used by management
Total revenue	5,699	5,599	2%	Year on Year Improvement
Recurring revenue	5,051	5,009	1%	Year on Year Improvement
Adjusted EBITDA *	949	747	27%	Year on Year Improvement
Adjusted Operating Cash **	1,189	819	45%	Year on Year Improvement
Adjusted (loss) before tax ***	(453)	(687)	34%	Year on Year Improvement

* EBITDA adjusted for furlough support

** Operating cash adjusted for Government support received

*** (Loss) before tax adjusted for furlough, Government support and exceptional costs associated with Covid

Strategy

Over recent years, we have reduced the size of our product range while broadly maintaining consistent levels of product development expenditure. In 2022, product development equated to 17.4% of revenues (2021: 17.6%) and we believe that the Group is now increasingly seeing the benefit of this. While the economic climate is challenging, our ability to win ever larger contracts in our contingent product group, while ending the decline in our executive search revenue, validates our decisions. We intend to maintain our current focus, and 2023 will see us deliver significant improvements to users of both our product groups.

FINANCIAL REVIEW

For the year ended 31 December 2022

Adjusted EBITDA*	27%
FY 2022	£0.949m
FY 2021	£0.747m

Total Revenue	2%
FY 2022	£5.699m
FY 2021	£5.599m

Summary

The Group saw progress on the financial turnaround of the business.

- Total revenue and recurring revenue grew for the first time since 2016
- Adjusted EBITDA excluding furlough support increased by 27%
- Adjusted operating loss before furlough, acquisition, reorganisation and other items down by 58%
- Adjusted net cash from operating activities increased by 45%

This was achieved whilst maintaining the level of investment in our products.

Revenue

Group revenue increased by 2% to £5.699m from £5.599m in FY2021

Revenue by type

	FY 2022 £'000	FY 2021 £'000	% Change
Recurring revenue	5,051	5,009	0.8%
Non-recurring revenue	488	427	14.3%
Third party revenue	160	163	(1.8%)
	5,699	5,599	1.8%
Recurring revenue %	89%	89%	-

Gross profit margin

The gross margin reduced to 86% from 88%. Going forward, the management team is focused on driving improvements to gross margin through revenue growth, whilst maintaining a stable cost base. With Talentis having our highest marginal profit percentage, growth in Talentis should help drive improvements to gross margin.

Adjusted EBITDA*

The adjusted EBITDA* increased by 27% to £0.949m from £0.747m in FY2021. This resulted in a higher EBITDA margin of 16.7%, compared to 13.3% in FY2021, reflecting the Group's leaner headcount profile, whilst maintaining our customer service.

Operating profit/(loss) and profit/(loss) before tax

The operating loss, before acquisition related, reorganisation and other items, increased by 11% to stand at (£0.156m) from (£0.140m) in FY2021. However, in 2021, the Group received £0.235m in furlough support not received in 2022. Taking this into account, performance improved greatly with a 58% reduction in loss to (£0.156m) from (£0.375m) in FY2021.

Inclusive of acquisition related, reorganisation and other items, the operating loss increased to (£0.319m) from (£0.199m) in FY2021.

The loss before tax increased to (£0.453m) from (£0.298m) in FY2021. Using a like for like measure, excluding Government and furlough support of £0.395m, the comparative figure for FY2021 is (0.687m) representing a decrease in loss of 34%

Taxation

The net tax credit for the year £0.270m (FY 2021: £0.302m).

Balance sheet

The Group's net assets decreased slightly to £3.223m (FY 2021: £3.382m)

Trade and other receivables decreased slightly to £0.608m (FY 2021: £0.615m). Trade and other payables also decreased slightly to £2.341m (FY2021: £2.347m).

R&D development

The Group capitalised £1.007m in development costs in the year (FY 2021: £0.987m) as the business continued its commitment to developing its products. Amortisation of development costs was £0.980m (FY 2021: £0.946m)

Financing

The Group continues to pay down its debt. Following the repayment of the June 2019 loan in June 2021, repayment of the Government CBIL loan received in June 2020 is now well underway. This loan of £1.5m is repayable over 6 years, with monthly repayments having commenced in July 2021.

As a result, bank borrowings at 31 December 2022 were £1.050m (2021: £1.350m). The Group also has a convertible loan of £0.400m (2021: £0.400m), which will not be repaid until the CBIL loan has been repaid.

Cashflow

Net cash from normalised operating activities (before government support) increased 45% to £1.189m (FY2021: £0.819m). Adjusted net change in cash before government support improved by 58% to (£0.362m) (FY2021: (£0.853m)). The Group finished the year with cash funds of £0.433m (2021: £0.764m).

Summarised cashflow

	FY 2022 £'000	FY 2021 £'000
Adjusted net cash from normalised operating activities	1,189	819
Investing Activities - net	(1,022)	(1,008)
Financial Activities - net	(529)	(664)
Adjusted Net change in cash and cash equivalents	(362)	(853)
Adjustment for Government Support	-	332
Net change in cash and cash equivalents	(362)	(521)
Cash and cash equivalents at beginning of year	764	1,291
Effect of foreign exchange rate changes	31	(6)
Cash and cash equivalents at 31st December	433	764

Going forward, the Board and management teams are focused on increasing revenues whilst improving the Group's profitability and cash generation.

On behalf of the Board

Ian Mackin
Finance Director

24 April 2023

SECTION 172 STATEMENT

For the year ended 31 December 2022

The Directors are required to include a separate statement in the annual report that explains how they have had regard to wider stakeholder needs when performing their duty under Section 172(1) of the Companies Act 2006. This duty requires that a director of a company must act in the way he or she considers, 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 have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

Guidance recommends that in connection with its statement, the Board describes in general terms how key stakeholders, as well as issues relevant to key decisions, are identified, and also the processes for engaging with key stakeholders and understanding those issues. It is the Board's view that these requirements are predominantly addressed in the corporate governance report on pages 17 to 18 and the Directors' report on pages 23 to 26. Guidance also recommends that more detailed description is limited to matters that are of strategic importance in order to remain meaningful and informative for shareholders. The Board believes that no items fall into this category for 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

For the year ended 31 December 2022

There are a number of risks and uncertainties which could have an impact on the Group's long term performance and cause actual results to differ materially from expected and historical results. The Directors seek to identify material risks and put in place policies and procedures to mitigate any exposure. The table of risks that follows gives details of the principal risks and the approach being taken to manage them.

Risk and impact	Management and mitigation
1. Economic Risk	
View: High but stable Our group operates predominantly in the recruitment sector- an industry which has a reputation for being vulnerable to the cyclical nature of the economy. This in turn impacts our clients spending power which can significantly impact our revenues.	The Company operates globally and so is not entirely reliant on one economy. It enjoys a high percentage of recurring revenues. In a downturn there may be a reduction in new permanent hires which may be replaced by temporary hires. The temporary recruitment market is potentially anti-cyclical. The Group's products support both permanent and temporary hires. In a downturn, there may be an excess of candidate supply which may cause demand for skills testing software, as provided by the group. The Group operates an Agile approach across the business with good MI and forecasting capability and so is able to react quickly to economic downturns to protect the business.
2. Ability to source new or retain existing talent	
View: High but decreasing The Group is reliant upon specialist skills and knowledge - especially within development. Demand for cutting edge as well as older technology stacks has greatly pushed salaries in recent years. Several products within our portfolio are reliant on small numbers of highly skilled and knowledgeable individuals - traits which are difficult to transfer within typical notice periods.	Increased remote and hybrid working together with appropriate, fair and comparable industry salaries linked with a generous benefits package have helped reduce staff attrition along with improved training and personal development options. Notice periods for key staff were boosted to provide additional protection. Long term plans to consolidate the product portfolio using a common set of technologies for new product development increases the knowledge pool in the group.
3. Competitor activity	
View: High but stable Our competitor landscape is everchanging with considerable consolidation of established players over the last decade. Many comparable sized competitors have smaller product ranges which, whilst can limit their reach, can give them an advantage in focus. Some competitors may try to reduce pricing, especially during an economic downturn.	The Group has strong customer relationships and uses account management to keep in touch with clients. The Group continues to invest in its product development and 2022 saw the continued development of temporary functionality as well as the completion and adoption of our open API to Infinity with several 3rd parties having created integrations with our systems. ISV.Online received several product updates and FileFinder underwent a major transition to MS Azure based SaaS delivery along with end user efficiency enhancements which have contributed to a reduction in attrition. The Group continues to innovate and provide solutions to client needs. Talentis was launched in January 2021 taking advantage of AI and big data technology to allow recruiters to track and engage with potential candidates across the web and still offers a unique way of searching. The Group continues to look to develop further new products and additional features.
4. Attrition of customer base	
View: Medium but increasing Erosion of existing customer base could outstrip rate of combined existing client user growth and New Business sales which would have a detrimental impact on the Groups ability to generate revenues. Competitor advancements in niche areas could lead to high impact functions being developed leading to attrition within those niche sectors.	Our account management/client engagement function has been revamped over the last year with positive results seen. The Group continues to invest in new products and with new features and regular updates being added to existing products. The Group generally aims to have a new product which is attractive to existing users via a migration path as legacy products become end of life. Our services are regarded as being some of the best in our sector with Trustpilot and Net Promoter scores well above the industry average.

PRINCIPAL RISKS AND UNCERTAINTIES

For the year ended 31 December 2022
Continued

Risk and impact	Management and mitigation
5. Business continuity risks associated with information systems, operational failure and data security including cyber security threats	
View: Medium but decreasing A failure of systems or 3rd party hosting facilities could lead to loss of customer confidence in the Group being able to deliver their requirements. Loss or corruption of data held on behalf of customers could have a detrimental effect on their confidence in data security processes and could cause financial loss. External attacks on servers could result in lost or corrupted data and loss of reputation.	The Group leverages modern data centres provided by third parties and utilises the security systems provided. Data backups occur at least daily and the necessary tests carried out on a regular basis to ensure data can be restored. Penetration & application vulnerability testing helps minimise the risk of attacks. Regular review of Group wide infrastructure to improve cyber defences both locally and at data centres. The Information Security Committee meets monthly to review appropriate risks and strategies.
6. Management Capacity	
View: Medium but stable The Groups management team is very "hands on". As the business grows there may be insufficient management capacity to ensure that the growth is effectively managed and integrated. Cover may need to be provided should members of management be incapacitated.	We attempt to ensure adequate resource is built into plans to ensure growth is appropriately managed and key roles/activities have cover. Handover documentation is being produced for covering key operational taskings which will be reviewed annually.
7. Data protection legislation	
View: Low but stable The Group operates globally with pertinent data subjects all over the world. Data protection legislation is changing and modernising rapidly and the Group needs to ensure it is aware of relevant changes so that it can be compliant where required and demonstrate as such to our clients.	The Group has a dedicated Information Security Committee (ISC) including a qualified GDPR practitioner and external advisor/DPO. This group meets monthly and ensures that data is secure and protected to appropriate levels. The ISC also review relevant data protection legislation changes as they are announced and can recommend adaptions to products/operating polices to suit. The Group maintains appropriate cyber and data insurance for its operations.
8. New software development risk	
View: Low but stable All software suppliers must create new applications and/or enhance and create new features to existing software applications. There is always a risk with any new development that it does not function as expected which could damage the Group's reputation, result in loss of new orders and therefore reduce revenue growth, or claims against the Group. The cost and time for developing new software could be a bigger drain on resource than budgeted.	Software is tested before release with some product lines utilising clients who have signed for our beta testing program. Release strategies employed to minimise risk. Agile software development methodology used for all development so stakeholders have real-time visibility and influence on what is being developed and costs associated. We gain client feedback throughout the design process to ensure the need and user value of what we are developing and are able to react quickly to feedback.
9. Financial performance inc. going concern	
View: Low but stable The Group needs sufficient cash to ensure it can continue to invest in its products in the coming years as part of the core business and for future growth. The worldwide spread of the Covid-19 virus together with the war in Ukraine and subsequent impacts on people and businesses around the World creates unique risks for all businesses. The Group needs sufficient cash to ensure it can continue to invest in its products in the coming years	The Group actively monitors the impact of external influences on its business. We continue to closely monitor cashflow projections given the CBIL loan (£1.5m taken out in 2020) repayment plan.

The Strategic Report is signed on behalf of the Board by

Jason Starr
Chief Executive
24 April 2023

Governance

BOARD OF DIRECTORS

For the year ended 31 December 2022

The Dillistone Group Plc Board is comprised of a Non-executive chairman, five executive directors and one independent Non-executive Directors

GILES FEARNLEY
NON- EXECUTIVE CHAIRMAN
APPOINTED JANUARY 2020

A career in the passenger transport industry saw Giles lead an MBO in 1991, forming Blazefield Holdings Limited, a business operating bus networks principally across Yorkshire and Lancashire. This company was sold to Transdev in 2006.

In 1997 he was appointed Chief Executive of Prism Rail PLC, having been one of that company's founders, and held that position until its sale to National Express in 2000. Prism Rail operated four of the UK's passenger rail franchises with a turnover of £500 million per annum.

Giles retired in November 2020 from the role of Managing Director - Bus, UK and Ireland for First Group PLC. Giles has served as chairman of both the Association of Train Operating Companies and the Confederation of Passenger Transport UK.

Giles was first appointed as a non-executive director of Dillistone Group Plc in May 2010.

JASON STARR
CHIEF EXECUTIVE OFFICER
APPOINTED JANUARY 2002

Jason joined Dillistone Systems in 1994. He became Marketing Manager in 1996 before becoming Managing Director of the UK business in 1998. Following the MBO, Jason became Managing Director of Dillistone Systems Ltd and subsequently became Group Chief Executive Officer. Jason was appointed a non-executive director of AIM listed PCIPAL PLC from 1 January 2015.

Jason has a BA (Honours) Business Studies degree from the London Guildhall University.

IAN MACKIN
FINANCE DIRECTOR
APPOINTED SEPTEMBER 2022

Ian graduated with an honours degree in Accountancy Studies from the University of Huddersfield. Following Chartered Institute of Management Accountants qualification in 2004, Ian spent 11 years as Financial Controller of a Childcare chain before a stint as Director of Finance in a Care Home chain.

Ian joined the Group in 2018 and since 2019 has been Group Financial Controller, playing a key role in the restructuring of the Group. He joined the Group Board in June 2022.

PAUL MATHER
CHIEF OPERATIONS OFFICER
APPOINTED JANUARY 2020

Paul has been employed in the group since 1999 after graduating with an honours degree in Physics from the University of Surrey. Paul joined in a 2nd line support role with Voyager Software Ltd before taking over the support function in 2000. In 2001 he became Customer Services Director before taking over as Operations Director in 2003. Paul was Operations Director for the Voyager Division following its acquisition by the Group in 2011. Paul was part of the due diligence teams for the subsequent Group acquisitions and is now responsible for Group operations globally.

SIMON WARBURTON
CHIEF TECHNOLOGY OFFICER
APPOINTED JANUARY 2020

Simon graduated with an honours degree in Computer Science from the University of Leeds and following a brief stint with an IT recruitment business, joined Voyager Software's technical team in 1997. In the following years, Simon held various roles in the business in both the technical and sales arenas before becoming Managing Director in 2002, where he remained until Voyager Software's acquisition by Dillistone Group in 2011. Post-acquisition, Simon continued in the role of Managing Director for the contingent recruitment division of the Group, which included the acquisition of two further businesses in 2013 and 2014. Simon's responsibilities also included the Group's IT infrastructure before being formally appointed as CTO in January 2020. Simon continues to be responsible for the Group's IT infrastructure alongside his other responsibilities in the sales, marketing and account management operations.

STEVE HAMMOND
CHIEF ENGINEERING OFFICER
APPOINTED JANUARY 2021

Steve Hammond has a multifaceted IT background spanning more than 20 years with a blend of technical, software development and business roles throughout that time. He joined the Group after the acquisition of ISV Software Ltd in 2014. Post-acquisition, Steve continued his role of Director of IT for ISV, and in 2019 became responsible for the R&D and software engineering strategy of the Group's software products. Steve was appointed as CEngO in January 2021.

JULIE POMEROY
NON-EXECUTIVE DIRECTOR
APPOINTED APRIL 2010

Julie was appointed as a Non-executive director on 1st October 2021 having previously held the role of Group Finance Director, until her resignation 30 September 2021. She graduated with an honours degree in Physics from Birmingham University and is a Chartered Accountant and Chartered Director as well as holding tax and treasury qualifications. Julie was group finance director of Carter & Carter Group plc until October 2005, having joined in 2002 to help grow and float the business. She had previously been Chief Financial Officer of Weston Medical Group plc and prior to this Julie worked at East Midlands Electricity plc as director of corporate finance. She was finance director of AIM quoted Biofutures International plc until July 2010. She is also the non executive chair of Oxford Cannabinoid Technologies Holdings plc which she joined as a NED in May 2021.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE
For the year ended 31 December 2022

Dear Shareholder

I am pleased to report on the corporate governance procedures undertaken by Dillistone Group Plc for the financial year 2022.

The Board recognises the importance of high standards of corporate governance for delivering long-term success to the Group and acknowledges its role in setting the culture, values and ethics of the Group and communicating these to all the Group's stakeholders. The Board meets regularly to discuss the monitoring and promotion of a healthy corporate culture. The Chairman has ultimate responsibility for corporate governance matters and has overseen the preparation of this governance statement accordingly.

AIM Rule 26 requires all AIM companies to disclose details of a recognised corporate governance code that its Board of Directors has decided to apply, how the Group complies with that code and, where it departs from its chosen corporate governance code, an explanation of the reasons for doing so.

The Board believes the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code") is the most applicable set of principles for governance considering the size, resource and current development stage the Company is in. Board discussions are conducted openly and transparently, which creates an environment for sustainable and robust debate. In the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

The QCA Code also requires the Board to contain the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the Group's strategy over the medium to long term. We believe our board has a strong mix of experience as evidenced on pages 14 to 15.

Details of how we comply with the QCA Code are set out in our Statement of Compliance, which is updated annually, a copy of which can be found on our website www.ikirupeople.com

By order of the Board

Giles Fearnley
Non-executive Chairman
24 April 2023

CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2022

Board operation
The Board's principal role is to provide effective leadership of the Group and to establish and align the Group's purpose, strategy, values and culture. It is responsible to shareholders for delivering shareholder value by developing the overall strategy and supporting the development of the direction of the Group. The Board is also responsible for overseeing the Group's external financial and other reporting and for ensuring that appropriate risk management and internal control systems are implemented and maintained.

The Board have approved an annual Board calendar setting out the dates, location (subject to any remote working restrictions) and standing agenda items for each formal scheduled Board and Committee meeting and scheduled Board calls. Board papers are circulated to Directors in advance of scheduled and unscheduled meetings, which are of an appropriate quality to enable the Directors to fulfil their obligations and adequately monitor the performance of the business. Directors who are unable to attend a meeting are expected to provide their comments to the Chairman, the Chief Executive Officer, or the Company Secretary, as appropriate. The Board also receives management information on a regular basis that sets out the performance of the business. The Chief Executive Officer and Finance Director are invited to attend the Audit and Remuneration Committee meetings, if appropriate.

The Board meeting attendance record for 2022 is set out below.

Name	Number of meetings held	Number of meetings attended
Giles Fearnley	7	7
Julie Pomeroy	7	7
Jason Starr	7	7
Ian Mackin	3	3
Joanne Curd	4	4
Paul Mather	7	6
Simon Warburton	7	6
Steve Hammond	7	6

The Board has three principal committees: the audit committee, the remuneration committee and the nomination committee. Their responsibilities are set out in formal terms of reference for each committee, which are reviewed periodically and are available on the Group's website at www.ikirupeople.com/investor-relations/executive-comittees

Audit committee
The committee is responsible for overseeing the Group's external financial reporting and associated announcements, considering risk management, internal controls procedures and the work of the external auditors. Full details of the work of the committee are set out in the audit committee report on page 19.

Nominations committee
The nomination committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board.

During the year the nominations committee held one meeting whose principle purpose was the appointment of a Finance Director.

Remuneration committee
The main role of the remuneration committee is to set the company's remuneration policy, determine each executive director's total individual remuneration package and set the targets for performance-related pay, such as to be able to recruit, retain and motivate individuals of the highest calibre. The details of the committee's work are set out on pages 20 to 22.

Financial planning and monitoring
The Group sets annual budgets, which are subject to Board approval. Financial information, including actual performance versus budget and expected future performance, is provided to all Board members as part of the Board papers.

CORPORATE GOVERNANCE REPORT
For the year ended 31 December 2022
Continued

Relations with investors

The Company produces this Annual Report that is available on the Investor Relations section of the Company's website and distributed to those shareholders who have requested to receive hard copies. The investor relations section of the Company's website (www.ikirupeople.com) contains information on the Group, matters reserved for the Board, the Company's articles of association, the Committee terms of references, copies of all documents sent to shareholders and all market and regulatory announcements.

The Board ensures that financial reporting and operational updates are communicated to the market on a timely basis and give an accurate and balanced assessment of the business. The Company's share dealing policy sets out how the Directors meet their obligations under the AIM rules in this regard and how the advisers are involved in the market communications process coordinated by the Company Secretary.

Reappointment of Directors at the Annual General Meeting

Currently one third of the Board submits itself for re-election at each AGM as part of the Group's formal retirement by rotation policy. Under the current Articles every director must offer themselves for re-election every three years, this is not in line with the code's suggestion of annual re-elections. Giles Fearnley and Julie Pomeroy have served on the Board for more than 9 years and as a result offers themselves for re-election on an annual basis. Despite serving the Board on a long term basis, the directors individually believe that they act objectively in their roles and with sufficient independence.

Board effectiveness

The board undertakes a periodic assessment of its effectiveness. Further information is shown under Principle 7 of the QCA code on our website.

AUDIT COMMITTEE REPORT

For the year ended 31 December 2022

I am pleased to present the report on behalf of the Audit Committee.

The Committee is responsible for challenging the quality of internal controls and for ensuring that the financial performance of the Group is properly reported and reviewed. The Board considers that the Company is not currently of the size to warrant the need for an internal audit function although the Board has put in place internal financial procedures to ensure close internal controls.

Committee composition

The members of the Audit Committee were myself, Giles Fearnley, as Chair and Julie Pomeroy. We were both Non-Executive Directors and regarded by the Board as independent. The Board is of the view that we have recent and relevant experience. In 2022 two meetings were held. The Chief Executive Officer, the Finance Director and the Group's auditors attend by invitation. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

Committee duties

The main duties of the Committee are set out in its terms of reference, which are available on the Company's website. In this period the main items of business included:

- reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports;
- monitoring the controls which ensure the integrity of the financial information reported to the shareholders;
- recommending the external auditor's remuneration and terms of engagement.

Financial reporting

The Committee reviews reports provided by the external auditor on the annual results which highlight any observation from the work they have undertaken. The key issues addressed at the meetings were in respect of the going concern reviews and the impairment reviews.

External auditor

The Committee is responsible for ensuring there is a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed to ensure it will not impact their independence and objectivity. The breakdown of fees between audit and non-audit services is provided in note 6 on page 68 of the Group's financial statements. The non-audit fees primarily relate to Group taxation compliance.

The Committee notes that it has at all times during the year acted in accordance with its terms of reference and confirms that it has ensured, through ongoing monitoring and review, the independence and objectivity of the external auditors, and recommends that the current auditors be re-appointed for the period ending 31 December 2023.

Giles Fearnley
Chair of the Audit Committee

24 April 2023

DIRECTORS REMUNERATION REPORT

For the year ended 31 December 2022

Remuneration report

Service contracts

The Board's policy is that service contracts of full time executive directors should provide for termination by the Group on one year's notice, with part time executive directors at no less than six months' notice. The service contracts of each of the current executive directors provide for such periods of notice.

The Chairman and the Non-executive Director have a letter of appointment providing a fixed three-year service period, which may be terminated by giving six months' notice.

Non-Executive Directors' remuneration

The fees for the Chairman and any independent non-executive director are determined by the Board. The Chairman and any non-executive director are not involved in any discussions or decisions about their own remuneration.

The Chairman and any independent non-executive director do not receive bonuses and are not entitled to participate in any of the Group's share schemes. They are entitled to be reimbursed the reasonable expenses incurred by them in carrying out their duties as directors of the Company. They are also entitled to join the private medical insurance scheme.

Executive Directors' remuneration

The remuneration package of the executive directors includes the following elements:

Basic salary

Salaries are normally reviewed annually taking into account inflation and salaries paid to directors of comparable companies. Pay reviews also take into account Group and personal performance.

Performance related pay scheme

There are two performance related pay schemes for executive directors. The first is an annual bonus scheme which is based upon the achievement of certain profit and commercial targets for the Group. The executive directors' bonus recognised in the 2022 financial year is £nil (2021: £nil).

The second scheme is a long-term incentive plan linked to growth in earnings per share over a three year period or other targets set by the remuneration committee. At the discretion of the remuneration committee, executive directors are either granted share options at the ruling mid-market price at the time of the grant or a pure cash bonus fixed as a percentage of salary. The awards are subject to meeting challenging targets. Annual awards are usually made under this scheme. Where options are awarded, the value of the award is calculated using a Black-Scholes model (see note 23 for further details). The awards made in the period are included in the LTIP tables below.

Directors' remuneration

Details of the remuneration of the directors for the financial year are set out below:

	Salary and fees £'000	Pension payment £'000	Benefits £'000	2022 Total £'000	2021 Total[1] £'000
Executive Directors					
J S Starr	126	12	2	140	135
I Mackin *	39	4	-	43	-
P Mather **	98	15	-	113	111
S Warburton	99	13	1	113	109
S Hammond	99	11	-	110	105
A D James ***	-	-	-	-	121
J P Pomeroy ****	-	-	-	-	79
J M Curd *****	31	-	-	31	13
Non-Executive Directors					
G R Fearnley	24	-	4	28	24
J P Pomeroy	14	2	3	19	4
	530	**57**	**10**	**597**	**701**

* I Mackin appointed Finance Director 16 June 2022
** P Mather salary does not include that of his wife who is employed by the Group as a software developer.
*** A D James resigned 30 September 2021
**** J P Pomeroy appointed Non-Executive Director on 1 October 2021 previously holding the role of Executive Director
***** JM Curd resigned on 15 June 2022

There were no long term incentive payments made in the period (2021: £Nil)

LTIP award – share options

	Number of options granted under LTIP scheme in year	Total number of options granted under LTIP scheme at 31 December 2022	Total number of options granted under LTIP scheme at 31 December 2021
J Starr	100,000	150,000	50,000
I Mackin *	100,000	100,000	-
J P Pomeroy **	-	50,000	50,000
P Mather	100,000	150,000	50,000
S Warburton	100,000	150,000	50,000
S Hammond	100,000	150,000	50,000
A D James ***	-	50,000	50,000
J M Curd ****	-	-	-
Total	**500,000**	**800,000**	**300,000**

DIRECTORS REMUNERATION REPORT

For the year ended 31 December 2022
Continued

Directors' interests

The Directors (including family interests) who held office at the end of the financial year had the following interest in the ordinary shares of the Company.

	Ordinary shares of 5 p each	
	At 31 December 2022	At 31 December 2021
J S Starr	3,577,591	3,577,591
G R Fearnley	483,435	483,435
J P Pomeroy	78,416	78,416
P Mather	82,177	82,177
S Warburton	77,290	77,290
S Hammond	-	-
I Mackin	14,071	-

Dillistone Group Plc also issued an 8.15% convertible loan note in which the directors participated. Their holdings are as follows:

	8.15% convertible loan notes	
	At 31 December 2022	At 31 December 2021
J S Starr	£24,250	£24,250
G R Fearnley	£75,000	£75,000
J P Pomeroy	£10,000	£10,000
P Mather	£7,500	£7,500
S Warburton	£8,000	£8,000

The loan notes carry an interest coupon of 8.15% pa, with a conversion price of 71.6p per new Dillistone ordinary share. The interest payments are payable quarterly in arrears and individual director can elect payment by cash or the issue of further new ordinary shares.

In addition, the following directors had total share options including the options granted under the LTIP scheme above and options granted under the sharesave scheme.

	Options over ordinary shares of 5p each	
	At 31 December 2022	At 31 December 2021
J S Starr	150,000	50,000
J P Pomeroy *	66,250	66,250
P Mather **	187,788	66,250
S Warburton	187,788	66,250
S Hammond	212,788	91,250
J M Curd ****	-	50,000
I Mackin ****	131,250	-
	935,864	**390,000**

* JP Pomeroy appointed Non-Executive Director on 1 October 2021 previously holding the role of Executive Director

** Excludes options held by Mr Mather spouse

*** I Mackin joined the Executive team from 16 June 2022

DIRECTORS' REPORT
For the year ended 31 December 2022

The Directors present their annual report on the affairs of the Company and the Group, together with the audited consolidated financial statements and the independent auditor's report for the year ended 31 December 2022 in accordance with UK adopted international accounting standards. The information in the Chairman's report, the Corporate Governance report and the Directors' Responsibilities Statement form part of the Directors' report.

The Directors' report contains certain forward-looking statements and forecasts with respect to the financial condition, results, operations and business of Dillistone Group plc that may involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Annual Report to shareholders should be construed as a profit forecast.

Results and dividends

The results for the Group for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements.

The Directors do not recommend the payment of a dividend (2021: nil).

Principal Activities

The principal activity of the Group is the development and distribution of innovative recruitment software solutions and associated consultancy and support. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

Dillistone Group Plc is a company incorporated in the United Kingdom. The registered office of the Company is 12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD.

Future developments

The directors consider that the continued investment in product and market development will allow the business to grow organically in its core markets, which will support the expected growth outlined in the Chairman's Statement and the Strategic Report.

Principal risks and uncertainties

For further details on principal risks and uncertainties, refer to pages 11 to 13.

Financial risk management

During the year the Group's principal financial instruments were CBIL loan, Directors Loans, trade receivables and cash. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments have been liquidity risk, interest rate risk, credit risk and exchange risk. The Group does not trade in financial instruments.

Liquidity risk

The Group's finance department primary objective is to ensure the Group maintains sufficient funds to support the ongoing strategic and operational needs of the Group. The Group produces detailed 3 year cashflows to help ensure that it has the liquid resources it requires. The Group forecasts are continually monitored to ensure sufficient headroom is in place and give the Group the ability to plan for necessary borrowings or fund raisings to meet the needs of the business when necessary.

Interest rate risk

The Group is exposed to interest rate risk through its CBIL loan, floating rate overdraft, and its management of retained cash. The Group monitors its exposure to interest rate risk when borrowing and investing its cash resources.

DIRECTORS' REPORT
For the year ended 31 December 2022
Continued

Credit risk

The Group has a broad customer base and is not dependent on a small number of customers. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Accordingly, the Group does not believe it is exposed to significant credit risk.

Exchange risk

The Group is exposed to translation and transaction foreign exchange risk. The Group's foreign operations primarily trade in their own currencies, reducing the transaction risk. As a result, the main foreign exchange transaction exposure arises when repatriating profits. The Group generally only seeks to remit cash when required in the UK and it usually has some flexibility on timing of such appropriations to minimise exchange losses and the impact of interest rates. The Group is, however, exposed to translation risks on net assets held and on the translation of overseas results.

Further details in relation to these risks are shown in note 24.

Directors

The following directors have held office since 1 January 2022:
J S Starr
J P Pomeroy – Non -Executive Director
G R Fearnley – Non-Executive Director and Chairman
P Mather
S Warburton
S Hammond
J M Curd – resigned 15 June 2022
I J Mackin – appointed 16 June 2022

G R Fearnley has been Non-Executive Director for over nine years and therefore will offer himself for re-election annually. Julie Pomeroy, now a Non-Executive Director, has also been a Director for over 9 years and also offers herself for re-election annually. Additionally, Ian Mackin will be proposed for re-appointment having been appointed since the last AGM.

Directors' interests

Details of the share interests of the Directors are shown in the Remuneration Report.

Directors' indemnities and insurance

To the extent permitted by law, Directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. The Group maintains insurance cover for all directors and officers of Group companies against liabilities which may be incurred by them while acting as directors and officers. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted deliberately dishonestly or fraudulently.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Group holds regular meetings with employees to inform them of the development of the business and to provide them with information on matters of concern to them as employees. Consultation with employees has continued at all levels, with the aim of ensuring that their views are taken in to account when decisions are made that are likely to affect their interests.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. To this end, the Group issued new share options to certain key management and employees under the employee share plan and ran a SAYE scheme open to all UK employees in 2022.

Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements that cannot objectively be justified. Entry into, and progression within the Group, is solely determined based on work criteria and individual merit.

Throughout the Group it is the Board's intention to provide employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities.

Going Concern

The Strategic Report and opening pages to the annual report discuss the Group's business activities and headline results, together with the financial statements and notes which detail the results for the year, net current liability position and cash flows for the year ended 31 December 2022. The cash flow forecasts have been further tested from the date of signing the accounts reviewing assumptions around new and existing business with growth and renewal rates being reduced.

The Group meets its day to day working capital requirements through its cash balance. It has in place a £1.5m CBIL loan, secured in June 2020, repayable over 6 years with capital repayments commencing from July 2021. Although the Group has an overdraft facility this was not utilised for the entirety of 2022. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within its CBIL loan facility. Compliance with the CBIL covenant has been considered and based on management expectations and actions, that could practically be taken, the directors do not consider any reasonable risk to arise from this.

As at the date of this report, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Research and development activities

The Directors consider research and development investment to be fundamental to the success of the Group. This is achieved by a programme of continuous software development for the recruitment market including enhancements to existing products and delivery of new products.

Streamlined Energy and Carbon Report

For further details on the Streamlined Energy and Carbon report, refer to pages 35 to 36.

Substantial Interests

The Directors have been notified of the following substantial shareholdings in excess of 3% of the voting share capital of the Company as at 31st March 2023

	Number of ordinary shares	%
Mr Jason Starr	3,577,591	18.19
Mr Rory Howard	3,300,000	16.78
Herald Investment Mgt	1,767,444	11.38
Unicorn Asset Mgt	1,595,501	10.27
Mr James Mclaughlin	1,511,122	7.68
Mrs Sarah Mclaughlin	1,061,000	5.39
Dr Michael D Love	989,754	5.03
Close Asset Mgt	717,501	3.65
Mr Robert L Howells	650,000	3.30

Except as referred to above, the Directors are not aware of any person who was interested in 3% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

DIRECTORS' REPORT

For the year ended 31 December 2022
Continued

Annual General Meeting

The 2023 Annual General Meeting will take place at 12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD on Tuesday 13 June 2023 at 10:30am. The Notice of Annual General Meeting is given, together with explanatory notes to the proposed resolutions to be considered at the meeting, in the separate document to Shareholders which accompanies this report.

Independent auditors

Resolutions to re-appoint Crowe U.K. LLP as auditor of the Group and to authorise the Audit Committee to determine their remuneration will be proposed at the 2023 Annual General Meeting.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading on the Alternative Investment Market. The directors have elected under company law to prepare the Group and Company's financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Company for that period.

In preparing the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditor

Each director confirms that, so far as they are aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the Company's auditor is unaware and that each director has taken all the steps they ought reasonably to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board and signed on its behalf by:

I J Mackin
Company Secretary & Finance Director

24 April 2023

STREAMLINED ENERGY & CARBON REPORTING

For the year ended 31 December 2022

Streamlined Energy & Carbon Reporting

The Group is committed to minimising its environmental impact, and although not required to report under SECR (UK Streamline Energy & Carbon Reporting) regulations, since 2020 we have started to track certain measures to benchmark our operations for future improvements.

Our operations are "office based" hence our activities are not regarded as having a high environmental impact. Furthermore, the Groups office accommodation is either rented or in serviced offices, limiting some of the direct measures we could take, e.g. we could not change our heating, ventilation & air conditioning systems.

Over the last few years we have undertaken a program of works to minimise the emissions within our control. These included:

i) Electronic system power and hibernation policies to minimise electrical use

ii) Energy efficiency is a key factor when purchasing new or replacement hardware

iii) Replacing with higher efficiency light bulbs, when required, in our offices

iv) Motion activated lighting is throughout our premises

v) Video conferencing to reduce business travel where possible

vi) Encourage staff to walk to local amenities from their office locations during breaks

vii) Recycling and "print only if required" policies

viii) Introduced a company EV car scheme for employees in 2022

DSG UK emissions 2022

	Factor	Energy (kWh)			Emissions (kgCO2e)		
Electricity - Cedarwood	0.19338	2022	2021	2020	2022	2021	2020
		155,722	154,780	156,750	30,114	29,931	30,312

	Factor	Energy (kWh)			Emissions (kgCO2e)		
Gas - Cedarwood	0.2	2022	2021	2020	2022	2021	2020
		23,219	9,514	9,500(est)	4,644	1,903	1,900

	Factor	Miles			Emissions (kgCO2e)		
Business Mileage	0.27407	2022	2021	2020	2022	2021	2020
		29,876	6,738	10,628	8,188	1,847	2,913

	Total Emissions (kgCO2e)		
Combined	2022	2021	2020
	42,946	33,681	35,125

Intensity ratios	2022	2021	2020
FTE @ 31st Dec	68	72	78
Revenue (£)	5,699,000	5,599,000	6,332,000
Intensity ratio FTE	631.5505	467.7894	450.3222
Intensity ratio Revenue	0.007536	0.006016	0.005547

Clearly the change in working patterns since the Covid19 pandemic and the increased adoption of hybrid working mean that accurate comparisons of our environmental impact with prior years is somewhat difficult. 2022 has seen significantly increased business travel over the prior 2 years as Covid concerns have eased. The most prominent changes over the last year have been down to our position in a multiple occupancy serviced office. We occupy just under 50% of our building but out of the remaining space over half the building has been unoccupied for most of the year meaning our proportion of the common parts emissions have increased significantly.

Financial Statements

INDEPENDENT AUDITOR'S REPORT

to the members of Dillistone Group Plc
For the year ended 31 December 2022

Opinion

We have audited the financial statements of Dillistone Group Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2022;
- the Group and Parent Company statements of changes in equity for year ended 31 December 2022;
- the Group and Parent Company statements of financial position as at 31 December 2022;
- the Group and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

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 2022 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- 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 the 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.

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:

- reviewing the cash flow model provided by management and challenging the assumptions made;
- reviewing management's forecasts which show growth in both revenue and profitability. Our assessment therefore considered if this will be feasible in light of past losses and current economic conditions;
- considering the accuracy of past budgeting, as well as a review of the March 2023 management accounts compared to forecast;
- considering the cash position of the business along with current facilities available; and
- considering the appropriateness of the related disclosures against the requirements of the accounting standards.

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 and 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.

Overview of our audit approach

Materiality
In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

INDEPENDENT AUDITOR'S REPORT

to the members of Dillistone Group Plc
For the year ended 31 December 2022
Continued

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £57,000 (2021: £70,000), based on 1% of revenue (2021: 6% of EBITDA). Materiality for the Parent Company financial statements as a whole was set at £40,000 (2021: £49,000) based on 70% of Group materiality, this also represents the performance materiality level for the Group.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £40,000 (2021: £49,000) for the group and £28,000 (2021: £34,300) for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £2,500 (2021: £3,500). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit
The audit procedures have been carried out solely by Crowe U.K. LLP. We performed an audit of the complete financial information of Dillistone Group Plc and all of its subsidiaries. The US trading subsidiary, Ikiru People Inc. and the Australian trading subsidiary, Ikiru People Pty Limited, were audited using a component materiality for the purposes of the consolidation only. This work was completed remotely as the records for these entities are kept centrally in the UK by the group. No separate audit opinions will be issued for these entities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered going concern to be a key audit matter. Our observations on this area are set out in the Conclusions relation to Going Concern section of the auditors' report.

For all significant risks and key audit matters we have tested the design and implementation of controls. This is not a complete list of all risks identified by our audit.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition	We considered the risk that revenue is not recognised in accordance with the accounting policy set out in the financial statements. The Group's revenue recognition policy can be found in note 1.4 to the financial statements. We consider the key risk of material misstatement to arise from the recognition of revenue around the year end, including the correct apportionment of revenue in the year and the related amount deferred at the year end.	We reviewed and assessed the Group's revenue recognition policy to ensure it complied with the requirements of IFRS 15 'Revenue from Contracts with Customers'. A key part of our assessment included testing a selection of contracts, tracing the satisfaction of performance obligations to supporting documentation and evidence, such as the issue of licence keys. We performed testing over all material revenue streams, including: • Substantively testing a sample of revenue transactions from the nominal ledger to underlying supporting documentation such as customer contract or order, invoice and cash payment to ensure revenue existed and was appropriately recognised. • Performing testing on cut off and deferred revenue, ensuring revenue was recorded in the correct period. • Completing journals testing, focusing on any unusual revenue transactions that credit revenue but do not follow the expected path of debiting trade receivables, cash or deferred revenue.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Capitalised development costs</td><td>The Group capitalises costs incurred on product development relating to the design and development of new or enhanced products. This is described in note 1.12 to the financial statements.

There are significant judgements involved with the capitalised development costs, these include:
• Ensuring internal costs are only capitalised when the requirements of IAS 38 are met;
• Determining the value of salary costs for those individuals not within the development team; and
• Assessing the technical and commercial feasibility of completing the project.
• Assessing the ability of the Group to complete the project.</td><td>Our audit procedures included:
• On a sample basis, agreeing capitalised expenditure back to supporting documentation to ensure the costs were accurate and capitalised in accordance with the requirements of IAS 38.
• Making enquiries of the Head of Project Development to determine the technical and commercial feasibility to complete major projects
• For a sample of capitalised payroll costs, reviewing employment contracts and timecards to verify that only development related costs were capitalised.</td></tr>
<tr><td>Carrying value of goodwill and intangibles</td><td>The Group holds goodwill at a carrying value of £3.4m, development costs of £2.5m and acquisition intangibles of £0.5m. This is shown in notes 12 and 13 to the financial statements.

The parent company also holds investments in group companies of £7.2m. This is shown in note 16 to the financial statements.

Recovery of these assets is dependent upon future cash flows which are required to be discounted. There is a risk that forecasts for these future cash flows are not achieved or that cash flows are not discounted at an appropriate rate. If cash flows do not meet expectations the assets may become impaired. This is described in note 1.1 to the financial statements.</td><td>We have reviewed, tested and challenged Management's impairment review of investments, goodwill and intangible assets.

The impairment reviews rely on forecasts of future cash flows based on board approved forecasts. We confirmed the arithmetical accuracy of the forecast information and impairment assessment.

We reviewed prior year forecasts against actual results to assess the accuracy of Management forecasting.

We challenged Management on the assumptions made, including the forecast growth rate, profitability and terminal growth rates applied. We also challenged management on the discount rate applied to these forecasts.

We also assessed the disclosures made by Management in respect of impairment and in particular the sensitivity analysis completed.</td></tr>
</table>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

INDEPENDENT AUDITOR'S REPORT

to the members of Dillistone Group Plc
For the year ended 31 December 2022
Continued

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 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. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 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 where 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 the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 26, 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group and Parent Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risks of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to management override risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases. Our audit procedures to respond to revenue recognition risks included testing a sample of income across the year, agreeing this to supporting evidence, and reviewing income received either side of the year end to ensure this has been recognised in the correct period.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Richard Baker (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP

Statutory Auditor

Reading

24 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	3	5,699	5,599
Cost of sales		(816)	(685)
Gross profit		4,883	4,914
Administrative expenses		(5,202)	(5,113)
Operating loss	6	(319)	(199)
Adjusted operating (loss) before acquisition related, reorganisation and other items	2	(156)	(140)
Acquisition related, reorganisation and other items	5	(163)	(59)
Operating (loss)		(319)	(199)
Financial cost	8	(134)	(99)
(Loss) before tax		(453)	(298)
Tax income	9	270	302
(Loss)/Profit for the year		(183)	4
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit and loss:			
Currency translation differences		7	4
Total comprehensive (loss)/profit for the year		**(176)**	**8**
Earnings per share			
Basic	10	(0.93p)	0.02p
Diluted	10	(0.93p)	0.02p

The notes on pages 40 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible loan reserve £'000	Retained earnings £'000	Share options £'000	Foreign exchange £'000	Total £'000
Balance at 1 January 2021	983	1,631	365	14	208	110	59	3,370
Comprehensive income								
Profit for the year	-	-	-	-	4	-	-	4
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	4	4
Total comprehensive Profit	-	-	-	-	4	-	4	8
Transactions with owners								
Share option charge	-	-	-		50	(46)	-	4
Total transactions with owners	-	-	-	-	50	(46)	-	4
Balance at 31 December 2021	983	1,631	365	14	262	64	63	3,382
Comprehensive income								
Loss for the year	-	-	-	-	(183)	-	-	(183)
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	7	7
Total comprehensive loss	-	-	-	-	(183)	-	7	(176)
Transactions with owners								
Share option charge	-	-	-		14	3	-	17
Total transactions with owners	-	-	-	-	14	3	-	17
Balance at 31 December 2022	**983**	**1,631**	**365**	**14**	**93**	**67**	**70**	**3,223**

The notes on pages 40 to 73 are an integral part of these consolidated and company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Convertible loan reserve £'000	Retained earnings £'000	Share option £'000	Total £'000
Balance at 1 January 2021	983	1,631	365	14	1,913	110	5,016
Comprehensive income							
Loss for the year	-	-	-	-	(35)	-	(35)
Total comprehensive loss	-	-	-	-	(35)	-	(35)
Transactions with owners							
Share option charge	-	-	-	-	49	(46)	3
Total transactions with owners	-	-	-	-	49	(46)	3
Balance at 31 December 2021	983	1,631	365	14	1,927	64	4,984
Comprehensive income							
Loss for the year	-	-	-	-	(59)	-	(59)
Total comprehensive loss	-	-	-	-	(59)	-	(59)
Transactions with owners							
Share option charge	-	-	-	-	14	3	17
Total transactions with owners	-	-	-	-	14	3	17
Balance at 31 December 2022	**983**	**1,631**	**365**	**14**	**1,882**	**67**	**4.942**

The notes on pages 40 to 73 are an integral part of these consolidated and company financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
ASSETS					
Non-current assets					
Goodwill	12	3,415	3,415	-	-
Other intangible assets	13	2,990	3,142	-	-
Property, plant and equipment	14	25	25	-	-
Right of use assets	15	498	592	-	-
Investments	16	-	-	7,168	7,168
Total non-current assets		6,928	7,174	7,168	7,168
Current assets					
Trade and other receivables	17	608	615	9	45
Current tax receivable		72	29	-	-
Cash and cash equivalents	19	433	764	15	21
Total current assets		1,113	1,408	24	66
Total assets		8,041	8,582	7,192	7,234
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	21	983	983	983	983
Share premium		1,631	1,631	1,631	1,631
Merger reserve		365	365	365	365
Convertible loan reserve		14	14	14	14
Retained earnings		93	262	1,882	1,927
Share option reserve	23	67	64	67	64
Foreign exchange reserve		70	63	-	-
Total equity		3,223	3,382	4,942	4,984
Liabilities					
Non-current liabilities					
Trade and other payables	18	241	238	-	-
Lease liabilities	20	483	560	-	-
Borrowings	20	1,150	1,450	1,150	1,450
Deferred tax liability	9	226	210	-	-
Total non-current liabilities		2,100	2,458	1,150	1,450
Current liabilities					
Trade and other payables	18	2,341	2,347	800	500
Lease liabilities	20	77	95	-	-
Borrowings	20	300	300	300	300
Total current liabilities		2,718	2,742	1,100	800
Total liabilities		4,818	5,200	2,250	2,250
Total liabilities and equity		8,041	8,582	7,192	7,234

The loss for the financial year for the parent Company was £(59,000) (2021: loss £35,000).

The accounts were approved by the Board of Directors and authorised for issue on 24 April 2023 and were signed on its behalf by:

IJ Mackin – Finance Director
Registration number - 4578125

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000	For the year ended 31 December 2021 £'000
Operating activities				
Loss before tax	(453)		(298)	
Adjustment for				
Financial cost	134		99	
Depreciation and amortisation	1,268		1,335	
Share option expense	17		3	
Foreign exchange adjustments arising from operations	(24)		10	
Operating cash flows before movement in working capital	942		1,149	
Decrease in receivables	20		268	
Decrease in payables	(16)		(639)	
Taxation refunded	243		373	
Net cash generated from operating activities		1,189		1,151
Investing activities				
Purchases of property, plant and equipment	(15)		(21)	
Investment in development costs	(1,007)		(987)	
Net cash used in investing activities		(1,022)		(1,008)
Financing activities				
Interest paid	(134)		(99)	
Bank loan repayments made	(300)		(461)	
Lease payments made	(95)		(104)	
Net cash (used in)/generated from financing activities		(529)		(664)
Net (decrease)/increase in cash and cash equivalents		(362)		(521)
Cash and cash equivalents at beginning of the year		764		1,291
Effect of foreign exchange rate changes		31		(6)
Cash and cash equivalents at end of year		433		764

The notes on pages 40 to 73 are an integral part of these consolidated and company financial statements.

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2022

	For the year ended 31 December 2022 £'000	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000	For the year ended 31 December 2021 £'000
Operating activities				
Loss before tax	(59)		(35)	
Adjustment for				
Financial cost	104		65	
Share option expense	17		3	
Operating cash flows before movement in working capital	62		33	
Decrease in receivables	36		24	
Increase/(decrease) in payables	300		13	
Net cash generated from/(used in) operating activities		398		70
Financing activities				
Interest paid	(104)		(64)	
Bank loan repayments made	(300)		(373)	
Net cash (used in)/generated from financing activities		(404)		(437)
Net (decrease)/increase in cash and cash equivalents		(6)		(367)
Cash and cash equivalents at beginning of the year		21		388
Cash and cash equivalents at end of year		15		21

The notes on pages 40 to 73 are an integral part of these consolidated and company financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Dillistone Group Plc (the 'Company') is a company incorporated in England and Wales. The financial statements are presented in thousand Pounds Sterling. The principal activities have been detailed in the Strategic Report and the registered office is 12 Cedarwood, Chineham Business Park, Basingstoke, RG24 8WD.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The parent company financial statements present information about the Company as a separate entity and not about its Group.

Both the Group financial statements and the Company financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards, IFRIC Interpretations and the Companies Act 2006. In publishing the Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes in these financial statements.

1. Accounting policies

1.1 Basis of accounting

The consolidated and company financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

Significant estimates

In the application of the Group's accounting policies the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Capitalisation and amortisation of internal development expenditure

Amortisation rates are based on estimates of the useful economic lives and residual values of the assets involved. The assessment of these useful economic lives is made by projecting the economic life cycle of the asset which is subject to alteration as a result of product development and innovation. Amortisation rates are changed where economic lives are re-assessed and technically obsolete items written off where necessary. The carrying value of capitalised development is reviewed for impairment indicators at each accounting period end. See note 13.

In addition, management estimate the amount of directors' costs that are capitalised given the degree of the director's involvement in relevant projects.

Impairment of goodwill, other intangible assets and investments

The Group tests goodwill, other intangible assets and investments. These calculations require the use of estimates for future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the recoverable amount. See notes 12, 13 and 16 for calculations and impacts if assumptions are changed.

Judgements in applying the Group's accounting policies

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

Customers' practical acceptance of licence software

As detailed in note 1.4, various elements of the Group's revenue recognition policy require determination of point at which control of the service being provided passes to the customer.

The Group uses the 'live' date as the basis of determining the timing of customer practical acceptance of the software and the passing of control. In particular for sales of perpetual licences without mandatory support, this constitutes the point in time at which performance obligations relating to the licence are fulfilled and revenue can be recognised. Likewise, for SaaS contracts, this date is the commencement for the period of time over which licence revenue can be recognised. Alternative judgements of when control passes to the customer could impact the timing of revenue recognition.

Capitalisation of internal development expenditure
Management exercises judgement in establishing both the technical feasibility of completing an intangible asset which can be used internally or sold and the degree of certainty that a market exists for the asset, or its output, for the generation of future economic benefits. See 'Amortisation of internal development expenditure' in Significant estimates above for further details.

Expected life of support contracts
As detailed in note 1.4, the Group recognises revenue arising on perpetual licences with mandatory support contracts over time. The Group must determine the relevant period to be the life of the support contract, which is unknown at inception. Management judge that the typical life of relevant support contracts to be five years. Changes to this judgement would impact the timing of revenue recognition on such contracts.

1.2 Going concern

The Group's business activities and financial position, together with the factors likely to affect its future development, performance and position, are set out in the CEO's Review and Financial Review on pages 7 to 12. Together with the financial statements and notes which detail the results for the year, net current liability position and cash flows for the year ended 31 December 2022. The Group prepare 3 year budgets and cash flow forecasts to ensure that the Group can meet its liabilities as they fall due.

The Group meets its day to day working capital requirements through its cash balance. It has in place a £1.5m CBIL loan, secured in June 2020, repayable over 6 years with capital repayments commencing from July 2021. Although the Group has an overdraft facility, this was not utilised for the entirety of 2022. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within its CBIL loan facility. Compliance with the CBIL covenant has been considered and based on management expectations and actions, that could practically be taken, the directors do not consider any reasonable risk to arise from this.

The cash flow forecasts have been stress tested reviewing assumptions around new and existing business with growth and renewal rates being reduced. A reverse stress test was also prepared to review what reduction in revenue would be necessary to breach overdraft limits in 2023.

As at the date of this report, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2022. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.4 Revenue

The Group's revenue recognition policy is based on the principle of transfer of promised goods and services ('performance obligations') to the customer. Revenue is recognised on the satisfaction of these contractual performance obligations using a five-step approach, consisting of:

- identification of the contract with the customer;
- identification of all performance obligations in that contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations; and
- recognition of revenue as the performance obligations are fulfilled.

Contracts are broken down into distinct goods and services in order to identify the separate performance obligations within. Goods and services are considered distinct if they are capable of being used independently by the customer, and if they are separately identifiable in the context of the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
Continued

Depending on the work being performed, customers are typically invoiced work in two stages: a deposit invoice at contract inception before work commences, then a final invoice on completion. For ongoing contracts such as support and SaaS contracts, invoices are issued in advance for the relevant subscription period. All such invoices are typically due for payment within 30 days.

Transaction prices are the amounts of consideration the Group expects to be entitled to in exchange for the transfer of promised goods and services to the customer, exclusive of VAT or any applicable sales taxes. If the timing of payments provides either the Group or customer with a benefit of financing the transfer of goods or services, a significant financing component exists. Although standard payment terms for all customers is 30 days, there is some variability in the timing of payment and delivery (for instance, some customers pay by instalments). However, timing differences between delivery and settlement are one year or less. As such, the Group applies the practical expedient in IFRS 15 not to adjust for significant financing components.

Transaction prices are allocated to contractual performance obligations based on stand-alone selling prices. Where the Group occasionally offers discounts to customers, these are allocated to performance obligations within the contract on the basis of relative stand-alone selling prices.

Revenue is recognised when control of the good or service has been passed to the customer by satisfying the performance obligation, either over time or at a point in time, as follows:

- Over time: this typically occurs when the customer simultaneously receives and consumes the benefits of a service performed by the Group.
- At a point in time: The moment of transfer of control is typically indicated by:
  - o the Group having right to payment;
  - o the customer having legal title to the asset;
  - o the Group transferring physical possession of the asset to the customer, where relevant;
  - o the customer having significant risks and rewards of ownership of the asset;
  - o the customer having accepted the asset.

The incremental costs incurred in obtaining contracts with customers (e.g. sales commissions) are recognised as an expense as incurred using the practical expedient under IFRS 15 since, if such costs were recorded as an asset, the amortisation period of that asset would be less than one year.

The Group has considered the most significant ways it generates revenue from the goods and services it sells. The following sets out how the general principles above apply to each of these significant areas and how revenue on each is recognised.

Sales of perpetual licences without a mandatory support contract
The Group licences software under licence agreements. The customer typically pays a one-off amount to purchase a licence conferring a perpetual right to use a version of the software. Revenue is recognised at a point in time, when control of the licence passes to the customer through practical acceptance. The Group considers the 'live' date to indicate practical acceptance of the software (refer note 1.1) and thus the date for transfer of control. If payments have been received in advance for licences, where practical acceptance has not yet been reached, these amounts are not recognised as revenue but as deferred income in the statement of financial position.

Sales of perpetual licences with a mandatory support contract
Some of the Group's perpetual licences are sold with mandatory support contracts. In these instances, if the customer decides to cancel their support contract their ability to use the perpetual licence ceases. In these cases, the Group considers the provision of the perpetual licence and the support contract to constitute one performance obligation. As such, the Group recognises the revenue relating to the perpetual licence over time, being the life of the support contract. As this is not known at inception, the group estimates the expected life of support contracts to be five years.

Subscription services, such as support, hosting and SaaS ('Software as a Service')
Each subscription service constitutes a separate contractual arrangement, and separate performance obligation. In each case the customer pays a regular fixed amount for the right to access relevant services, commencing on practical acceptance of the software (as previously defined). As these services are consumed as they are provided revenue is recognised over time, matching the period of the contract. If subscription services are invoiced in advance, these amounts are deferred and recognised as revenue over the relevant period.

Installations

The customer pays a fee for the software to be installed. To the extent to which this work is not complex and could be performed by a third party, revenue is recognised at a point in time, on completion. Complex work constitutes one performance obligation with the software licence, with installation revenue recognised in accordance with how revenue is recognised on the licence.

Training

The customer pays a fee for training. To the extent to which training is not essential for use of the software, revenue is recognised at a point in time, on delivery. Training that is considered essential constitutes one performance obligation with the software licence, and training revenue is recognised in accordance with how revenue is recognised on the licence.

Third party revenues

The Group sells, predominantly as principal, software developed by other organisations together with services that are bought in from third parties. The Group applies the principles of its revenue recognition policy to sales of third-party software in the same way it does sales of its own licenced products. As such, where perpetual licences that are capable of independent use represent one performance obligation, revenue on these is recognised at a point in time on practical acceptance of the software. If use of the software relies on using other services that are consumed over time, revenue from perpetual licence sales are recognised over time in line with recognition of those other services. Services are recognised over time in the period in which they are provided.

1.5 Share based payments

The Company operates a share based payment scheme. It is an equity settled share-based compensation plan (share options) for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are determined by reference to the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in the profit or loss with a corresponding credit to share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expenses recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as additional share premium.

1.6 Long term incentive plan (“LTIP”) – capped cash bonus

The LTIP awards can be share based or cash based. The cash awards are based on a capped cash bonus with performance conditions related to the growth in earnings per share of the Group or other targets set by the Remuneration Committee. These awards automatically mature following the publication of the Annual Report of the Company, three years after the period to which the grant relates. The liability is accrued and recognised in the statement of comprehensive income.

1.7 Long term incentive plan (“LTIP”) – share option based award

The LTIP awards can be share based or cash based. The number of share option granted under these awards are usually based on a percentage of salary with performance conditions related to the growth in earnings per share of the Group or other targets set by the Remuneration Committee. These awards can be exercised between three and ten years after the date of the grant. This element is expensed and recognised in the statement of comprehensive income over the vesting period.

1.8 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

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The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

a) fair value of consideration transferred,
b) the recognised amount of any non-controlling interest in the acquiree and
c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Where contingent consideration relates to the results spread over different accounting periods, the fair value of such consideration is recalculated at each year end and any adjustment is recognised in profit or loss immediately.

1.9 Adjusted operating profit

This measure is not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies. This is a measure used by the Group to assess performance. Adjusted operating profit excludes acquisition costs and related intangible asset amortisation and movements in contingent consideration and other one-off costs which can include, as an example, reorganisation costs. See notes 2 and 5.

1.10 Impairment testing of intangibles, right of use assets and property, plant and equipment (PPE)

The Group tests intangibles, right of use assets and PPE annually or more frequently if impairment indicators exist that indicate that the carrying amount may not be recoverable.

The carrying amount of the one cash-generating unit (CGU) has been determined based on value in use calculations. The value determined on the cash generating unit is compared against the assets of the Group to calculate impairments.

To determine the value-in-use, management estimates expected future cash flows, determines a suitable interest rate to calculate the present value of those cash flows. The Group prepares cash flow forecasts derived from the most recent budget. A discount factors is determined for the cash generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for the cash generating unit reduce the carrying amount of any goodwill first and any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash generating unit's recoverable amount exceeds its carrying amount.

1.11 Segment reporting

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

1.12 Intangible assets

Internal development costs

Costs incurred on product development relating to the design and development of new or enhanced products are capitalised as intangible assets when it is reasonably certain that the development will provide economic benefits, considering its commercial and technological feasibility and the resources available for the completion and marketing of the development, and where the costs can be measured reliably. The expenditures capitalised are the direct labour costs and subcontractor costs, which are managed and controlled centrally. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised product development expenditure is amortised over its useful life of five years. As development expenditure is incurred on multiple projects simultaneously, with roll-outs occurring on a continuous basis, amortisation commences in the month of costs being incurred. Maintenance costs are expensed. Amortisation of new products commences once a product is available for use.

Capitalised product development expenditure is subject to regular impairment reviews and is stated at cost less any accumulated impairment losses. Any impairment taken during the year is shown under administrative expenses on the statement of comprehensive income. Development costs that do not meet the requirements for capitalisation are written off to profit and loss as incurred. In accordance with IAS 38, no research costs are capitalised, but are expensed.

Purchased Software

Software acquired externally is capitalised when it is expected to have ongoing use within the business. Capitalised expenditure includes both the purchase price and any costs directly associated with bringing the software into use. Amortisation is charged over the useful economic life of the software, typically 3 to 5 years, beginning when it is capable of being used by the business.

Acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the Group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair values of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided to write off the cost of each intangible asset over its useful economic life as follows:

Intangible assets:	Estimated life
Brand and IP	15 years
Acquired developed technology	6 - 11.25 years
Contractual customer relationships	1.25 years
Non-contractual customer relationships	6 - 10.25 years

The useful economic life of intangible assets are reviewed annually.

1.13 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation on these assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold land and buildings	the lower of 5 years or the remaining lease period
Right to use assets	lease period
Office and computer equipment	3-5 years straight line
Fixtures, fittings and equipment	3 years straight line

1.14 Financial assets

The Group classifies its financial assets under the definitions provided in International Financial Reporting Standard 9 (IFRS 9), depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Management considers that the Group's financial assets fall under the amortised cost category. These are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The Group's financial assets held at amortised cost arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. As such they comprise trade receivables, intercompany trading balances (in relation to Company accounts), and cash and cash equivalents. Financial assets do not comprise prepayments.

The Group's financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. The exception are trade and receivables balances, which are recorded at their transaction price as they do not contain a significant financing component (see note 1.4). The Group's financial assets are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

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Impairment provisions for trade receivables, being loss allowances for 'expected credit losses' (ECLs) per IFRS 9, are measured on a lifetime basis using the simplified approach set out in that financial reporting standard. The Group's method in measuring ECLs reflects:

- unbiased and probability-weighted amounts, determined using a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group has applied the practical expedient in IFRS 9 of using a provision matrix to calculate ECLs. This requires the use of historical credit loss experience, as revealed for groupings of similar trade receivable assets, to estimate the relevant ECLs. As such, the Group has employed the following process in calculating ECLs:

- Grouping – trade receivables are grouped based on the similarity of their customer risk profile, being underlying product type and geographical region;
- Default definition – amounts not collected are defined in accordance with the credit risk management of the Group and include qualitative factors, broadly encompassing scenarios where the customer is either unable or unwilling to pay.
- Collection profiles and loss rates – the collection time periods (e.g. within 30 days, 30 – 60 days, etc.) for sales made in the preceding 12-month period are gathered, amounts not collected assessed and loss rates based on ageing inferred;
- Historical periods – historic losses are reviewed over a 3-year time horizon;
- Forward-looking assessment – the Group considers relevant future economic factors affecting each group of trade receivables, giving an expected probability of default for the portfolio.

The resultant expected loss rates are applied to the ageing profile of grouped trade receivables at the balance sheet date to give the lifetime ECLs for each. This produces the loss allowances to be booked as an impairment adjustment to the carrying value of trade receivables.

Trade receivables are reported net of the resultant loss allowances. The loss is recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9.

The Parent Company's receivables due from Group companies are subject to the requirements of IFRS 9, with specific considerations relating to:

- Whether the loans are within the scope of IFRS 9;
- Whether the loans meet the Solely Payments of Principal and Interest test; and
- Whether the loans are in a "hold to collect" business model.

The Parent Company has followed the considerations required under IFRS 9 on the above, and determined the appropriate recognition of the balances receivable from Group companies is at 'amortised cost' following the General ECL model.

This requires the Parent Company to further consider:

- Whether the loans are credit impaired; and
- Whether the loans have suffered a significant increase in credit risk.

The Parent Company has followed the considerations required under IFRS 9 on the above, and noted that neither of the above have occurred during the year ended 31 December 2022, and as such, the appropriate model is the 12-month ECL model. The implications of this have been disclosed in note 17.

1.15 Financial liabilities

The Group classifies its financial liabilities under the definitions provided in IFRS 9. All financial liabilities are recorded initially at fair value plus or minus directly attributable transaction costs. Except where noted, such liabilities are then measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include trade payables, intercompany trading balances (in relation to Company accounts), bank loans and accruals. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Unless otherwise indicated, the carrying values of the Group's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

1.16 Convertible loan notes

The proceeds received on issue of the Group's convertible loan note are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the loan note. The remainder of the proceeds is allocated to the conversion option and is recognised in the 'Convertible loan note reserve' within Shareholders' equity, net of income tax effects.

1.17 Investments

Investments in subsidiary companies are included at cost in the accounts of the Company less any amount written off in respect of any impairment in value.

1.18 Leases

The Group leases office space usually on a fixed period, some with an ability to extend at the option of the Group and computer equipment on a fixed term basis. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The Group acts only as lessee, not as lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The discount rate used on the office building is 5%, which is based on the bank loan borrowing rate plus commitment and legal fees. The discount rate on the computer equipment varies depending on the implicit rate in the lease, with this calculated to ensure that the final liability on the agreement is equal to the final cash payment that is required.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1.19 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

1.20 Equity

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- '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.
- 'Merger reserve' is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.

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- 'Convertible loan note reserve' represents the equity element arising on the issue of a loan note with rights to an equity conversion.
- 'Share option reserve' represents equity-settled share-based employee and non-employee remuneration until such share options are exercised, or expire.
- 'Retained earnings' represents retained profits and losses.
- 'Foreign exchange reserve' represents translation differences arising on the consolidation of investments in overseas subsidiaries.

1.21 Foreign currency translation

The consolidated financial statements are presented in sterling, which is also the functional currency of the parent Company.

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

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated from their functional currency to Sterling at exchange rates prevailing on the statement of financial position date. Income and expenses have been translated from their functional currency into Sterling at the average rate for each month over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

1.22 Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

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

Tax on adjusted profits is calculated as the total tax position for the year less the Deferred tax on acquisition intangibles contained within Note 9.

1.23 Defined contribution pension scheme

The pension costs charged in profit or loss represent the contributions payable by the Group during the year.

1.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income within administrative expenses over the period necessary to match them with the costs that they are intended to compensate. See notes 5 and 8.

Government grants include furlough payments which are recognised in employee costs to match with the costs that they are intended to compensate. See note 7.

1.25 Research and development

The group qualified for R&D relief under the SME scheme, with tax income adjusted to include an estimate for R&D tax credit benefit. See note 9.

1.26 Accounting standards

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group operations that have not been applied in these financial statements were in issue but not yet effective:

	Effective date
IAS 1 Presentation of Financial Statements	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023

The expected impact of these has not yet been assessed.

2. Reconciliation of adjusted profits to consolidated statement of comprehensive income

	Note	Adjusted profits 2022 £'000	Acquisition related, reorganisation and other costs 2022* £'000	2022 £'000	Adjusted profits 2021 £'000	Acquisition related reorganisation and other costs 2021* £'000	2021 £'000
Revenue		5,699	-	5,699	5,599	-	5,599
Cost of sales		(816)	-	(816)	(685)	-	(685)
Gross profit		4,883	-	4,883	4,914	-	4,914
Administrative expenses		(5,039)	(163)	(5,202)	(5,054)	(59)	(5,113)
Operating (loss)		(156)	(163)	(319)	(140)	(59)	(199)
Financial income		-	-	-	-	-	-
Financial cost		(134)	-	(134)	(99)	-	(99)
(Loss) before tax		(290)	(163)	(453)	(239)	(59)	(298)
Tax income		239	31	270	287	15	302
(Loss)/profit for the year		(51)	(132)	(183)	48	(44)	4
Other comprehensive loss net of tax:							
Currency translation differences		7	-	7	4	-	4
Total comprehensive (loss)/profit for the year net of tax		(44)	(132)	(176)	52	(44)	8
Earnings per share							
Basic	10	(0.26p)	-	(0.93p)	0.24p	-	0.02p
Diluted	10	(0.26p)	-	(0.93p)	0.24p	-	0.02p

* See note 5

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3. Segment reporting

Divisional segments

	Ikiru People 2022 £'000	Central 2022 £'000	Total 2022 £'000	Ikiru People 2021 £'000	Central 2021 £'000	Total 2021 £'000
Segment revenue	5,699	-	5,699	5,599	-	5,599
Segment EBITDA	905	44	949	953	29	982
Depreciation and amortisation expense	(1,105)	-	(1,105)	(1,122)	-	(1,122)
Segment result before reorganisation and other costs	(200)	44	(156)	(169)	29	(140)
Reorganisation and other costs	-	-	-	154	-	154
Segment result	(200)	44	(156)	(15)	29	14
Acquisition related amortisation	-	(163)	(163)	-	(213)	(213)
Operating (loss)	(200)	(119)	(319)	(15)	(184)	(199)
Loan interest/ lease interest	(31)	(103)	(134)	(35)	(64)	(99)
Loss before tax			(453)			(298)
Income tax income			**270**			**302**
(Loss)/Profit for the year			**(183)**			**4**
Additions of non-current assets	**1,022**		**1,022**	**1,028**		**1,028**

Revenue by Business Segment

The following table provides an analysis of the Group's revenue by product area for the 12 months of the financial year.

	2022 £'000	2021 £'000
Recurring income	5,051	5,009
Non-recurring income	488	427
Third party revenues	160	163
	5,699	**5,599**

See note 1.4 on the revenue recognition policy under IFRS 15 and the distinction on timing of revenue recognition. In the table above 'Recurring income' represents all income recognised over time, whereas 'Non-recurring income' and 'Third party revenues' represent all income recognised at a point in time.

Recurring income includes all support services, SaaS and hosting income and revenue on perpetual licenses with mandatory support contracts deferred under IFRS 15. Non-recurring income includes sales of new licenses which do not require a support contract, and income derived from installing licences including training, installation and data translation. Third party revenues arise from the sale of third party software.

It is not possible to allocate assets and additions between recurring, non-recurring income and third party revenue. No customer represented more than 10% of revenue of the Group in 2022 or 2021.

Revenue by Business Sector

The following table provides an analysis of the Group's revenue by market sector.

	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Contingent	3,441	3,087	3,005	3,795
Executive Search	2,258	2,512	3,327	4,232
	5,699	**5,599**	**6,332**	**8,027**

The above table includes years going back to 2019 when revenue was last reported split between Dillistone, Voyager and GatedTalent segments for comparative purposes.

For the purposes of the 2019 comparative:

- Contingent encompasses the Voyager segment
- Executive Search encompasses both Dillistone and GatedTalent segments.

For the brands which comprise the respective sectors, please refer to page 4.

4. Geographical analysis

The following table provides an estimated of the Group's revenue by geographic market based on the Customers' country. This is provided for information only as the Board does not review the performance of the business from a geographical viewpoint.

Revenue

	2022 £'000	2021 £'000
UK	4,148	3,933
Europe	663	762
Americas	518	526
Australia	147	140
ROW	223	238
	5,699	**5,599**

Non-current assets by geographical location

	2022 £'000	2021 £'000
UK	6,927	7,169
US	-	1
Australia	1	4
	6,928	**7,174**

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5. Acquisition related, reorganisation and other costs

	2022 £'000	2021 £'000
Included within administrative expenses:		
Reorganisation and other costs	-	6
US government loan (Payment Protection Program)	-	(154)
Australian government grant	-	(6)
Amortisation of acquisition intangibles	163	213
	163	**59**

Reorganisation and other costs include severance payments and loss of office payments.

Below are reconciliations utilising the items above related to Covid, including furlough payments, to adjusted measures used to better illustrate the underlying business performance.

	2022 £'000	2021 £'000
EBITDA	949	982
Furlough Payments	-	(235)
Adjusted EBITDA	**949**	**747**

	2022 £'000	2021 £'000
Adjusted operating (loss) before acquisition related, reorganisation and other items	(156)	(140)
Furlough Payments	-	(235)
Readjusted operating (loss) before acquisition related, reorganisation and other items	(156)	(375)
Acquisition related, reorganisation and other costs as above	(163)	(59)
Adjust for:		
Reorganisation and other costs	-	6
US government loan (Payment Protection Program)	-	(154)
Australian government grant	-	(6)
Adjusted Operating (Loss)	(319)	(588)
Financial Cost	(134)	(99)
Adjusted (Loss) Before Tax	(453)	(687)

6. Operating loss

	2022 £'000	2021 £'000
Operating loss is stated after charging:		
Depreciation on property, plant and equipment	15	20
Depreciation on Right to use assets	94	108
Amortisation	1,159	1,207
Money purchase pension contributions	309	333
Fees receivable by the Group auditors:		
Audit of financial statements	16	15
Other services:		
Audit of accounts of subsidiaries of the Company	43	40
Taxation compliance services	16	12
Other services	5	3

7. Employees

The average number of employees was:

	2022 number	2021 number
Operations	70	76
Management	9	9
Total Employee numbers	**79**	**85**

Their aggregate remuneration including directors' remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	3,214	3,431
Social security costs	359	382
Pension costs	309	333
Share based payments	8	9
LTIP share based	8	(5)
	3,898	**4,150**

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The aggregate remuneration includes salary cost totalling £764,000 (2021: £853,000) that has been capitalised in intangible assets. In addition, the Group has received the benefit of payments under the furlough scheme of £nil (2021: £235,000) which has been netted off the above figures.

Key management of the Group are the directors and the divisional directors. Remuneration of key management was as follows:

	2022 £'000	2021 £'000
Wages and salaries	658	749
Social security costs	81	93
Pension costs	60	70
Share based payments	2	3
LTIP share based	7	11
	808	**926**

The Company's only employees are the directors. Details of directors' emoluments, share options and pension entitlements are given in the Report to the Shareholders on Directors' Remuneration on pages 20 to 22.

8. Financial income and cost

	2022 £'000	2021 £'000
Finance cost on bank overdraft	8	1
Finance cost on bank loan	-	3
Finance cost on convertible loan	33	31
Finance cost on lease liabilities	30	35
Interest on CBIL loan	63	56
Grant from UK government to cover CBIL loan interest	-	(27)
	134	**99**

9. Tax income

	2022 £'000	2021 £'000
Current tax	(139)	(96)
Prior year adjustment – current tax	(146)	(121)
Total current tax	(285)	(217)
Deferred tax	(23)	(35)
Prior year adjustment – deferred tax	69	(60)
Deferred tax rate change from 19% to 25% in 2021	-	50
Deferred tax re acquisition intangibles	(31)	(40)
Total deferred tax	15	(85)
Tax (income) for the year	**(270)**	**(302)**
Factors affecting the tax credit for the year		
Loss before tax	(453)	(298)
UK rate of taxation	19.0%	19.0%
Loss before tax multiplied by the UK rate of taxation	(86)	(57)
Effects of:		
Overseas tax rates	-	(6)
Impact of deferred tax not provided	17	(1)
Enhanced R&D relief	(174)	(146)
Disallowed expenses	11	18
Deferred tax rate change from 19% to 25% in 2021	-	50
Rate difference between CT rate and deferred tax rate	(5)	(9)
Rate difference between CT rate and rate of R&D repayment	43	30
Prior year adjustments	(76)	(181)
Tax (income)	**(270)**	**(302)**

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For the year ended 31 December 2022
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Deferred tax liability provided in the financial statements is as follows:

	Group			Company	
	2022 £'000	Movement £'000	2021 £'000	2022 £'000	2021 £'000
Internally generated intangible and fixed assets	110	46	64	-	-
Acquisition intangibles	116	(30)	146	-	-
	226	**16**	**210**	**-**	**-**

	Group			Company	
	2021 £'000	Movement £'000	2020 £'000	2021 £'000	2020 £'000
Internally generated intangible and fixed assets	64	(71)	135	-	-
Acquisition intangibles	146	(15)	161	-	-
	210	**(86)**	**296**	**-**	**-**

The UK corporation tax rate for the year is 19.0%. Deferred tax is provided in relation to the UK at a rate of 25.0% (2021:25.0%). The tax credit is impacted by the R&D tax credits available to the UK business. It has been assumed that where there are tax losses arising as a result of R&D tax credits they will be surrendered for a tax repayment at the HMRC stated rate of 14.5%. The Group has gross tax losses of £598,000 (2021: £622,000) for which no deferred tax asset has been recognised as the timing of their utilisation is uncertain.

10. Earnings per share

	2022 Using adjusted profit	2022	2021 Using adjusted profit	2021
(Loss)/profit attributable to ordinary shareholders (note 2)	(£51,000)	(£183,000)	£48,000	£4,000
Weighted average number of shares	19,668,021	19,668,021	19,668,021	19,668,021
Basic (loss)/profit per share	(0.26 p)	(0.93 p)	0.24 p	0.02 p
Weighted average number of shares after dilution	19,668,021	19,668,021	19,668,021	19,668,021
Fully diluted (loss)/profit per share	(0.26 p)	(0.93 p)	0.24 p	0.02 p

Reconciliation of basic to diluted average number of shares:

	2022	2021
Weighted average number of shares (basic)	19,668,021	19,668,021
Effect of dilutive potential ordinary shares – employee share plans	-	-
Weighted average number of shares after dilution	19,668,021	19,668,021

There are 476,510 (2021: 493,337) share options not included in the above calculations, as they are underwater or have been forfeited.

The impact of the convertible loan notes in the period is not dilutive and therefore does not impact the calculation of the fully diluted earnings per share.

11. Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The loss for the financial year for the parent Company was £(59,000) (2021: loss £35,000) and has been approved by the Directors.

12. Goodwill

Group	Goodwill £'000
Cost	
At 1 January 2021	3,415
Additions	-
At 31 December 2021	**3,415**
Additions	-
At 31 December 2022	**3,415**

Carrying amount	
At 31 December 2022	**3,415**
At 31 December 2021	3,415

At the year end date, an impairment test has been undertaken by comparing the recoverable amount of the CGU to which the goodwill has been allocated, against the carrying value of that CGU. The recoverable amount of the cash generating unit is based on value-in-use calculations.

The key assumptions used for value-in-use calculations are those regarding growth rates and discount rates. The discount rate is reviewed annually to take into account the current market assessment of the time value of money and the risks specific to the cash generating units and rates used by comparable companies. The pre-tax discount rate used to calculate value-in-use is 14.8% (2021: 13.0%). Costs are reviewed and increased for inflation and other cost pressures. The long term growth rate used for the terminal value calculation was 1.0% (2021: 1.0%). The allocation of goodwill to the CGU is as follows:

	Opening £'000	Addition £'000	Impairment £'000	Closing £'000
Ikiru People	3,415	-	-	3,415

The calculations showed the discount rate would need to be increased by over 7% or the forecast cashflow reduced by 39% before an impairment became necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
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13. Other intangible assets

Group	Development costs £'000	Purchased software £'000	Acquisition intangibles £'000	Total £'000
Cost				
At 1 January 2021	10,476	166	4,172	14,814
Additions	987	-	-	987
Written off	-	-	-	-
At 31 December 2021	11,463	166	4,172	15,801
Additions	1,007	-	-	1,007
Written off	-	-	-	-
At 31 December 2022	**12,470**	**166**	**4,172**	**16,808**
Amortisation				
At 1 January 2021	8,025	102	3,325	11,452
Charge for the year	946	48	213	1,207
Written off	-	-	-	-
At 31 December 2021	8,971	150	3,538	12,659
Charge for the year	980	16	163	1,159
Written off	-	-	-	-
At 31 December 2022	**9,951**	**166**	**3,701**	**13,818**
Carrying amount				
At 31 December 2022	**2,519**	**-**	**471**	**2,990**
At 31 December 2021	2,492	16	634	3,142

Acquisition intangibles can be summarised as follows:

	Brand £'000	Developed technology £'000	Brand and IP £'000	Contractual and non-contractual customer relationships £'000	Total £'000
NBV					
At 1 January 2022	61	28	317	228	634
Amortisation	(12)	(28)	(41)	(83)	(164)
At 31 December 2022	**49**	**-**	**276**	**145**	**470**

Intangible assets under development are reviewed each reporting period for impairment prior to amortisation. Forecasts of future revenue are prepared and these are discounted and compared to the carrying value. Sensitivities are carried out including applying differing growth and attrition rates as well as alternative discount rates. Purchased software is reviewed for impairment based on its continued use within the business.

The Company has no intangible assets.

14. Property, plant and equipment

Group	Office & computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2021	927	176	1,103
Additions	21	-	21
At 31 December 2021	948	176	1,124
Additions	14	1	15
At 31 December 2022	**962**	**177**	**1,139**
Depreciation			
At 1 January 2021	908	171	1,079
Charge for the year	16	4	20
At 31 December 2021	924	175	1,099
Charge for the year	14	1	15
At 31 December 2022	**938**	**176**	**1,114**
Carrying amount			
At 31 December 2022	**24**	**1**	**25**
At 31 December 2021	24	1	25

The Company has no property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
Continued

15. Right of use assets

Group	Land and buildings £'000	Office & computer equipment £'000	Total £'000
Cost			
At 1 January 2021	826	30	856
Additions	-	20	20
Disposals	-	-	-
At 31 December 2021	826	50	876
Additions	-	-	-
Disposals	(31)	-	(31)
At 31 December 2022	**795**	**50**	**845**
Depreciation			
At 1 January 2021	162	14	176
Charge for the year	94	14	108
Eliminated on disposal	-	-	-
At 31 December 2021	256	28	284
Charge for the year	83	11	94
Eliminated on disposal	(31)	-	(31)
At 31 December 2022	**308**	**39**	**347**
Carrying amount			
At 31 December 2022	**487**	**11**	**498**
At 31 December 2021	570	22	592

16. Non-current asset investments

Company	Investments in subsidiaries £'000
At 1 January 2021	7,168
Impairment	-
At 31 December 2021	7,168
Impairment	-
At 31 December 2022	**7,168**

Investments are reviewed annually for impairment. Cash flows projections are prepared covering a three year period, and the terminal value calculated. Key assumptions are; growth rate of 1.0% (2021: 1.0%) used for the terminal value calculation, increases in costs due to inflationary pressures and a discount rate of 14.8% (2021: 13.0%).

The calculations showed the discount rate would need to be increased by over 7% or the forecast cashflow reduced by 37% before an impairment became necessary.

The Company has the following subsidiary undertakings:

Name	Principal activity	Holding of ordinary shares	Registered
Ikiru People Limited	Sale of computer software and related support services	100%	England & Wales
Ikiru People Pty Limited	Sale of computer software and related support services	100%	Australia
Ikiru People Inc	Sale of computer software and related support services	100%	USA
FCP Internet Limited	Dormant	100%	England & Wales
FCP Internet Holdings Limited	Dormant holding company	100%	England & Wales
GatedTalent Limited	Dormant	100%	England & Wales
ISV Software Limited	Dormant	100%	England & Wales
Woodcote Software Limited	Dormant	100%	England & Wales
Voyager Software Limited	Dormant	100%	England & Wales
Voyager Software (Australia) Pty Limited	Dormant	100%	Australia

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
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The registered addresses of related undertakings are as follows:

Company	Registered Address
Dillistone Group Plc	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Ikiru People Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Ikiru People Pty Limited	Suite 3, Level 3, 245 Castlereagh Street, Sydney, NSW 2000, Australia
Ikiru People Inc	221 River Street, 9th Floor, Suite 9126, Hoboken, NJ 07030, USA
FCP Internet Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
FCP Internet Holdings Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
GatedTalent Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
ISV Software Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Woodcote Software Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Voyager Software Limited	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Voyager Software (Australia) Pty Limited	Suite 3, Level 3, 245 Castlereagh Street, Sydney, NSW 2000, Australia

17. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables - net	436	442	-	-
Group receivables	-	-	-	28
Other current assets	12	9	-	-
Prepayments and accrued income	160	164	9	17
	608	**615**	**9**	**45**

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. The movement in the expected credit losses (ECLs) provision is shown below.

Trade receivables are recorded and measured in accordance with note 1.14 above. See note 1.1 and 1.14 for further details on the Group's approach to calculating ECLs and the material estimates and judgements involved.

	Current £'000	From 1 to 30 days past due £'000	From 31 to 60 days past due £'000	Greater than 60 days past due £'000	Total £'000
Trade Receivables					
Gross Carrying Amount	420	20	14	2	456
Loss Allowance Provision	15	1	2	1	19
Expected Loss Rate	*4%*	*7%*	*15%*	*29%*	

The movement in the provision for loss allowances is as follows:

	£'000
Balance as at 1 January 2021	75
Decrease during the year	(35)
Balance as at 31 December 2021	40
Decrease during the year	(21)
Balance as at 31 December 2022	**19**

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

	2022 £'000	2021 £'000
Current	420	377
Past due date:		
Up to 30 days overdue	20	61
More than 30 days overdue	16	44
	456	**482**

The Company's group receivables, being amounts due from wholly-owned subsidiaries, are repayable on demand. Additionally, all companies are covered by a group-wide guarantee.

The Parent Company has determined that credit risk for receivables from Group Companies has not increased significantly since their initial recognition. The Parent Company have considered a range of scenarios relating to amounts to be received from amounts receivable from Group Companies, and the likelihood of those outcomes. The impact of these scenarios using the 12-month ECL model disclosed in note 1.14 was not material to the Company.

18. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current liabilities				
Trade payables	437	385	32	47
Group payables	-	-	703	339
Deferred income	1,388	1,401	-	-
Accruals	516	561	65	114
	2,341	**2,347**	**800**	**500**

Non-current liabilities	**£'000**	**£'000**	**£'000**	**£'000**
Deferred Income	241	238	-	-

The deferred income in 2022 and 2021 represents the entire balance of contract liabilities from contracts with customers. The movement on this balance is recognised as revenue in the reporting period. The revenue recognised in the reporting period that was included as a contract liability (deferred income) at the start of the period was £1,401,000 (2021: £1,758,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
Continued

19. Cash and cash equivalents

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash balances available on demand	433	764	15	21

The balances are shown gross before netting off as allowed by the Group's bank overdraft facility.

20. Borrowings

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current bank borrowings	300	300	300	300
Current loan note borrowings	-	-	-	-
Non current bank borrowings	750	1,050	750	1,050
Non current loan note borrowings	400	400	400	400
Total borrowings	**1,450**	**1,750**	**1,450**	**1,750**

The directors consider that the fair value of borrowings approximates to the carrying value except for the convertible loan note.

In June 2020, the Company secured a loan of £1.5m under the UK Government's Business Interruption Loan (CBIL) scheme. The Loan is repayable over 6 years with capital repayments commencing in July 2021. Interest is payable at 3.99% over base with the UK Government effectively paying the first 12 months interest under the CBIL scheme.

The Group has an overdraft facility in the UK of £200,000 which was unused at the year-end (2021: unused). Under the banking arrangements all UK accounts are netted, however for the purposes of the accounts the balances are shown gross before netting off.

Reconciliation of liabilities arising from financing activities	2021 £'000	Cashflows £'000	Lease adjustments £'000	Non cash movement between current and non current £'000	Closing 2022 £'000
Non current borrowings					
Bank Loan	1,050	-	-	(300)	750
Convertible loan note	400	-	-	-	400
Lease liabilities	560	-	-	(77)	483
Total non current borrowings	**2,010**	**-**	**-**	**(377)**	**1,633**
Current borrowings					
Banking facility	-	-	-	-	-
Bank Loan	300	(300)	-	300	300
Convertible loan note	-	-	-	-	-
Lease liabilities	95	(95)	-	77	77
Total current borrowings	**395**	**(395)**	**-**	**377**	**377**

	2020 £'000	Cashflows £'000	Lease adjustments £'000	Non cash movement between current and non current £'000	Closing 2021 £'000
Non current borrowings					
Bank Loan	1,350	-	-	(300)	1,050
Convertible loan note	399	-	1	-	400
Lease liabilities	638	-	18	(96)	560
Total non current borrowings	**2,387**	**-**	**19**	**(396)**	**2,010**
Current borrowings					
Bank Loan	452	(452)	-	300	300
Convertible loan note	9	(9)	-	-	-
Lease liabilities	103	(104)	-	96	95
Total current borrowings	**564**	**(565)**	**-**	**396**	**395**

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For the year ended 31 December 2022
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21. Share capital

Allotted, called up and fully paid	2022 £'000	2021 £'000
Ordinary shares of 5p each	983	983

No share options were exercised in the period (2021: nil).

Shares issued and fully paid	2022 Number	2021 Number
Beginning of the year	19,668,021	19,668,021
Shares issued on exercise of options	-	-
Shares issued and fully paid	19,668,021	19,668,021

22. Lease arrangements

The Group has an option to extend the lease of its Basingstoke office, which it has assumed it will do based on the considerations set out in Note 1. The maturity of undiscounted lease liabilities is as follows:

	2022 £'000	2021 £'000
Less than one year	104	125
One to five years	438	411
More than five years	108	231
	650	**767**

23. Share options

Share based payments

There are three share option schemes in operation: an Enterprise Management Incentive Scheme (the 'EMI Scheme') which complies with the requirements of HMRC; a scheme which has not been approved by HMRC (the 'Unapproved Scheme') and a Share Save Scheme ("SAYE Scheme"). The terms and conditions of the EMI and Unapproved schemes are the same. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are normally forfeited if the employee leaves the Company before the options become available to exercise, which would normally be three years after grant. Performance conditions are associated with the LTIP options. The Company also operates a SAYE scheme which allows discounts of up to 20% to be offered. The scheme has a linked savings contract of 3 years.

Expected volatility takes into account historic volatility of the share price and its current trend.

There were three grants of options in 2022, two granted under the EMI scheme and one under the SAYE scheme. Two EMI schemes in June 2022 at a share price of 22.5p, with one having performance conditions applied, and one SAYE scheme in November 2022 with a share price of 11.7p. The fair values of the services received in exchange for share based payments were calculated using a Black-Scholes pricing model. The inputs into the model were as follows:

Date of grant	Number granted	Share price on issue date	Exercise price	Expected volatility	Vesting period	Leaver rate over vesting period	Risk-free rate	Expected dividend yield
26 Nov 2022 SAYE	351,990	13.0p	11.7p	50%	3.3 years	15%	3.0%	0.0%
16 June 2022 LTIP/EMI	500,000	22.5p	22.5p	50%	3.3 years	0%	2.0%	0.0%
16 June 2022 EMI	70,000	22.5p	22.5p	50%	3.3 years	10%	2.0%	0.0%

Details of the number of share options and the weighted average exercise price ('WAEP') outstanding during the year are as follows:

	2022		2021	
	No of options	WAEP	No of options	WAEP
Outstanding at the beginning of year	1,181,500	31.25	1,306,337	43.65
Granted during the year	921,990	18.38	550,000	22.05
Exercised during the year	-	-	-	-
Forfeited during the year	(105,000)	30.43	(674,837)	47.75
Outstanding at the end of the year	1,998,490	25.35	1,181,500	31.25
Exercisable at the year end	298,500	64.62	198,500	83.78

The Company's mid-market share price on 31 December 2022 was 14.5p. The average mid- market share price in 2022 was 19.29p.

The fair value of all options granted is shown as an employee expense with a corresponding increase in equity. The employee expense is recognised equally over the time from grant until vesting of the option. The expense charged takes into account the likelihood of performance targets being met. The employee expense for the year was £16,000 (2021: £46,000).

Share options remaining in the schemes are as follows:

Scheme type	Date of grant	Exercise from	Lapse date	Options remaining	Exercise price (p)
EMI	08/07/2013	08/07/2016	07/07/2023	7,000	79.50
EMI	08/12/2014	08/12/2017	07/12/2024	96,500	97.00
EMI	03/02/2015	03/02/2018	02/02/2025	25,000	90.50
EMI	09/11/2017	09/11/2020	08/11/2027	60,000	58.00
EMI	03/07/2019	03/07/2022	02/07/2029	120,000	33.00
Sharesave	26/11/2020	01/01/2024	01/07/2024	353,000	14.40
EMI	10/02/2021	10/02/2024	09/02/2031	40,000	22.00
EMI (LTIP)	10/02/2021	10/02/2024	09/02/2031	420,000	22.00
EMI	16/06/2022	16/06/2025	15/06/2032	70,000	22.50
EMI (LTIP)	16/06/2022	16/06/2025	15/06/2032	500,000	22.50
Sharesave	22/11/2022	01/01/2026	01/07/2026	351,990	11.70
				1,998,490	

The weighted average remaining contractual life of options at 31 December 2022 was 5.93 years (2021: 6.11 years).

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LTIP

LTIP awards under the long term incentive plan take the form of a cash bonus of up to one-third annual salary or the grant of share options, with appropriate performance conditions in place. In 2022, the charge in respect of the LTIP schemes, which are share based and require separate disclosure under IFRS 2, was £9,000 (2021: 18,000).

24. Financial instruments

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

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

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

(i) Interest rate risk

The Group is exposed to interest rate risk on its floating rate borrowings and its financial assets. The interest rate profile of the Group's financial assets at 31 December 2022 was:

At 31 December 2022	Group		Company	
	Non interest bearing financial assets £'000	Floating rate financial assets £'000	Non interest bearing financial assets £'000	Floating rate financial assets £'000
Trade and other receivables (current assets)	434	-	-	-
Cash and cash equivalents	-	433	-	15
	434	**433**	**-**	**15**

The interest rate profile of the Group's financial assets at 31 December 2020 was:

At 31 December 2021	Group		Company	
	Non interest bearing financial assets £'000	Floating rate financial assets £'000	Non interest bearing financial assets £'000	Floating rate financial assets £'000
Trade and other receivables (current assets)	451	-	28	-
Cash and cash equivalents	-	764	-	21
	451	**764**	**28**	**21**

The table below shows the Group's financial liabilities split by those bearing interest at floating rates or fixed rates and those that are non-interest bearing.

At 31 December 2022	Group		Company	
	Non interest bearing financial liabilities £'000	Fixed rate financial liabilities £'000	Non interest bearing financial liabilities £'000	Fixed rate financial liabilities £'000
Trade and other payables (current liabilities)	700	-	784	-
Borrowings - convertible loan note	-	400	-	400
Borrowings - bank	-	1,050	-	1,050
Lease liabilities	560	-	-	-
	1,260	**1,450**	**784**	**1,450**

At 31 December 2021	Group		Company	
	Non interest bearing financial liabilities £'000	Fixed rate financial liabilities £'000	Non interest bearing financial liabilities £'000	Fixed rate financial liabilities £'000
Trade and other payables (current liabilities)	702	-	484	-
Borrowings - convertible loan note	-	400	-	400
Borrowings - bank	-	1,350	-	1,350
Lease liabilities	655	-	-	-
	1,357	**1,750**	**484**	**1,750**

The bench marks for interest rates on floating rate financial assets and financial liabilities are bank base rates for the currencies in which the assets are held. Sensitivities of movements in interest rates have been considered by directors and reasonably possible movements in interest rates are not considered to have a material impact on future Group profits or equity.

(ii) Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and monies on deposit with financial institutions.

Trade receivables are adjusted for credit risk by applying the impairment methodology set out in IFRS 9 (see note 1.14). Provisions for loss allowances arising from expected credit losses are booked against the carrying value of trade receivables (see note 17). Once the Group has determined that there is no reasonable expectation of recovery, the relevant trade receivable balances are written off against the loss allowance provision. Indicators that recovery cannot reasonably be expected include the conclusion of legal proceedings or 3rd-party debt collection without full recovery.

Debt ageing and collections are monitored on a regular basis and for new customers deposits are usually required. Some trade receivables are past due as at the reporting date. The company bases its provisions on trade receivable balances based on the expected credit loss model ('ECL') as required by IFRS. Information on financial assets past due are included in note 17.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk at the reporting date is represented by the carrying value of financial assets, as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade and other receivables (current assets)	434	451	-	28
Cash and cash equivalents	433	764	15	21
	867	**1,215**	**15**	**49**

The Company's other receivables are primarily intercompany loans made to wholly-owned subsidiaries and supported by a group-wide guarantee and repayable on demand. The Company has followed the considerations required under IFRS 9 on the above and as such, no provision has been raised on these balances. See note 17.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure it has sufficient liquidity to meet its liabilities when due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
Continued

As at 31 December 2022, the Group and Company's financial liabilities (excluding deferred income, payroll taxes, VAT and similar taxes) have contractual cashflows as summarised below, maturity of lease liabilities is set out in note 22:

Group 31 December 2022	Carrying amount £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Trade and other payables (current liabilities)	700	700	-	-	-
Trade and other payables (non-current liabilities)	-	-	-	-	-
Borrowings	1,450	300	300	850	-
Bank facility	-	-	-	-	-
	2,150	**1,000**	**300**	**850**	**-**

31 December 2021	Carrying amount £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Trade and other payables (current liabilities)	702	702	-	-	-
Trade and other payables (non-current liabilities)	-	-	-	-	-
Borrowings	1,750	300	300	1,150	-
Bank facility	-	-	-	-	-
	2,452	**1,002**	**300**	**1,150**	**-**

The Group forecasts its cash requirements through its budget processes and looks to ensure that it has sufficient cash over the coming year to meet liabilities as they fall due and over each subsequent annual period covered by the 3 year forecast. As such it considers the time bands set out above the most appropriate representation of its liquidity risk profile.

Company 31 December 2022	Carrying amount £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Trade and other payables (current liabilities)	784	784	-	-	-
Trade and other payables (non-current liabilities)	-	-	-	-	-
Borrowings	1,450	300	300	850	-
Bank facility	-	-	-	-	-
	2,234	**1,084**	**300**	**850**	**-**

31 December 2021	Carrying amount £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Trade and other payables (current liabilities)	484	484	-	-	-
Trade and other payables (non-current liabilities)	-	-	-	-	-
Borrowings	1,750	300	300	1,150	-
Bank facility	-	-	-	-	-
	2,234	**784**	**300**	**1,150**	**-**

(iv) Foreign currency risk

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

The Group aims to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

At the year end, the Group had assets totalling £144,000 and £nil liabilities in Euros (2021: assets totalling £186,000 and liabilities totalling £nil), assets totalling £214,000 and liabilities totalling £191,000 denominated in US Dollars (2021: assets totalling £416,000 and liabilities totalling £319,000) and assets totalling £213,000 and liabilities totalling £166,000 denominated in Australian Dollars (2021: assets totalling £495,000 and liabilities totalling £181,000). If each of the exchange rates strengthened by 5%, the impact on the statement of comprehensive income would be as follows:

	Group	
	2022 £'000	2021 £'000
Euros	7	9
US Dollars	1	5
Australian Dollars	2	15
	10	**29**

At the year end, the Company had liabilities totalling £nil denominated in Euros (2021: £nil), assets totalling £nil denominated in US Dollars (2021: assets totalling £nil) and assets totalling £nil denominated in Australian Dollars (2021: assets totalling £nil).

For the Company, a 5% increase in the value of each of the above currencies would have resulted in an impact on the income statement as follows:

	Company	
	2022 £'000	2021 £'000
Euros	-	-
US Dollars	-	-
Australian Dollars	-	-
	-	**-**

Capital risk management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, sell assets or take on bank debt. The decision to take on some element of debt gives the Group additional flexibility in its capital structure and enables it to lower its cost of capital.

The Group considers its capital to include share capital, share premium, merger reserve, translation reserve, convertible loan note reserve, share option reserve, retained earnings and net cash. Net cash comprises borrowings less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022
Continued

	Note	2022 £'000	2021 £'000
Total borrowings	20	1,450	1,750
Less cash or cash equivalents		(433)	(764)
Net borrowings		**1,017**	**986**
Total equity		3,223	3,382
Total capital gearing ratio		31.6%	29.1%

Summary of financial assets and liabilities by category

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Loans and receivables				
Cash and cash equivalents	433	764	15	21
Trade and other receivables	434	451	-	28
	867	**1,215**	**15**	**49**
Financial liabilities held at amortised cost				
Trade and other payables	700	702	784	484
Convertible loan	400	400	400	400
CBIL loan	1,050	1,350	1,050	1,350
	2,150	**2,452**	**2,234**	**2,234**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Group Finance Director and to the audit committee.

25. Subsequent events

There are no subsequent events to report following the end of the reporting period.

26. Control

The directors do not consider there to be any controlling party.

27. Related party transactions

Group

Details of earnings of key management is included in note 7. Such remuneration includes a divisional director's spouse who is employed as a software engineer. The amounts outstanding at the year end due to key management was £nil (2021: £nil).

The directors and certain key management participated in the issue of convertible loan notes in 2017 as follows:

Giles Fearnley	£75,000
Jason Starr	£24,250
Julie Pomeroy	£10,000
Simon Warburton	£8,000
Paul Mather	£7,500

Interest outstanding at the year end due to key management was £2,000 (2021: £2,000).

Company

The Company has a related party relationship with its subsidiaries, its directors, and other employees of the Company with management responsibility.

Ikiru People Limited paid a management charge of £691,000 (2021: £680,000) to Dillistone Group Plc. At the year end, Ikiru People Limited was owed £553,000 (2021: £338,000)

Ikiru People Inc paid a management charge of £91,000 (2021: £89,000) to Dillistone Group Plc. At the year end, Ikiru People Inc was owed £175,000 (2021: Ikiru People Inc owed Dillistone Group Plc £8,000)

Ikiru People Pty Limited paid a management charge of £46,000 (2021: £45,000) to Dillistone Group Plc. At the year end, Ikiru People Pty Limited owed £15,000 (2021: £8,000)

FCP Internet Holdings Limited was owed by the company £2,000 at the year end (2021: owed by the company £2,000)

Woodcote Software Limited owed the Company £13,000 (2021: £13,000)

28. Dividends

No dividends were paid in 2022 and 2021. No final dividend in respect of the year ended 31 December 2022 is proposed.

DIRECTORS AND ADVISERS

Directors	G R Fearnley - Non-Executive Chairman J P Pomeroy - Non-Executive J S Starr - Chief Executive I J Mackin - Finance Director P Mather - Chief Operations Officer S Warburton - Chief Technology Officer S Hammond - Chief Engineering Officer
Secretary	I J Mackin (from 16 June 2022) J M Curd (until 15 June 2022)
Company number	4578125
Registered office	12 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Independent auditor	Crowe U.K. LLP Aquis House 49-51 Blagrave Street Reading RG1 1PL
Principal bankers	HSBC Bank Plc Basingstoke Commercial Centre 8 London Street Basingstoke RG21 7NU
Solicitors	Blake Morgan LLP Apex Plaza Forbury Road Reading RG1 1AX
Nominated adviser	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Registrars	Link Assets Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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