ANNUAL REPORT 2023

FOR THE YEAR ENDED
31 DECEMBER 2023

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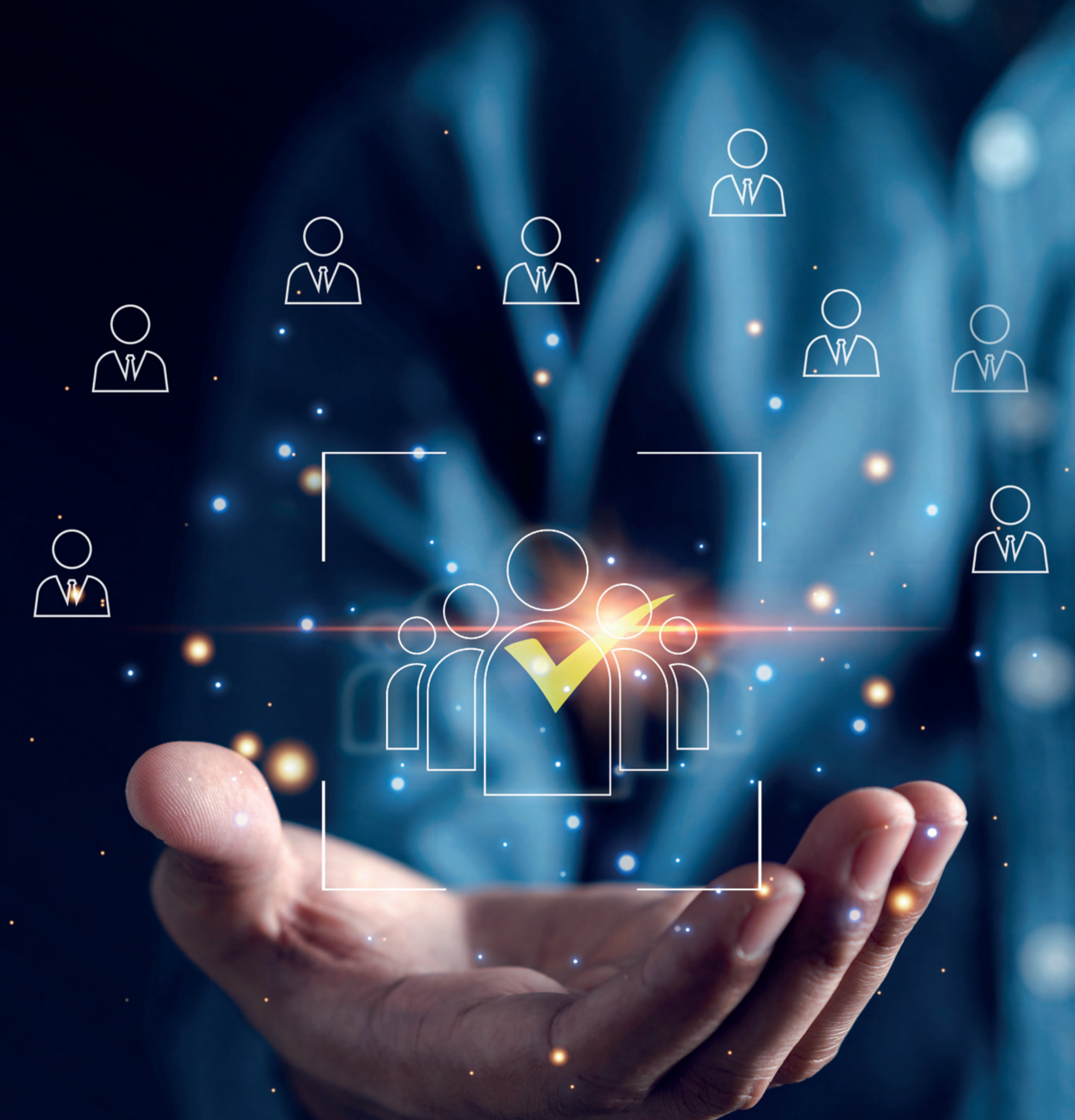
Dillistone Group Plc

Dillistone Group Plc Annual Report 2023



Company Registration No. 4578125 (England and Wales)

ANNUAL REPORT **2023**

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

- Adjusted operating profit increased by 241% to £0.220m, first adjusted operating profit since 2018.
- EBITDA increased 38% to £1.314m (FY2022: £0.949m)
- EBITDA margin increased to 23.5% (FY2022: 16.7%)
- Loss before tax improved 77% to £0.104m (FY2022: £0.453m)
- Recurring revenues represented 89% (FY2022: 89%) of Group revenue, equating to 100% of administration expenses (excluding depreciation and amortisation).
- Revenue decreased by 2% to £5.595m (FY2022: £5.699m) reflecting challenging market conditions.
- EPS returned to breakeven position at 0.01p (FY2022: (0.93p)).
- Net cash from operating activities £1.063m (FY2022: £1.189m).
- CBIL debt reduced by £0.300m.
- Net debt increased to £1.169m (FY2022: £1.017m).

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

"I am pleased to report the Group has returned to operating profitability in FY2023 for the first time since 2018.

In a challenging market, the Group has delivered profit performance in line with expectations, paid down debt and continued to invest for the future."

"We have made a solid start to the year, with all products performing broadly in line with expectations in the first quarter. The Board is confident of making further progress in 2024."

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 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 offers career services to executives, and candidate sourcing opportunities and a job board to recruiters.

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 2023

"The Group moved into profit at an operating level, adjusted EBITDA increased 38%, loss before tax was reduced by 77% and earnings per share reached breakeven. We have delivered on our turnaround and present profit results in line with market expectations."

I am pleased to report the Group has returned to operating profitability in 2023 for the first time for a number of years.

In a challenging market, the Group has delivered profit performance in line with expectations while paying down debt and continuing to invest for the future.

The underlying business results continue to improve. The Group moved into profit at an operating level, adjusted EBITDA increased 38%, loss before tax was reduced by 77% and earnings per share reached breakeven. We have delivered on our turnaround and present profit results in line with market expectations.

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.

The adjusted operating profit before acquisition related, furlough and other items improved by 241% to £0.220m (FY2022: (£0.156m)). This marks the first adjusted operating profit since 2018.

Net cash from operating activities dipped slightly to £1,063m (FY2022: £1.189m) with a similar level of reduction in the change in cash and cash equivalents at (£0.441m) (FY2022: (£0.362m)).

During the year the Group paid down £300k of debt.

Dividends

The Group is not recommending a final dividend in respect of the year to 31 December 2023 (2022: nil).

Staff

In a challenging year for our markets, to deliver a successful outcome is creditable, and I would like to, once again, thank all involved for their efforts, commitment and determination to deliver first class products and services to the sectors we serve.

Corporate governance

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

Outlook

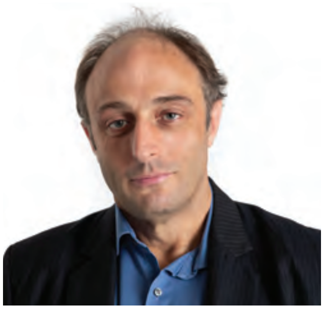
Our Group generates revenue primarily from the recruitment sector, and this is a market that remains soft. We assume that the environment will remain challenging, but we have made a solid start to the year, with all products performing broadly in line with expectations in the first quarter. With our recurring revenues covering our overheads and our ability to deliver our products far more efficiently than in recent years, the Board is confident of making further progress in 2024.

Giles Fearnley
Non-Executive Chairman

24 April 2024

CEO'S REVIEW

For the year ended 31 December 2023



Dillistone Group Plc is a global leader in the supply of technology to the recruitment sector worldwide, working with executive search, contingent recruiting and in-house staffing teams in over 1,000 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 Europe 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 assess individuals using our extensive portfolio of 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 on a standalone basis or integrated with other recruitment systems including our Infinity product.

Contingency review:

- Despite market conditions, the recurring revenue associated with this part of our business was stable, generating a combined £3.460m in recurring revenue, (FY2022 £3.441m).
- In Q1 2023, we announced a contract with a well-known leading UK based contingency recruiter. This contract featured a significant amount of custom work and the scope of this work grew over the course of the year. As a result, while we anticipated that it would be fully live within the year, the platform is now expected to go live in 2024. A significant proportion of the non-recurring revenue associated with the custom development work was realised within the year in review.
- Summer 2023 saw us launch our Mid-Office cloud offering. This offers new and existing clients the ability to use our Mid Office product without the need for internal servers. We are seeing encouraging early adoption of this offering,

During Q1, we have delivered further enhancements to our range of contingency products, including the development and successful use of a psychometric testing service as an enhancement to our ISV platform. The first client to use this product was one of the best-known recruiting firms in the UK, operating on behalf of a globally known automotive company.

Executive Search products:

Our primary products in the Executive Search sector are:

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

Executive search review:

Our executive search products have suffered a challenging few years. However we are pleased to report that while we have further work to do in this sector, our performance is stabilising. Despite continued challenging market conditions, following a 24% fall in 2021 and a 10% fall in 2022, revenue fell by a lower 5% in 2023, totalling £2.135m compared to £2.258m in 2022.

The Board believes that Talentis will become the main revenue driver for the executive search division in the fullness of time. Initially positioned primarily as a research tool, we have continued to add CRM functionality and, since late Q4 2023, we have been actively positioning the platform as a viable upgrade option for FileFinder customers. As part of that process, the GatedTalent platform has since Q1 2024 no longer been supported by FileFinder and, instead, key GatedTalent functionality has been integrated with Talentis with the legacy GatedTalent platform being turned off.

While FileFinder and GatedTalent revenue fell in 2023, Talentis revenue grew. The Board believes that positioning Talentis as the natural successor to FileFinder will help to retain customers within the Group.

During Q1 2024, we have continued to enhance our executive search products, with the primary focus being on Talentis. Despite the challenging market conditions, Talentis revenues have grown in the quarter.

Cost savings and EBITDA Margin step-change.

During 2023, we made significant strides in improving margins within the business, reflecting our investment in improving our internal systems and architecture. This allows us to deliver products and services more efficiently and, with the downturn in our market, we were able to reduce our personnel related and office overheads while continuing to provide what we consider to be industry leading levels of service. The majority of the financial benefit of these moves will be felt from FY2024 onwards.

Nevertheless, due in part to these measures, we were able to reduce our cost base by £0.400m in FY23 enabling the adjusted EBITDA margin to reach 23.5%.

This is a step change from the margins obtained between 2017 and 2022, when the average margin was 16.8%. Excluding the Covid-19 support received from Government, the average historical margin over the same period was 14.9%.

KPIs and financial performance

The Group's operational performance has improved significantly in recent years, with FY2023 marking our return to operating profit. The success measure for each of the KPIs used by management is year on year improvement.

	FY23 £'000	FY22 £'000	% Move
Total revenue	5,595	5,699	(2%)
Recurring revenue	4,974	5,051	(2%)
Adjusted EBITDA *	1,314	949	38%
Cash from operating activities	1,063	1,189	(11%)
Adjusted profit /(loss) before tax **	65	(290)	122%

* EBITDA adjusted for exceptional items

** Adjusted profit / (loss) before tax is statutory profit before acquisition related intangible amortisation, reorganization and other costs. See note 2 and note 5.

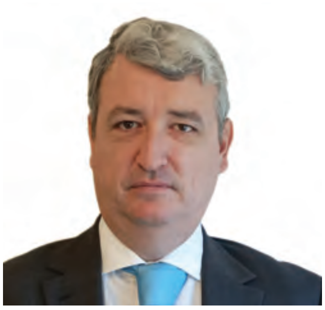
Strategy

The Group's strategy is to grow the business organically. This strategy is made possible through our commitment to product development, which generates the future revenue of the business. In 2023, product development equated to 17.2% of revenues (FY2022: 17.4%) and we continue to invest in our products going forward.

The Group's objectives are principally to:

- Ensure our products meet the needs of the recruitment sector through continual investment and development;
- Be a leading player in all the markets we serve;
- Develop our staff; and
- Increase our profitability and deliver increased shareholder value year on year.

FINANCIAL REVIEW
For the year ended 31 December 2023



Operating Profit/(Loss) 116%

FY 2023 £0.051m
FY 2022 (£0.319m)

Adjusted EBITDA* 38%

FY 2023 £1.314m
FY 2022 £0.949m

Summary

The Group saw a return to operating profitability in the year.

- First operating profit since 2016
- Improvement of £0.376m in operating profit before acquisition, reorganisation and other items results in first such profit since 2018
- Adjusted EBITDA increased by 38%
- EBITDA margin up to 23.5% from 16.7% in FY2022
- Loss before tax down by 77%
- EPS returned to breakeven position
- CBIL loan reduced by £0.300m in year
- Net debt increased to £1.169m (FY2022: £1.017m)

The above was achieved whilst maintaining the level of investment in our products and paying down the CBIL loan.

Revenue

Group revenue decreased by 2% to £5.595m from £5.699m in FY2022.

Revenue by type

	FY 2023 £'000	FY 2022 £'000	% Change
Recurring revenue	4,974	5,051	(1.5%)
Non-recurring revenue	497	488	1.8%
Third party revenue	124	160	(22.5%)
	5,595	5,699	(1.8%)
Recurring revenue %	89%	89%	-

The total annual contract value (TACV), which is a forward looking measure of recurring revenue expectations for the next 12 months, has fallen to £4.451m (FY2022: £4.995m).

Gross profit margin

The gross margin increased to 89% from 86%. Going forward, the management team is focused on maintaining gross margin levels, particularly during challenging economic conditions.

Adjusted EBITDA*

The adjusted EBITDA* increased by 38% to £1.314m from £0.949m in FY2022. This resulted in a higher EBITDA margin of 23.5%, compared to 16.7% in FY2022. This was a result of the Group's agility in responding to market conditions, as a result of the investment we have made in systems over recent years.

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

The operating position, before acquisition related, reorganisation and other items (adjusted operating profit) improved greatly to deliver a profit of £0.220m from (£0.156m) in FY2022. This is the Group's first such profit since 2018.

Inclusive of acquisition related, reorganisation and other items, the Group made an operating profit of £0.051m compared to an operating loss of (£0.319m) in FY2022. This is the first profit at an operating level since 2016.

The loss before tax decreased to (£0.104m) from (£0.453m) in FY2022 representing a decrease in loss of 77%. This led to a small profit after tax of £0.003m (FY2022: (0.183m)).

This set of profit figures demonstrates the progress made in recent years.

Taxation

The net tax credit for the year was £0.107m (FY 2022: £0.270m).

Balance sheet

The Group's net assets decreased slightly to £3.217m (FY 2022: £3.223m).

Trade and other receivables decreased slightly to £0.559m (FY 2022: £0.608m). Trade and other payables also decreased to £2.019m (FY2022: £2.341m).

* Refers to segment EBITDA in note 3

The Group capitalised £0.963m in development costs in the year (FY 2022: £1.007m) as the business continued its commitment to developing its products. Amortisation of development costs was £0.994m (FY 2022: £0.980m).

The Group continues to pay down its debt. The repayment of the Government CBIL loan which is fully repayable by June 2026 is now well underway.

As a result, the CBIL loan balance at 31 December 2023 was £0.750m (2022: £1.050m). The Group also has a convertible loan to current and former Directors of £0.400m (2022: £0.400m), which will not be repaid until the CBIL loan has been repaid.

Due to the activation of a break clause on office space, lease liabilities were adjusted down by £0.475m. In 2024, a new lease was entered into for a reduced office space with liabilities of £0.218m on signing.

Cashflow

Net cash from normalised operating activities decreased 10% to £1.063m (FY2022: £1.189m). Net change in cash decreased to (£0.441m) (FY2022: (£0.362m)). The Group finished the year with a utilisation less than 10% of the current bank facility at (£0.019m) (2022: cash and cash equivalents £0.433m).

Summarised cashflow

	FY 2023 £'000	FY 2022 £'000
Adjusted net cash from normalised operating activities	1,063	1,189
Investing Activities - net	(972)	(1,022)
Financial Activities - net	(532)	(529)
Net change in cash and cash equivalents	(441)	(362)
Cash and cash equivalents at beginning of year	433	764
Effect of foreign exchange rate changes	(11)	31
Cash and cash equivalents at 31st December	(19)	433

On behalf of the Board

Ian Mackin
Finance Director
24 April 2024

SECTION 172 STATEMENT

For the year ended 31 December 2023

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 21 to 22 and the Directors' report on pages 28 to 34. 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 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

For the year ended 31 December 2023

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 operations, techniques and to utilise more common development methodologies for new products increase the pool of knowledge within 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 2023 saw the Infinity product expand further its temps functions – especially in niche areas such as rail. Integrations with 3rd parties such as Zapier and Trust ID were also completed along with an expanding suite of AI based recruiting functions. ISV.Online received several product updates including a new psychometric test 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. Aspects of this functionality have subsequently been made available to Infinity customers. The Group continues to look to develop further new products and additional features.
4. Attrition of customer base	
View: Medium but stable Erosion of existing customer base outstrips 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. No single client represents more than 2% of our recurring revenue.

PRINCIPAL RISKS AND UNCERTAINTIES

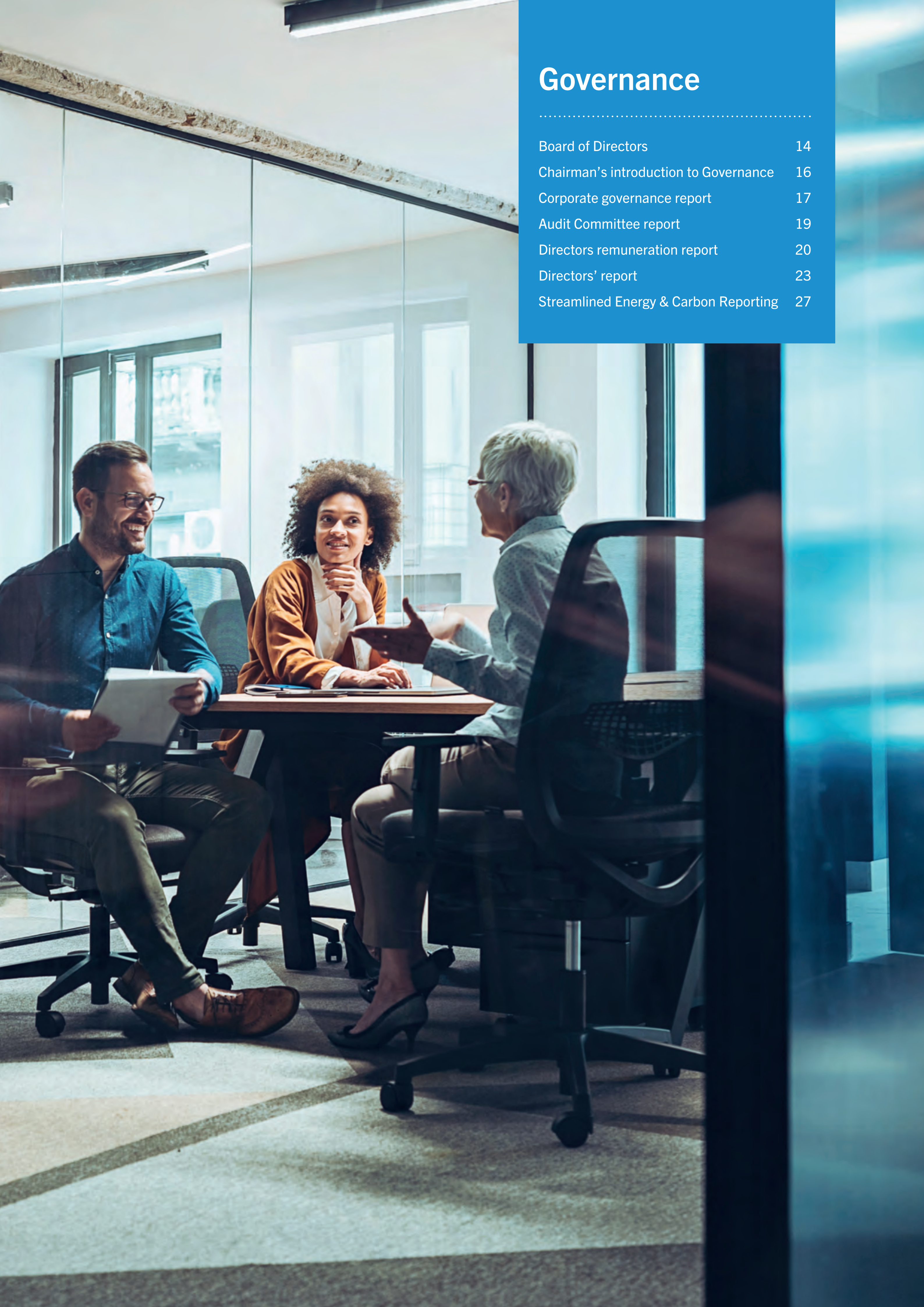
For the year ended 31 December 2023
Continued

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 develops 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 resources are 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.	A senior member of the executive team has GDPR practitioner certificate. An appropriate internal committee established (ISC). Data Protection Officer ('DPO') is appointed. The ISC is kept aware of relevant legislation changes in appropriate regions and can recommend adaptations to products/operating policies 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 current global market volitivities 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. The Group has prioritised paying down debt over recent years, with the £1.5m CBIL loan taken out in 2020 now 50% repaid. Under the terms of that loan agreement, the Company may take a 6 month repayment break should it be required. Cost restructuring during 2023 involved reduce our personnel related and office overheads while continuing to provide what we consider to be industry leading levels of service. The majority of the financial benefit of these moves will be felt from FY2024 onwards. The Group maintains good relationships with its Bankers who have provided enhanced overdraft facilities when required.

The Strategic Report is signed on behalf of the Board by

Jason Starr
Chief Executive

24 April 2024



Governance

BOARD OF DIRECTORS
For the year ended 31 December 2023

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

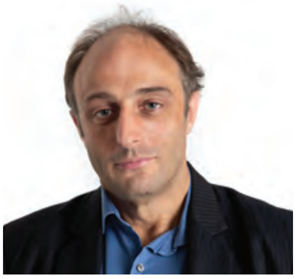
GILES FEARNLEY
NON-EXECUTIVE CHAIRMAN
APPOINTED JANUARY 2020

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. After completing the 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 carehome 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 OCTOBER 2021

Julie was appointed as a Non-executive director on 1st October 2021 having previously held the role of Group Finance Director, until her retirement on 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. In addition, she is also a non executive member of the Lincolnshire Care Board.

Julie was first appointed as a director of Dillistone Group Plc in April 2010.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

For the year ended 31 December 2023

Dear Shareholder

I am pleased to report on the corporate governance procedures undertaken by Dillistone Group Plc for the financial year 2023.

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 18 - 19.

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 2024

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2023

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 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 2023 is set out below.

Name	Number of meetings held	Number of meetings attended
Giles Fearnley	6	6
Julie Pomeroy	6	6
Jason Starr	6	6
Ian Mackin	6	6
Paul Mather	6	5
Simon Warburton	6	6
Steve Hammond	6	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 23.

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 was not required to meet.

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 24 to 27.

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 2023
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 2023

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, Julie Pomeroy as Chair and Giles Fearnley. 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 2023 two meetings were held. The Chief Executive Officer, the Finance Director and the Group's auditor 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 2024.

Julie Pomeroy
Chair of the Audit Committee

24 April 2024

DIRECTORS REMUNERATION REPORT

For the year ended 31 December 2023

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 2023 financial year is £nil (2022: £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	2023 Total £'000	2022 Total £'000
Executive Directors					
J S Starr	129	13	2	144	140
I Mackin	97	10	-	107	43
P Mather*	101	16	-	117	113
S Warburton	102	13	2	117	113
S Hammond	103	12	1	116	110
J M Curd**	-	-	-	-	31
Non-Executive Directors					
G R Fearnley	24	-	6	30	28
J P Pomeroy	14	2	5	21	19
	570	**66**	**16**	**652**	**597**

* P Mather salary does not include that of his wife who is employed by the Group as a software developer.
** JM Curd resigned as CFO on 16 June 2022.

There were no long term incentive payments made in the period (2022: £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 2023	Total number of options granted under LTIP scheme at 31 December 2022
J Starr	-	150,000	150,000
I Mackin	-	100,000	100,000
J P Pomeroy *	-	50,000	50,000
P Mather	-	150,000	150,000
S Warburton	-	150,000	150,000
S Hammond	-	150,000	150,000
Total	**-**	**750,000**	**750,000**

* J P Pomeroy appointed Non-Executive Director on 1 October 2021 previously holding role of Executive Director.

DIRECTORS REMUNERATION REPORT

For the year ended 31 December 2023
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 2023	At 31 December 2022
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	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 2023	At 31 December 2022
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 2023	At 31 December 2022
J S Starr	150,000	150,000
J P Pomeroy *	66,250	66,250
P Mather **	187,788	187,788
S Warburton	187,788	187,788
S Hammond	212,788	212,788
I Mackin	131,250	131,250
	935,864	**935,864**

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

** Excludes options held by Mr Mather's spouse

DIRECTORS' REPORT

For the year ended 31 December 2023

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 2023 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 (2022: 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 9 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 14 to 17.

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's 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 2023
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 2023:
J S Starr
J P Pomeroy – Non-Executive Director
G R Fearnley – Non-Executive Director and Chairman
P Mather
S Warburton
S Hammond
I J Mackin

Steve Hammond is proposed for re-election at the forthcoming AGM. Steve has a service contract with a one year notice period.
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.

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 2023. The cash flow forecasts have been further tested reviewing assumptions around new business with an appropriate stress test being applied.

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. The Group has the ability to take a holiday from the capital repayments on the CBIL loan for a period of 6 months on request. 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 Group has secured an extension to the overdraft facility in March 2024 to ensure it has enough liquidity for the business needs.

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 28th March 2024.

	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	8.99
Unicorn Asset Mgt	1,595,501	8.11
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	652,065	3.32
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 2023
Continued

Annual General Meeting

The 2024 Annual General Meeting will take place at the offices of WH Ireland, 24 Martin Lane, London, EC4R 0DR on 12 June 2024 at 11:00am. 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 2024 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 2024

STREAMLINED ENERGY & CARBON REPORTING

For the year ended 31 December 2023

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 rented which has limited some of the direct measures we could take. That said we are in the process of refurbishing our head office due to our reduction in space requirements and are installing LED lighting throughout as well as improved efficiency HVAC systems. Other emissions controls include:

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) Motion activated lighting is throughout our premises

iv) Video conferencing to reduce business travel where possible

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

vi) Recycling and "print only if required" policies

vii) Company EV car scheme for employees in place

DSG UK emissions 2023

	Factor	Measure (kWh)			Emissions (kgCO2e)		
Electricity - Cedarwood	0.20707	2023	2022	2021	2023	2022	2021
		75,377	155,722	154,780	15,609	32,246	32,051

	Factor	Measure (kWh)			Emissions (kgCO2e)		
Gas - Cedarwood	0.200000	2023	2022	2021	2023	2022	2021
		5,481	23,219	9,514	1,096	4,644	1,903

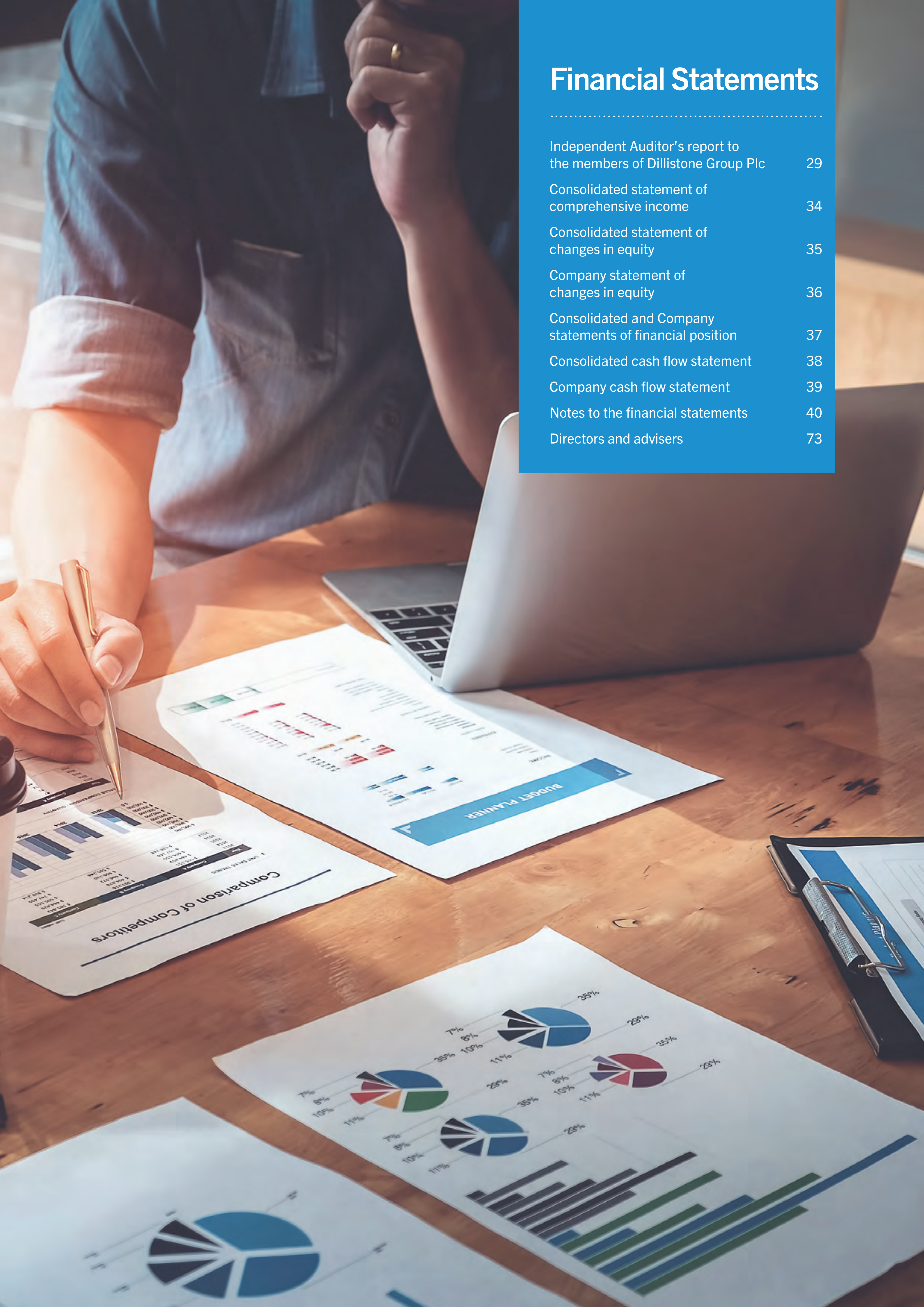
	Factor	Measure Miles			Emissions (kgCO2e)		
Business Mileage	0.228170	2023	2022	2021	2023	2022	2021
		31,274	29,876	6,738	7,136	6,817	1,537

	Total Emissions (kgCO2e)		
Combined	2023	2022	2021
	23,841	43,707	35,491

Intensity Ratios	2023	2022	2021
FTE @ 31st Dec	54	68	72
Revenue (£k)	£5,595	£5,699	£5,599
Intensity ratio FTE	454.981	642.744	492.932
Intensity ratio revenue	0.0044	0.0077	0.0063

At the time of writing we do not have final figures for Q4 2023 from our head office landlords so have estimated the energy consumption for the missing months.

Whilst mileage has crept up in comparison to 2022, consumption at our Basingstoke office, coupled with the closure of our Eastleigh Office has led to significant reductions in electricity and gas consumption. In particular this has been due to changes in occupancy elsewhere in the building reducing our common parts exposure. Furthermore we vacated one third of our space in preparation for reducing our lease size in Q2 and reduced the volume of active servers run out of Basingstoke – rerouting those services to cloud based Infrastructure where required.



Financial Statements

INDEPENDENT AUDITOR'S REPORT

to the members of Dillistone Group Plc
For the year ended 31 December 2023

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 2023, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2023;
- the Group and Parent Company statements of financial position as at 31 December 2023;
- the Group and Parent Company statements of cash flows for the year then ended;
- the Group and Parent Company statements of changes in equity 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 2023 and of the Group's profit 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 2024 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 2023
Continued

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £56,000 (2022 £57,000), based on 1% percent of revenue. Materiality for the Parent Company financial statements as a whole was set at £44,800 (2022 £40,000) based on 80% of the Group materiality (2022: 70% of the Group materiality).

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 (2022: £40,000) for the group and £32,000 (PY £28,000) 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 £2,800 (2022: £2,500). 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. The group generates revenue through providing recruitment software and services through contracts with customers. 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 (£0.963 million). 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 line 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 and obtained an understanding of the method applied by management in the capitalisation of development costs.
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 investment in subsidiaries, 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 subsidiary 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 in subsidiaries, 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 2023
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 directors' report and strategic 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 pages 32 and 33, 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 sample testing a sample of income across the year, agreeing this to supporting evidenced, 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 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Revenue	3	5,595	5,699
Cost of sales		(601)	(816)
Gross profit		4,994	4,883
Administrative expenses		(4,943)	(5,202)
Operating profit / loss	6	51	(319)
Adjusted operating profit / (loss) before acquisition related, reorganisation and other items	2	220	(156)
Acquisition related, reorganisation and other items	5	(169)	(163)
Operating profit / (loss)		51	(319)
Financial cost	8	(155)	(134)
(Loss) before tax		(104)	(453)
Tax income	9	107	270
Profit / (loss) for the year		3	(183)
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit and loss:			
Currency translation differences		(3)	7
Total comprehensive profit / (loss) for the year		**-**	**(176)**
Earnings per share			
Basic	10	0.01p	(0.93p)
Diluted	10	0.01p	(0.93p)

The notes on pages 51 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2022	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
Comprehensive income								
Profit for the year	-	-	-	-	3	-	-	3
Other comprehensive income								
Exchange differences on translation of overseas operations	-	-	-	-	-	-	(3)	(3)
Total comprehensive loss	-	-	-	-	3	-	(3)	-
Transactions with owners								
Share option charge	-	-	-	-	4	(10)	-	(6)
Total transactions with owners	-	-	-	-	4	(10)	-	(6)
Balance at 31 December 2023	**983**	**1,631**	**365**	**14**	**100**	**57**	**67**	**3,217**

The notes on pages 51 to 88 are an integral part of these consolidated and company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2022	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
Comprehensive income							
Loss for the year	-	-	-	-	(162)	-	(162)
Total comprehensive loss	-	-	-	-	(162)	-	(162)
Transactions with owners							
Share option charge	-	-	-	-	4	(10)	(6)
Total transactions with owners	-	-	-	-	4	(10)	(6)
Balance at 31 December 2023	**983**	**1,631**	**365**	**14**	**1,724**	**57**	**4,774**

The notes on pages 51 to 88 are an integral part of these consolidated and company financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
ASSETS					
Non-current assets					
Goodwill	11	3,415	3,415	-	-
Other intangible assets	12	2,822	2,990	-	-
Property, plant and equipment	13	20	25	-	-
Right of use assets	14	15	498	-	-
Investments	15	-	-	7,071	7,168
Total non-current assets		6,272	6,928	7,071	7,168
Current assets					
Trade and other receivables	16	559	608	11	9
Current tax receivable		-	72	-	-
Cash and cash equivalents	18	-	433	-	15
Total current assets		559	1,113	11	24
Total assets		6,831	8,041	7,082	7,192
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	20	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		100	93	1,724	1,882
Share option reserve	22	57	67	57	67
Foreign exchange reserve		67	70	-	-
Total equity		3,217	3,223	4,774	4,942
Liabilities					
Non-current liabilities					
Trade and other payables	17	170	241	-	-
Lease liabilities	19	3	483	-	-
Borrowings	19	850	1,150	850	1,150
Deferred tax liability	9	244	226	-	-
Total non-current liabilities		1,267	2,100	850	1,150
Current liabilities					
Trade and other payables	17	2,019	2,341	695	800
Lease liabilities	19	5	77	-	-
Borrowings	19	319	300	763	300
Current tax payable		4	-	-	-
Total current liabilities		2,347	2,718	1,458	1,100
Total liabilities		3,614	4,818	2,308	2,250
Total liabilities and equity		6,831	8,041	7,082	7,192

The loss for the financial year for the parent Company was £(162,000) (2022: loss £59,000).

The accounts were approved by the Board of Directors and authorised for issue on 24 April 2024 and were signed on its behalf by:

I J Mackin – Finance Director

Registration number - 4578125

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	For the year ended 31 December 2023 £'000	For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000	For the year ended 31 December 2022 £'000
Operating activities				
Loss before tax	(104)		(453)	
Adjustment for				
Financial cost	155		134	
Depreciation and amortisation	1,230		1,268	
Share option expense	(6)		17	
Lease termination	(77)		-	
Foreign exchange adjustments arising from operations	8		(24)	
Operating cash flows before movement in working capital	1,206		942	
Decrease in receivables	49		20	
Decrease in payables	(393)		(16)	
Taxation refunded	201		243	
Net cash generated from operating activities		1,063		1,189
Investing activities				
Purchases of property, plant and equipment	(9)		(15)	
Investment in development costs	(963)		(1,007)	
Net cash used in investing activities		(972)		(1,022)
Financing activities				
Interest paid	(155)		(134)	
Bank loan repayments made	(300)		(300)	
Lease payments made	(77)		(95)	
Net cash (used in)/generated from financing activities		(532)		(529)
Net (decrease)/increase in cash and cash equivalents		(441)		(362)
Cash and cash equivalents at beginning of the year		433		764
Effect of foreign exchange rate changes		(11)		31
Cash and cash equivalents at end of year		(19)		433

The notes on pages 51 to 88 are an integral part of these consolidated and company financial statements.

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2023

	For the year ended 31 December 2023 £'000	For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000	For the year ended 31 December 2022 £'000
Operating activities				
Loss before tax	(162)		(59)	
Adjustment for				
Financial cost	129		104	
Investment write down	97		-	
Share option expense	(6)		17	
Operating cash flows before movement in working capital	58		62	
(Increase) /Decrease in receivables	(2)		36	
Increase / (Decrease) in payables	(105)		300	
Net cash generated from/(used in) operating activities		(49)		398
Financing activities				
Interest paid	(129)		(104)	
Bank loan repayments made	(300)		(300)	
Net cash (used in)/generated from financing activities		(429)		(404)
Net (decrease)/increase in cash and cash equivalents		(478)		(6)
Cash and cash equivalents at beginning of the year		15		21
Cash and cash equivalents at end of year		(463)		15

The notes on pages 51 to 88 are an integral part of these consolidated and company financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 9 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 2023. 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 balances and bank facilities.

It has in place a £1.5m CBIL loan, secured in June 2020, repayable over 6 years with capital repayments commencing from July 2021. The Group has the ability to take a holiday from the capital repayments on the CBIL loan for a period of 6 months on request. Compliance with the current 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 Group secured an extended overdraft facility in March 2024 and undertook a series of cost restructuring encompassing personal related and office overheads during 2023. The majority of the financial benefit of these moves will be felt from FY2024 onwards.

The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is sufficient headroom within the bank facilities for continued operations.

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 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

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.

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.

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:
  - the Group having right to payment;
  - the customer having legal title to the asset;
  - the Group transferring physical possession of the asset to the customer, where relevant;
  - the customer having significant risks and rewards of ownership of the asset;
  - 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 next three years 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 2023 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.

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:

Standard	Effective date
IFRS S1 General Requirements for Disclosure of Sustainability related Financial Disclosure	1 January 2024
IFRS S2 Climate Related Disclosures	1 January 2024

The expected impact of these has not yet been assessed.

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

	Note	Adjusted profits 2023 £'000	Acquisition related, reorganisation and other costs 2023* £'000	2023 £'000	Adjusted profits 2022 £'000	Acquisition related reorganisation and other costs 2022* £'000	2022 £'000
Revenue		5,595	-	5,595	5,699	-	5,699
Cost of sales		(601)	-	(601)	(816)	-	(816)
Gross profit		4,994	-	4,994	4,883	-	4,883
Administrative expenses		(4,774)	(169)	(4,943)	(5,039)	(163)	(5,202)
Operating profit / (loss)		220	(169)	51	(156)	(163)	(319)
Financial income		-	-	-	-	-	-
Financial cost		(155)	-	(155)	(134)	-	(134)
Profit / (loss) before tax		65	(169)	(104)	(290)	(163)	(453)
Tax income		81	26	107	239	31	270
Profit/(loss) for the year		146	(143)	3	(51)	(132)	(183)
Other comprehensive loss net of tax:							
Currency translation differences		(3)	-	(3)	7	-	7
Total comprehensive (loss)/profit for the year net of tax		143	(143)	-	(44)	(132)	(176)
Earnings per share							
Basic	10	0.74p	-	0.01p	(0.26p)	-	(0.93p)
Diluted	10	0.74p	-	0.01p	(0.26p)	-	(0.93p)

* See note 5

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3. Segment reporting

Divisional segments

	Ikiru People 2023 £'000	Central 2023 £'000	Total 2023 £'000	Ikiru People 2022 £'000	Central 2022 £'000	Total 2022 £'000
Segment revenue	5,595	-	5,595	5,699	-	5,699
Segment EBITDA	1,250	64	1,314	905	44	949
Depreciation and amortisation expense	(1,094)	-	(1,094)	(1,105)	-	(1,105)
Segment result before reorganisation and other costs	156	64	220	(200)	44	(156)
Reorganisation and other costs	(32)	-	(32)	-	-	-
Segment result	124	64	188	(200)	44	(156)
Acquisition related amortisation	-	(137)	(137)	-	(163)	(163)
Operating (loss)	124	(73)	51	(200)	(119)	(319)
Loan interest/ lease interest	(26)	(129)	(155)	(31)	(103)	(134)
Loss before tax			(104)			(453)
Income tax income			**107**			**270**
Profit / (Loss) for the year			**3**			**(183)**
Additions of non-current assets	**972**		**972**	**1,022**		**1,022**

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.

	2023 £'000	2022 £'000
Recurring income	4,974	5,051
Non-recurring income	497	488
Third party revenues	124	160
	5,595	**5,699**

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 2023 or 2022.

Revenue by Business Sector

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

	2023 £'000	2022 £'000
Contingent	3,460	3,441
Executive Search	2,135	2,258
	5,595	**5,699**

For the brands which comprise the respective sectors, please refer to pages 3 to 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

	2023 £'000	2022 £'000
UK	4,175	4,148
Europe	583	663
Americas	496	518
Australia	147	147
ROW	194	223
	5,595	**5,699**

Non-current assets by geographical location

	2023 £'000	2022 £'000
UK	6,271	6,927
US	-	-
Australia	1	1
	6,272	**6,928**

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5. Acquisition related, reorganisation and other costs

	2023 £'000	2022 £'000
Included within administrative expenses:		
Reorganisation and other costs	168	-
Lease Termination	(77)	-
US government grant (Employee Retention Program)	(59)	-
Amortisation of acquisition intangibles	137	163
	169	**163**

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

6. Operating Profit / loss

	2023 £'000	2022 £'000
Operating profit / loss is stated after charging:		
Depreciation on property, plant and equipment	14	15
Depreciation on Right to use assets	85	94
Amortisation	1,131	1,159
Write off of capitalised development	1	-
Money purchase pension contributions	283	309
Fees receivable by the Group auditors:		
Audit of financial statements	17	16
Other services:		
Audit of accounts of subsidiaries of the Company	47	43
Taxation compliance services	17	16
Other services	-	5

7. Employees

The average number of employees was:

	2023 number	2022 number
Operations	61	70
Management	9	9
Total Employee numbers	**70**	**79**

Their aggregate remuneration including directors' remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	3,000	3,214
Social security costs	323	359
Pension costs	283	309
Share based payments	7	8
LTIP share based	(13)	8
	3,600	**3,898**

The aggregate remuneration includes salary cost totalling £773,000 (2022: £764,000) that has been capitalised in intangible assets.

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

	2023 £'000	2022 £'000
Wages and salaries	706	658
Social security costs	83	81
Pension costs	70	60
Share based payments	1	2
LTIP share based	(11)	7
	849	**808**

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 24 to 27.

8. Financial income and cost

	2023 £'000	2022 £'000
Finance cost on bank overdraft	19	8
Finance cost on convertible loan	33	33
Finance cost on lease liabilities	26	30
Interest on CBIL loan	77	63
	155	**134**

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9. Tax income

	2023 £'000	2022 £'000
Current tax	(53)	(139)
Prior year adjustment – current tax	(72)	(146)
Total current tax	(125)	(285)
Deferred tax	(6)	(23)
Prior year adjustment – deferred tax	56	69
Deferred tax rate change	(6)	-
Deferred tax re acquisition intangibles	(26)	(31)
Total deferred tax	18	15
Tax (income) for the year	**(107)**	**(270)**
Factors affecting the tax credit for the year		
Loss before tax	(104)	(453)
UK rate of taxation	19.0%	19.0%
Loss before tax multiplied by the UK rate of taxation	(20)	(86)
Effects of:		
Overseas tax rates	-	-
Impact of deferred tax not provided	(8)	17
Enhanced R&D relief	(110)	(174)
Disallowed expenses	6	11
Deferred tax rate change from 19% to 25% in 2021	-	-
Rate difference between CT rate and deferred tax rate	(8)	(5)
Rate difference between CT rate and rate of R&D repayment	49	43
Prior year adjustments	(16)	(76)
Tax (income)	**(107)**	**(270)**

Deferred tax liability provided in the financial statements is as follows:

	Group			Company	
	2023 £'000	Movement £'000	2022 £'000	2023 £'000	2022 £'000
Internally generated intangible and fixed assets	161	51	110	-	-
Acquisition intangibles	83	(33)	116	-	-
	244	**18**	**226**	**-**	**-**

	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**	**-**	**-**

The UK corporation tax rate for the year has been calculated at the marginal rate for profits less than £50,000 of 19.0%. Deferred tax is provided in relation to the UK at a rate of 25.0% (2022: 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 10.0%. The Group has gross tax losses of £538,000 (2022: £598,000) for which no deferred tax asset has been recognised as the timing of their utilisation is uncertain.

10. Earnings per share

	2023 Using adjusted profit	2023	2022 Using adjusted profit	2022
Profit/(loss) attributable to ordinary shareholders (note 2)	£146,000	£3,000	(£51,000)	(£183,000)
Weighted average number of shares	19,668,021	19,668,021	19,668,021	19,668,021
Basic (loss)/profit per share	0.74 p	0.01 p	(0.26 p)	(0.93 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	0.74 p	0.01 p	(0.26 p)	(0.93 p)

Reconciliation of basic to diluted average number of shares:

	2023	2022
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 1,646,500 (2022: 476,510) 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, as the EPS of the convertible loan notes is greater than the basic EPS, and therefore does not impact the calculation of the fully diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
Continued

11. Goodwill

Group	Goodwill £'000
Cost	
At 1 January 2022	3,415
Additions	-
At 31 December 2022	**3,415**
Additions	-
At 31 December 2023	**3,415**

Carrying amount	
At 31 December 2023	**3,415**
At 31 December 2022	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 15.5% (2022: 14.8%). 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% (2022: 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 to 17.3% or the forecast cashflow reduced by 11% before an impairment became necessary.

12. Other intangible assets

Group	Development costs £'000	Purchased software £'000	Acquisition intangibles £'000	Total £'000
Cost				
At 1 January 2022	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
Additions	963	-	-	963
Written off	(1)	-	-	(1)
At 31 December 2023	**13,432**	**166**	**4,172**	**17,770**
Amortisation				
At 1 January 2022	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
Charge for the year	994	-	137	1,131
Written off	(1)	-	-	(1)
At 31 December 2023	**10,944**	**166**	**3,838**	**14,948**
Carrying amount				
At 31 December 2023	**2,488**	**-**	**334**	**2,822**
At 31 December 2022	2,519	-	471	2,990

The amount of aggregate R&D expenditure recognised as an expense in the year was £0.170m (FY2022: £0.188m)

Acquisition intangibles can be summarised as follows:

	Brand £'000	Brand and IP £'000	Contractual and non-contractual customer relationships £'000	Total £'000
NBV				
At 1 January 2023	49	277	145	471
Amortisation	(13)	(41)	(83)	(137)
At 31 December 2023	**36**	**236**	**62**	**334**

Intangible assets under development are reviewed each reporting period for impairment prior to amortisation. Cash flows projections are prepared covering a three year period, and the terminal value calculated. Key assumptions are; growth rate of 1.0% (2022: 1.0%) used for the terminal value calculation, increases in costs due to inflationary pressures and a discount rate of 15.5% (2022: 14.8%).

The calculations showed the discount rate would need to be increased to 17.3% or the forecast cashflow reduced by 11% before impairments became necessary. Purchased software is reviewed for impairment based on its continued use within the business.

The Company has no intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

13. Property, plant and equipment

Group	Office & computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2022	948	176	1,124
Additions	14	1	15
At 31 December 2022	962	177	1,139
Additions	9	-	9
Disposals	(94)	(14)	(108)
At 31 December 2023	**877**	**163**	**1,040**
Depreciation			
At 1 January 2022	924	175	1,099
Charge for the year	14	1	15
At 31 December 2022	938	176	1,114
Charge for the year	14	-	14
Eliminated on disposal	(94)	(14)	(108)
At 31 December 2023	**858**	**162**	**1,020**
Carrying amount			
At 31 December 2023	**19**	**1**	**20**
At 31 December 2022	24	1	25

The Company has no property, plant and equipment.

14. Right of use assets

Group	Land and buildings £'000	Office & computer equipment £'000	Total £'000
Cost			
At 1 January 2022	826	50	876
Additions	-	-	-
Disposals	(31)	-	(31)
At 31 December 2022	795	50	845
Additions	-	-	-
Adjustment to RoU asset	(398)	-	(398)
At 31 December 2023	**397**	**50**	**447**
Depreciation			
At 1 January 2022	256	28	284
Charge for the year	83	11	94
Eliminated on disposal	(31)	-	(31)
At 31 December 2022	308	39	347
Charge for the year	80	5	85
Eliminated on disposal	-	-	-
At 31 December 2023	**388**	**44**	**432**
Carrying amount			
At 31 December 2023	**9**	**6**	**15**
At 31 December 2022	487	11	498

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

15. Non-current asset investments

Company	Investments in subsidiaries £'000
At 1 January 2022	7,168
Impairment	-
At 31 December 2022	7,168
Impairment	(97)
At 31 December 2023	**7,071**

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% (2022: 1.0%) used for the terminal value calculation, increases in costs due to inflationary pressures and a discount rate of 15.5% (2022: 14.8%).

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

The registered addresses of related undertakings are as follows:

Company	Registered Address
Dillistone Group Plc	9 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Ikiru People Limited	9 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	9 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
FCP Internet Holdings Limited	9 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
GatedTalent Limited	9 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
ISV Software Limited	9 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Woodcote Software Limited	9 Cedarwood, Crockford Lane, Chineham Business Park, Basingstoke, RG24 8WD
Voyager Software Limited	9 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

16. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables - net	402	436	-	-
Other current assets	-	12	-	-
Prepayments and contract assets	157	160	11	9
	559	**608**	**11**	**9**

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	309	94	12	30	445
Loss Allowance Provision	11	6	2	24	43
Expected Loss Rate	*4%*	*7%*	*20%*	*80%*	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

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

	£'000
Balance as at 1 January 2022	40
Decrease during the year	(21)
Balance as at 31 December 2022	19
Increase during the year	24
Balance as at 31 December 2023	**43**

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

	2023 £'000	2022 £'000
Current	309	420
Past due date:		
Up to 30 days overdue	94	20
More than 30 days overdue	42	16
	445	**456**

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.

17. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current liabilities				
Trade payables	520	437	48	32
Group payables	-	-	608	703
Contract Liabilities	1,104	1,388	-	-
Accruals	395	516	39	65
	2,019	**2,341**	**695**	**800**

Non-current liabilities	**£'000**	**£'000**	**£'000**	**£'000**
Deferred Income	170	241	-	-

The deferred income in 2023 and 2022 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 £1,104,000 (2022: £1,388,000).

18. Cash and cash equivalents

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash balances available on demand	-	433	-	15

19. Borrowings

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current bank borrowings	319	300	763	300
Non current bank borrowings	450	750	450	750
Non current loan note borrowings	400	400	400	400
Total borrowings	**1,169**	**1,450**	**1,613**	**1,450**

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.

As at the end of December 2023, the Group had an overdraft facility in the UK of £150,000, (2022: unused). Under the banking arrangements all UK accounts are netted and the balances are shown net.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

Reconciliation of liabilities arising from financing activities	2022 £'000	Cashflows £'000	Lease adjustments £'000	Non cash movement between current and non current £'000	Closing 2023 £'000
Non current borrowings					
Bank Loan	750	-	-	(300)	450
Convertible loan note	400	-	-	-	400
Lease liabilities	483	-	-	(480)	3
Total non current borrowings	**1,633**	**-**	**-**	**(780)**	**853**
Current borrowings					
Banking facility	-	19	-	-	19
Bank Loan	300	(300)	-	300	300
Convertible loan note	-	-	-	-	-
Lease liabilities*	77	(77)	(475)	480	5
Total current borrowings	**377**	**(358)**	**(475)**	**780**	**324**

	2021 £'000	Cashflows £'000	Lease adjustments £'000	Non cash movement between current and non current £'000	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					
Bank Loan	300	(300)	-	300	300
Convertible loan note	-	-	-	-	-
Lease liabilities	95	(95)	-	77	77
Total current borrowings	**395**	**(395)**	**-**	**377**	**377**

* Lease adjustment due to activating break clause reducing 10 year liability to 5 years.

20. Share capital

Allotted, called up and fully paid	2023 £'000	2022 £'000
Ordinary shares of 5p each	983	983

No share options were exercised in the period (2022 nil).

Shares issued and fully paid	2023 Number	2022 Number
Beginning of the year	19,668,021	19,668,021
Shares issued and fully paid	19,668,021	19,668,021

21. Lease arrangements

The Group has exercised an option to break the lease of its Basingstoke office, effective February 2024. The maturity of undiscounted lease liabilities is as follows:

	2023 £'000	2022 £'000
Less than one year	5	104
One to five years	3	438
More than five years	-	108
	8	**650**

22. 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 no grants of options in 2023.

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

	2023		2022	
	No of options	WAEP	No of options	WAEP
Outstanding at the beginning of year	1,998,490	25.35	1,181,500	31.25
Granted during the year	-	-	921,990	18.38
Exercised during the year	-	-	-	-
Forfeited during the year	(37,000)	48.55	(105,000)	30.43
Outstanding at the end of the year	1,961,490	24.91	1,998,490	25.35
Exercisable at the year end	261,500	66.89	298,500	64.62

The Company's mid-market share price on 31 December 2023 was 12.5p. The average mid- market share price in 2024 was 16.25p.

The fair value of all options granted is calculated using a Black-Scholes pricing model and 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 £6,000 (2022: £16,000).

Share options remaining in the schemes are as follows:

Scheme type	Date of grant	Exercise from	Lapse date	Options remaining	Exercise price (p)
EMI	08/12/2014	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	50,000	58.00
EMI	03/07/2019	03/07/2022	02/07/2029	90,000	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	35,000	22.00
EMI (LTIP)	10/02/2021	10/02/2024	09/02/2031	390,000	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
				1,961,490	

The weighted average remaining contractual life of options at 31 December 2023 was 4.95 years (2022: 5.93 years).

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 2023, the charge in respect of the LTIP schemes, which are share based and require separate disclosure under IFRS 2, was (£13,000) (2022: 9,000).

23. 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 2023 was:

At 31 December 2023	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)	402	-	-	-
	402	**-**	**-**	**-**

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 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 2023	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)	648	-	669	-
Borrowings – convertible loan note	-	400	-	400
Borrowings - bank	-	750	-	750
Lease liabilities	8	-	-	-
	656	**1,150**	**669**	**1,150**

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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**

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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade and other receivables (current assets)	402	434	-	-
Cash and cash equivalents	-	433	-	15
	402	**867**	**-**	**15**

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.

As at 31 December 2023, 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 2023**	Carrying amount £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Trade and other payables (current liabilities)	648	648	-	-	-
Trade and other payables (non-current liabilities)	-	-	-	-	-
Borrowings	1,169	319	300	550	-
	1,817	**967**	**300**	**550**	**-**

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**	**-**

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 2023**	Carrying amount £'000	< 1 year £'000	1-2 years £'000	2-5 years £'000	>5 years £'000
Trade and other payables (current liabilities)	669	669	-	-	-
Trade and other payables (non-current liabilities)	-	-	-	-	-
Borrowings	1,613	763	300	550	-
	2,282	**1,432**	**300**	**550**	**-**

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**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

(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 £216,000 and £nil liabilities in Euros (2022: assets totalling £144,000 and liabilities totalling £nil), assets totalling £144,000 and liabilities totalling £11,000 denominated in US Dollars (2022: assets totalling £214,000 and liabilities totalling £191,000) and assets totalling £142,000 and liabilities totalling £11,000 denominated in Australian Dollars (2022: assets totalling £213,000 and liabilities totalling £166,000). If each of the exchange rates strengthened by 5%, the impact on the statement of comprehensive income would be as follows:

	Group	
	2023 £'000	2022 £'000
Euros	10	7
US Dollars	6	1
Australian Dollars	6	2
	22	**10**

At the year end, the Company had liabilities totalling £nil denominated in Euros (2022: £nil), assets totalling £nil denominated in US Dollars (2022: assets totalling £nil) and assets totalling £nil denominated in Australian Dollars (2022: 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	
	2023 £'000	2022 £'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.

	Note	2023 £'000	2022 £'000
Total borrowings	19	1,169	1,450
Less cash or cash equivalents		-	(433)
Net borrowings		**1,169**	**1,017**
Total equity		3,217	3,223
Total capital gearing ratio		36.3%	31.6%

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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Loans and receivables				
Cash and cash equivalents	-	433	-	15
Trade and other receivables	402	434	-	-
	402	**867**	**-**	**15**
Financial liabilities held at amortised cost				
Trade and other payables	648	700	669	784
Utilisation of bank overdraft	19	-	463	-
Convertible loan	400	400	400	400
CBIL loan	750	1,050	750	1,050
	1,817	**2,150**	**2,282**	**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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
Continued

24. Subsequent events

Following the end of the reporting period, the Group entered into a 10 year lease for office premises.

The maturity of undiscounted lease liabilities is as follows:

	£'000
Less than one year	11
One to five years	66
More than five years	141
	218

25. Control

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

26. Related party transactions

Group

Details of earnings of key management is included in note 7. Such remuneration includes a Group director's spouse who is employed as a software engineer. The amounts outstanding at the year end due to key management was £nil (2022: £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 (2022: £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 £633,000 (2022: £691,000) to Dillistone Group Plc. At the year end, Ikiru People Limited was owed £321,000 (2022: £553,000)

Ikiru People Inc paid a management charge of £83,000 (2022: £91,000) to Dillistone Group Plc. At the year end, Ikiru People Inc was owed £236,000 (2022: £175,000)

Ikiru People Pty Limited paid a management charge of £41,000 (2022: £46,000) to Dillistone Group Plc. At the year end, Ikiru People Pty Limited was owed £62,000 (2022: Ikiru People Pty Limited owed £15,000)

FCP Internet Holdings Limited was owed by the company £2,000 at the year end (2022: owed by the company £2,000)

Woodcote Software Limited owed the Company £13,000 (2022: £13,000)

27. Dividends

No dividends were paid in 2023 and 2022. No final dividend in respect of the year ended 31 December 2023 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
Company number	4578125
Registered office	9 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

Designed and
printed by:

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