essensys

annual report

for the year ended 31 July 2019

essensys

the leading global provider of mission critical software-as-a-service (SaaS) platforms and on-demand cloud services to the flexible workspace industry

highlights

Financial summary

Revenue
£20.6m **+26%**
(31 July 2018: £16.4m)

Recurring revenue[1]
£16.3m +26%
(31 July 2018: £12.9m)

Run Rate Annual Recurring Revenue[1]
£17.3m +27%
(31 July 2018: £13.6m)

Adjusted EBITDA[1]
£4.2m **+31%**
(31 July 2018: £3.2m)

Adjusted EBITDA margin
20.4%
(31 July 2018: 19.5%)

Statutory (loss) / profit before tax
£(1.4)m
(31 July 2018: £0.4m)

Profit/(loss) before tax (pre-exceptionals)[2]
£1.1m +175%
(31 July 2018: £0.4m)

(Loss) / profit per share
(3.7p)
(31 July 2018: 1.0p)

Net cash / (debt)
£2.7m
(31 July 2018: £(3.8)m)

Delivering our Strategy

Successful IPO on AIM in May 2019
- £28m total funds raised from oversubscribed IPO
- £14m gross proceeds retained by essensys

Accelerated investment in long-term organic growth and international expansion
- US: West Coast office operational; sales team expanded; essensysCloud extended
- Vietnam: offshore development capability expanded to drive product development
- Europe: Connect entry into the European mainland

De-risking and underpinning future growth
- existing customers continue to grow
- strong momentum of new customer wins
- 358 Connect live sites at year end, up 38%

High growth and recurring revenue

Revenue and underlying profits ahead of expectations for FY19
- revenue increased by 26%
- adjusted EBITDA margin of 20%
- group Annual Recurring Revenue ("ARR") gross margin of 70%

High recurring revenues
- ARR 79% of overall Group revenue

US business supporting high growth levels
- recurring revenues up 71%

Strong balance sheet
- to support organic growth, investments and acquisitions

Current trading and outlook

Excellent pipeline visibility
- 64 Connect sites contracted for delivery post year end

Strong sales pipeline
- from new and existing customers underpins confidence for 2020

[1] See Financial Review on page 19 for description and breakdown
[2] PBT adding back IPO related costs and share based payment expenses

overview

The Group's key target customers are ambitious, multi-site flexible workspace operators who recognise and value the importance of scale and operational efficiency.

167 **customers**	18 **countries**	752 **customer sites**	85 **employees** **+59** external software developers	4 **locations worldwide**

essensys at a glance

Our vision is to power the world's largest community of tech driven flexible workspaces.

This reflects our ambition to be the dominant global technology platform for the flexible workspace industry.

The problem we solve

essensys is the leading global provider of mission-critical software-as-a-service ("SaaS") platforms and on-demand cloud services to the high growth flexible workspace industry.

Our software is specifically designed and developed to help solve the complex operational challenges faced by multi-site flexible workspace operators as they grow and scale their operations.

With our technology, flexible workspace operators can scale and grow their businesses without having to scale and grow their back-office operations leading to significant operational efficiencies and an improved occupier experience.

Our technology allows operators to deliver a range of differentiated, flexible and customer-specific services to a broad base of tenants across multiple locations and helps operators to manage the cost, and operational and technological challenges they typically encounter.

Using our software helps our customers to:

- Increase operational efficiency
- Improve the occupier experience
- Engage with their customers
- Reduce time to value
- Manage scale operations effectively
- Understand their business and make better, faster, decisions

What we do

Our customers use our two platforms, Connect and Operate, to manage and run their flexible workspace businesses. Connect is our software-enabled infrastructure platform and Operate is our comprehensive ERP platform. Both are specifically designed for the needs of flexible workspace providers. Together our platforms allow operators to run their businesses in a more effective and efficient manner, from initial customer engagement to cash collection.

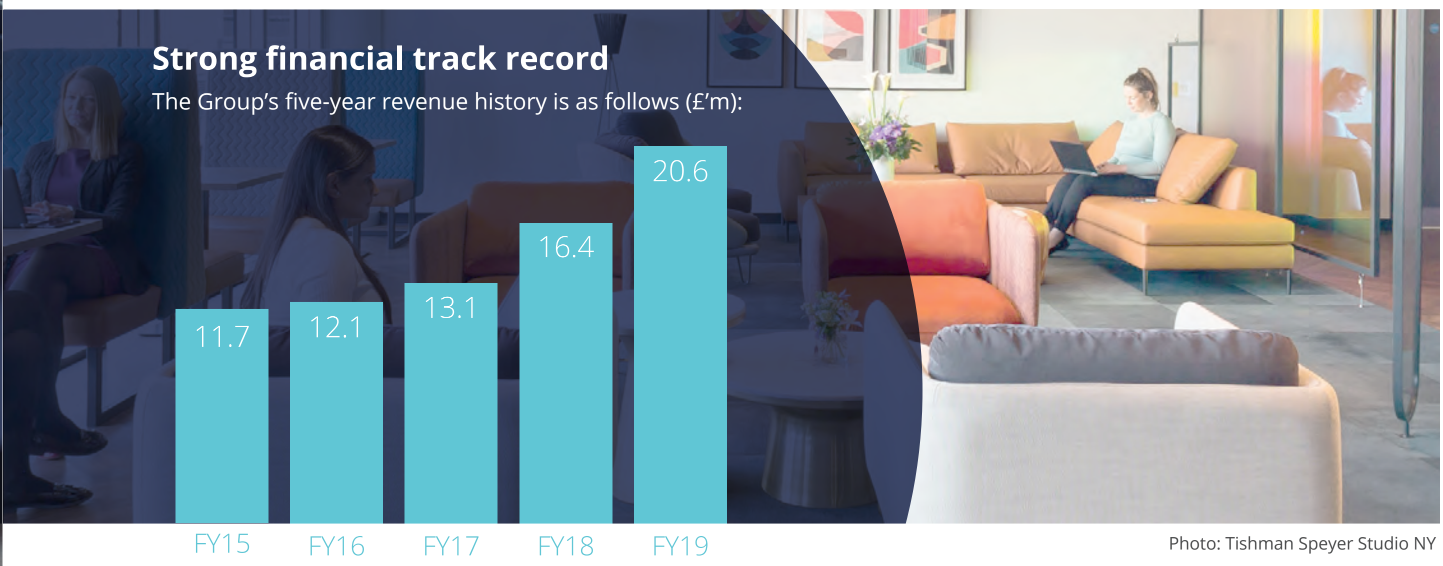


Photo: Tishman Speyer Studio NY

essensys at a glance
our journey

essensys has grown significantly since its incorporation in 2006; primarily through organic growth and latterly through acquisition with the purchase of Hubcreate Limited in 2016.

We currently employ 85 people in London, New York and Los Angeles offices, with an additional 59 external software engineers in our offshore development centre (ODC) in Hanoi, Vietnam providing additional support to the Group's UK based research and development (R&D) team.

Key elements of the Group's journey have been as follows:

chairman's statement

I am delighted to present essensys' first annual report as a public company following its successful IPO in May of this year.

Our IPO has already delivered a number of strategic benefits to the Group, supporting our investment in product development and geographic expansion to drive long-term, sustainable growth. We are debt-free following the IPO, and as a listed business we offer a level of transparency which we know is important to our increasingly international customer base.

During the year, the management team has proactively implemented its plans to accelerate the Group's growth. Specifically, this has included:

- opening a new West Coast US office to accelerate our growth in North America;
- expansion of the essensysCloud network;
- expansion of our offshore development centre in Vietnam;
- recruitment of product and marketing senior leaders; and
- further geographical expansion.

The Group is also making substantial progress in further development of its software product roadmap which includes the expansion of its Marketplace services over the next few months.

It was a strong maiden financial performance, with growth in revenue and profits. Revenue was up 26% to £20.6m, and Adjusted EBITDA (excluding IPO related costs and share based payment expense) was up 31% to £4.2m. As a consequence of the costs we incurred in achieving the IPO and the share based payment expense incurred as a result of the vesting of employee share options prior to the IPO, the Group made a loss before tax for the year of £1.4m (2018: profit of £0.4m).

essensys' growth is driven by winning new customers, expanding our product reach within existing customers, and by existing customers expanding their estates. We have performed well in all these areas.

Existing customers further accelerated the Group's international expansion. The Group's North American business has now expanded into Canada and has recently won a number of new customers there. Discussions are also underway regarding expansion opportunities within Europe following the Group's initial Connect customer site win in Germany during the year. Management expects to investigate the potential for expansion into the Asia Pacific region during FY20.

As mentioned in the IPO Admission Document, the Group intends to recruit a third independent Non-Executive Director. That process is underway, and an appointment is anticipated to be announced within the next two months.

I would particularly like to thank our staff for their hard work during the year. It is the commitment, tenacity and creativity of our people that drives our innovation and growth.

The combination of an exceptional team, a supportive investor base and a clear strategy positions essensys strongly to take advantage of expansion opportunities in the fast-growing flexible workspace operator market.

Jon Lee
Non-Executive Chairman
21 October 2019

strategic report

Photo: Industrious - Scottsdale

market update
a successful year

We are delighted to report a strong start to life as a public company, with excellent growth underlining our leading position in the high growth flexible workspace market.

Revenue growth of 26% and an EBITDA margin of 20% are the result of our continued focus on efficient, long-term and profitable growth.

The flexible workspace market is at the beginning of the adoption curve. Research from JLL suggests that, by 2030, 30% of a corporates' real estate portfolio will comprise flexible space. Current market penetration levels are c.3%, which shows the scope for market growth.

We are seeing this structural shift translate into increased activity from landlords and commercial real estate companies entering the market with flexible space solutions. They are accelerating their response to this rising demand from the corporate occupier and responding with a mixture of in-house developed propositions, partnership models with flex operators and by the traditional route of leasing space directly to flex providers.

Our strong performance reflects attractive demand-side drivers for the flexible workspace technology essensys provides. The drive towards more flexible space solutions by today's corporate occupiers is accelerating with 'space as a service' now becoming the demand default.

Pressure has been increasing on landlords over the past couple of years to offer some of the key benefits to their tenants; flexible terms, high quality amenities and a variety of settings.

For flexible workspace operators, operational efficiency and frictionless service delivery is crucial. A 'service'-led environment needs to be highly efficient to be successful and this is the focus of our technology. The strength of our proposition is reflected in a record year for customer wins, which in turn supports our future pipeline as these operators look to expand their presence with new locations.

Following our IPO we have made swift progress with our ambitious plans to drive future growth. We have expanded our US presence, our sales team, and extended Connect into new geographies such as Germany and Canada. The acceleration of our product development roadmap aims to enhance our market leading position within our target market segment: ambitious, growing flexible workspace operators, who focus on attracting high quality tenants and corporate occupiers.

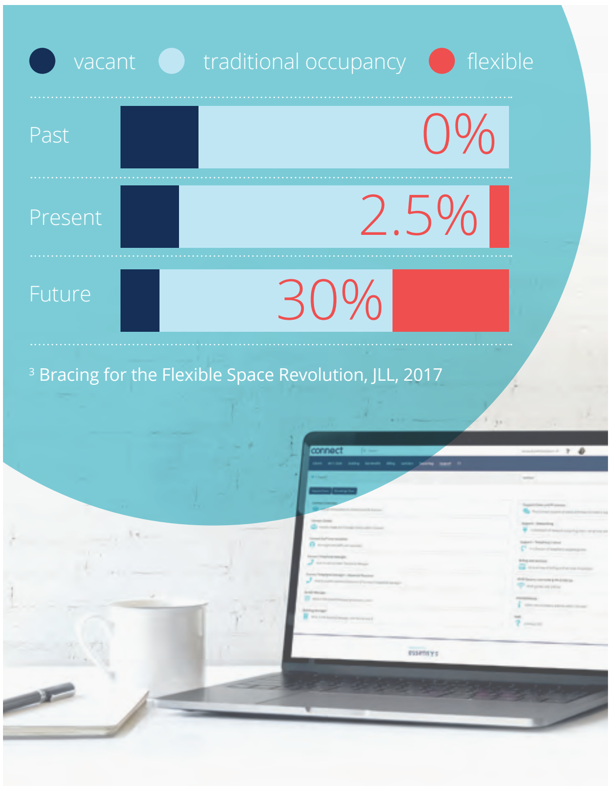
market update
structural growth drivers

There are attractive, long-term structural growth drivers for enterprise level flexible workspace solutions.

Demand-led growth

The flexible workspace market has been experiencing a period of structural, demand-led growth as an increasing number of enterprises seek to take advantage of the financial, flexibility and platform benefits of using flexible workspaces. Flexible workspace operators are, in turn, responding by providing differentiated, higher quality and more suitable enterprise offerings tailored to the requirements of larger businesses, where they see an attractive growth opportunity. At the same time, we are seeing international expansion of larger operators as they seek to capitalise on the network effects they see in their own businesses.

These structural drivers that are underpinning the continued rise of the flexible workspace sector are here to stay, with more and more landlords and commercial real estate (CRE) companies now developing answers in response to increasing occupier demand for more flexible solutions. A trend that, according to JLL, could see 30% of all commercial office space being consumed as flexible space by 2030[3].



[3] Bracing for the Flexible Space Revolution, JLL, 2017

These landlord and CRE solutions are also rapidly evolving and we see many different responses to this demand from building owners; from traditional leases by specialist operators, to partnership models which sees both operator and landlord closely aligned in term of risk and reward. The latter are becoming increasingly popular with both landlords and dedicated operators due to the more balanced relationship.

As supply within the industry expands we are seeing greater diversity within the flexible workspace setting, providing a greater choice for customers and attracting employers or enterprises to diversify their working environments. Examples of the flexible workspace environments include science parks, innovation centres and accelerators, semi-serviced offices and "HQ as a service".

Continued investment in the flexible workspace sector

The flexible workspace sector continues to attract significant financial investment from both venture and traditional real estate investors.

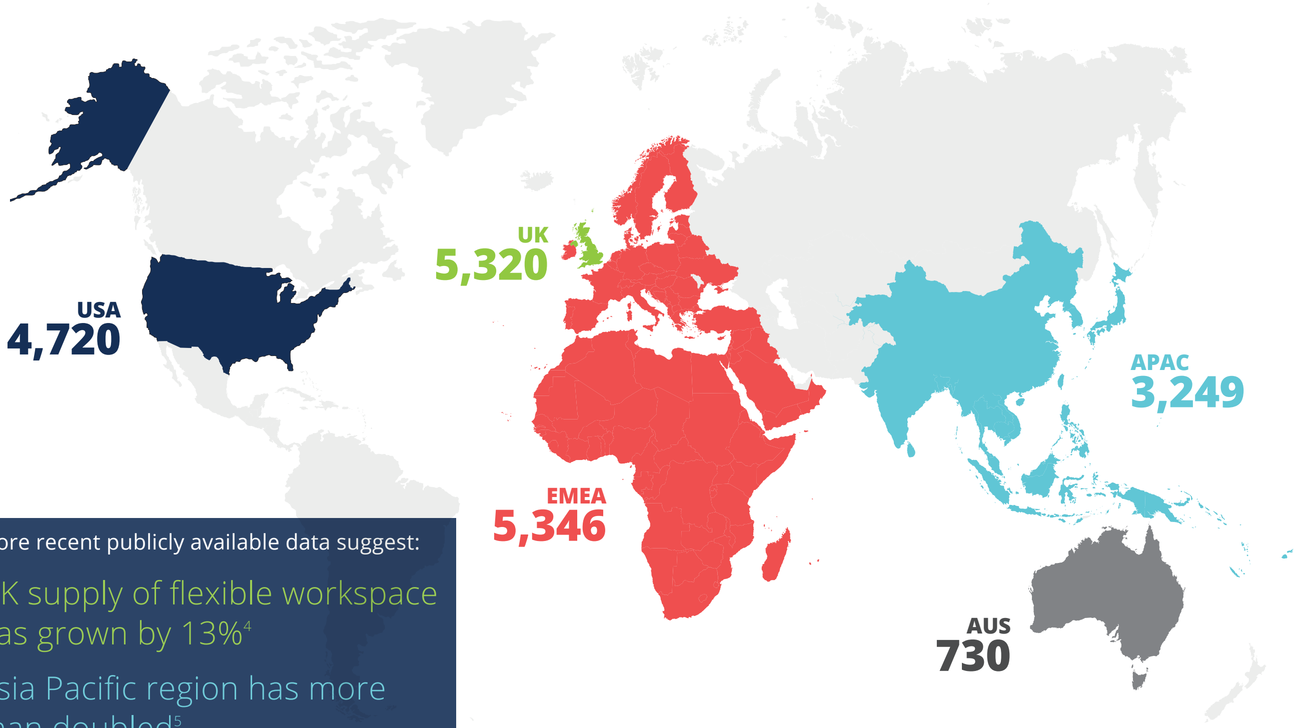
This reflects the long-term attractions of the sector to the investor community, and the confidence in structural growth as flexible workspace continues to penetrate commercial real estate.

- Knotel's Series C fundraise in August 2019 raised a further $400m led by Northwest Ventures;
- Industrious' Series C round raised a further $80m and included Riverwood Capital and Fifth Wall Ventures;
- The Carlyle Group has invested £150m into Uncommon;
- Blackstone has acquired The Office Group (UK) and EQ Office (US) and also partners with Industrious in the US; and
- Tishman Speyer has established and is expanding its in-house 'Studio' product.

market update
structural growth drivers

Flexible workspace market continues to grow.

The Group's main geographical markets of the UK and the US accounted for c.50% of the global flexible workspace market in 2018:



More recent publicly available data suggest:

UK supply of flexible workspace has grown by 13%[4]

Asia Pacific region has more than doubled[5]

The Instant Group now estimates that the global flexible workspace market comprises in excess of 32,000 centres[6].

Source: Instant Offices UK Market Summary – the evolution of flexible workspace 2018

Our customer focus

Most flexible ◄······► Most permanent

	Coworking	Meeting/ event space	Incubator/ accelerator	Serviced offices	Enterprise solutions	Turnkey	Short-term lease	Long-term lease/own
Client segments	Freelancers/ Start-Ups	Entrepreneurs, SMEs, Large Enterprises	Start-Ups/ Entrepreneurs	Sales Offices/ Regional Offices/ Small Business	SMEs, Start-Ups & Large Enterprises	SMEs, Start-Ups & Large Enterprises	SMEs, Start-Ups & Large Enterprises	SMEs & Large Enterprises

essensys

Source: CBRE

[4] UK Market Summary, Instant Offices, September 2019
[5] APAC Flex Market, Instant Offices, October 2018
[6] Flexible Workspace Trends – 2019 and beyond, Instant Offices, February 2019

market update
structural growth drivers

We are in the early stages of flexible workspace solutions disrupting the traditional office sector.

Resilience to a downturn

With current penetration of the flexible workspace market at less than 3% of the overall global commercial real estate market and predicted to rise to anywhere between 13% (CBRE) to 30% (JLL) by 2030, we believe we can look forward with confidence to the future of the industry.

This is supported by the June 2019 Ropes and Gray report 'Coworking: A real estate revolution', for which 100 senior executives from the real estate industry were asked about how they were responding to workplace trends and expectations. 61% of real estate lenders and 33% of traditional office landlords believe that the coworking model is less vulnerable to an economic downturn than the traditional commercial real estate model.

One respondent, a Managing Director of a debt provider in Europe, noted:

"in an economic downturn, a coworking model would have better responses or solutions, with higher levels of applicability, compared to traditional real estate models."

In any downturn, the success of operators is defined by their quality. Disciplined operators with strong balance sheets and efficient operating models are more likely to be successful. These are our target customers.

Any softening of the property market presents considerable opportunity for well-capitalised providers with scale, a robust, agile operating model that allows for multiple models (such as in-house developed propositions, partnership models with flexible workspace operators, and the traditional route of leasing space directly to flexible workspace providers). We expect that CRE companies and landlords will need to respond to any market softening and manage vacancy levels across their portfolios, and that they will do this by finding flexible workspace operators to partner with to make use of available capacity. This would represent a good outcome for both operators and landlords.

Our technology enables the rapid and cost-effective adoption of flexible models by space providers and the comprehensive capabilities within both platforms means they quickly and efficiently respond to and meet a wide variety of occupier requirements across their whole estates.

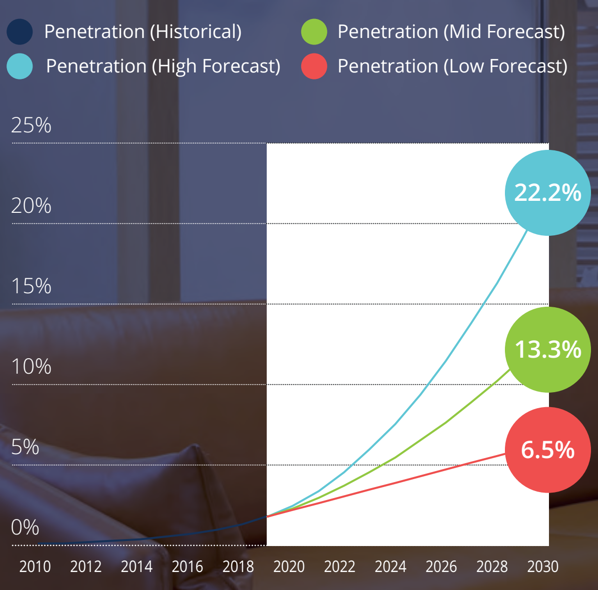
61% of real estate lenders & **33%** of traditional office landlords

believe that the coworking model is less vulnerable to an economic downturn than the traditional commercial real estate model.

market update
structural growth drivers

CBRE's latest research[7] suggests that even in the event of an economic downturn the penetration of the flexible workspace sector within the wider commercial real estate market is expected to grow significantly:

Flex office penetration forecast



Source: CBRE, Lets Talk About Flex, 2019[7]

[7] CBRE, Lets Talk About Flex, 2019

our strategy
land, expand, grow

essensys has a clear strategy to drive long-term growth, centred around three pillars:

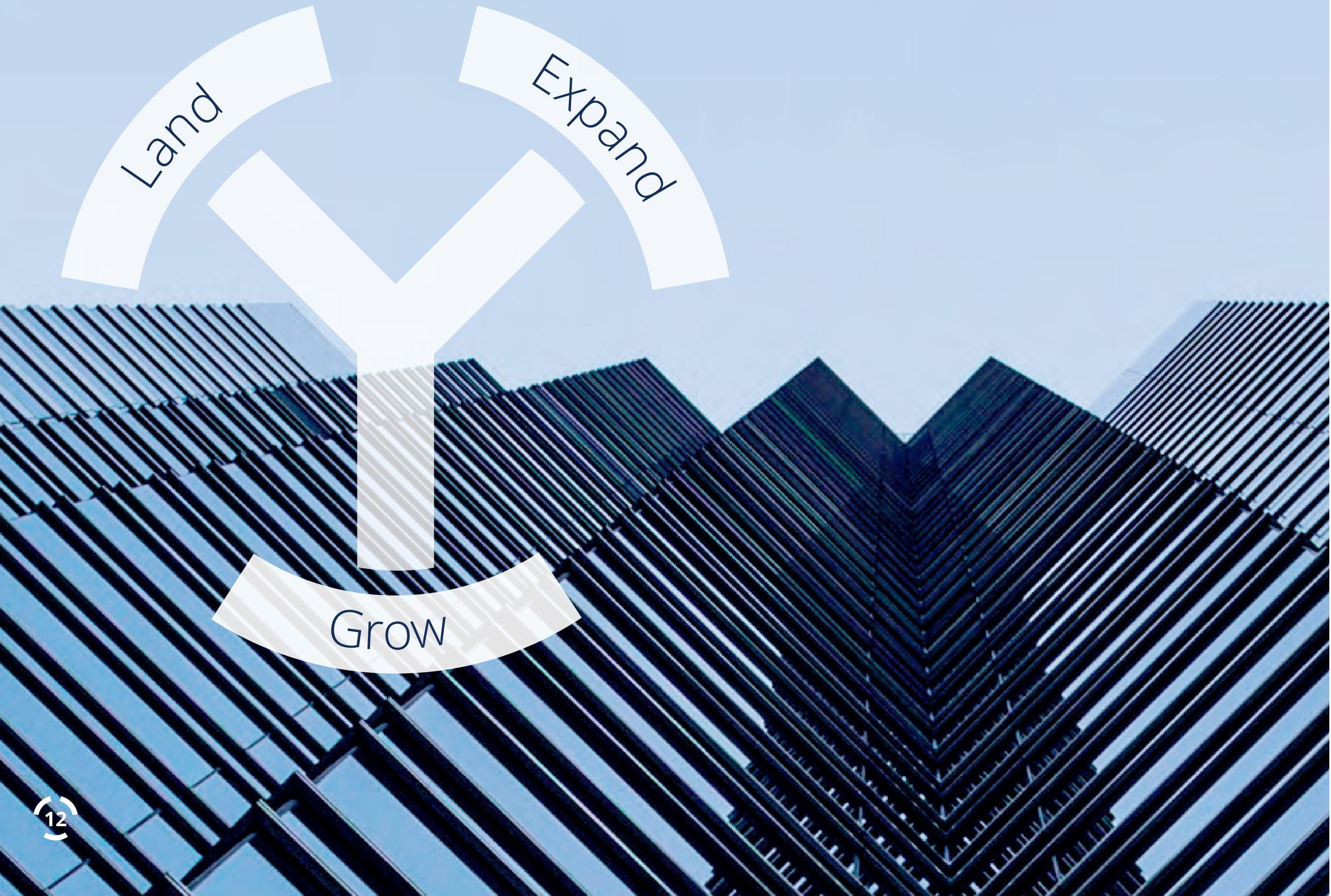
Land

Accelerate ‘go-to-market’ strategy

The Group intends to drive organic growth through new customer acquisition, facilitated by expanding the Group’s profile and sales force internationally.

Acquisitions

The Directors consider, on an ongoing basis, bolt-on acquisitions to improve the Group’s technology or obtain customers of long-term strategic value. Since the IPO the Directors have considered, and dismissed, a small number of possibilities and continue to review opportunities as they arise.



Expand

Cross and up-selling

The Directors believe that there are significant cross-selling and up-selling opportunities within the existing customer base. The Directors intend to further encourage cross-selling and up-selling activity by accelerating product development delivering new product capability and further integrating the two platforms.

Broaden Marketplace offering

Extending the collection of additional Marketplace services will deliver additional revenue opportunities for both operators and the Group. The Group will continue to leverage its scale and purchasing power to deliver an increasing range of products to its customers. The Group expects to launch a number of additional Marketplace services during FY20 which will address a number of key operational challenges for flexible workspace operators.

Grow

Organic growth with existing customers

A key element of the Group's growth is driven by existing customers expanding their own operations either in terms of service offerings or via the launch of new sites. The Group therefore engages proactively with existing customers to ensure that its products continue to meet their evolving requirements.

New customer wins

Continue to underpin and accelerate the Group's future growth.

New geographic markets

The Group intends to extend the global reach of the Connect platform into new markets such as mainland Europe and Asia-Pacific, where demand for flexible workspace is growing.

ceo's report

2019 was a pivotal year for essensys with our IPO being the culmination of 13 years development of the business, its products and its international customer base.

Our listing on AIM in May of this year provided the Group with the resources to accelerate our product development and our 'go-to-market' strategy; the financial solidity and transparency which our increasingly international customer base values and gives us the opportunity and platform to further expand geographically.

Strong revenue growth

The overall growth in Connect site numbers and Operate pricing drove revenue growth with total recurring revenue for the year of £16.3m, up 26% from £12.9 in FY18. Run rate Annual Recurring Revenue (ARR), a key metric for the continued growth of the business, grew to £17.3m at July 2019 from £13.6m at July 2018, an increase of 27%.

Customer expansion

The expansion that we saw in FY18 continued in FY19 with the addition of 39 new customers to the business, our best year ever for the expansion of the customer base. An increasing number of customers now take both Connect and Operate, proving the worth of both products to new entrants into the market and supporting our strategy of increased integration between them. I am particularly pleased about the breadth and quality of our new customers which range across global real estate owners and commercial real estate companies entering the market; existing, established operators moving to become essensys customers for the first time; and new, well-funded market entrants.

Accelerated growth in Connect sites

This new customer growth combined with our existing customer expansion resulted in the number of Connect sites growing by 98 to 358, an increase of 38%. Although growth in North America was very strong, UK growth also continued and new sites live in FY19 were split 57:41 between North America and UK. By site numbers the Connect business has nearly doubled in size over the last two years:

Photo: Landmark - Portman Street

ceo's report
continued

That growth continues and we now have contracted commitments from customers for a further 64 Connect sites, the majority of which will be delivered in the first half of FY20.

Good progress with Operate

I am pleased to report that the number of countries where Operate is now being used has grown to 18 including a number of customers in both Continental Europe and Canada, both key growth areas for the Group as a whole.

Our strategic decision to retire the acquired CentreCharge product, migrate customers to Operate and increase pricing in order to better serve our target audience resulted in the loss, as expected, of a number of lower value customers during the year. This led to total Operate site numbers reducing slightly, by 4% to 508, however the benefit of this strategy has delivered a 40% increase in monthly recurring revenue, which is now at £125k per month with average revenue per site increasing by 43%.

Investment case

We believe essensys is well placed for future growth because of the following key strengths:

- essensys is the established market leader in software and technology services to the flexible workspace sector;
- We have a high-quality customer base delivering high quality recurring revenues, underpinned by long-term contracts;
- We run an efficient, disciplined business focussed on delivering efficient profitable long-term growth;
- We are at the early stages of flexible workspace adoption in the commercial real estate sector; and
- We are deeply embedded within our customers and the industry.

Operational review

We have made good progress implementing our strategic plans.

Immediately prior to the IPO we significantly enhanced our leadership team with two new senior recruits. James Shannon joined us as Chief Product Officer. With extensive experience in enterprise SaaS, mobile and hardware James brings a unique skill-set to the business and will be instrumental in driving our product roadmap in the years ahead. Meyer Prinsloo also joined the business as Chief Marketing Officer to help accelerate growth, increase our brand awareness and drive demand. Before essensys, Meyer led the marketing function at industry focussed enterprise SaaS business Fourth Ltd and was also previously at global advisory company, Gartner.

From a geographical reach perspective we started the process of establishing our West Coast USA operation prior to the IPO. This is now fully operational and provides an improved customer experience to our US customers and allows us greater access to the fast growth West Coast flexible workspace market. In addition, we have extended the essensysCloud private network with a further data centre location in Dallas, Texas which provides greater, and more cost effective, geographical coverage within the US market.

Following the IPO, we expanded the capacity of the Group's external offshore development centre in Vietnam and now have an additional 59 external software developers supporting our UK based R&D team. Those personnel are now predominantly focussed on accelerating the integration of our two software platforms and the introduction of new Marketplace services and we are pleased with the return that this increased level of investment has delivered to date.

ceo's report
continued

Current trading and outlook

FY19 ended well, slightly ahead of expectations; FY20 has started well; and we remain ambitious for the future.

We continue to see ambitious and successful flexible workspace operators using essensys as a key enabler of their growth. New customer wins and site growth have continued since the year end and we are seeing increased engagement with traditional landlords and major commercial real estate companies entering the flexible workspace market. We are seeing this in both our main territories and in other geographies.

Geographically, our US business continues to make excellent progress and our recent establishment on the West Coast is already supporting our growth ambitions. Recent customer wins in Canada will allow us to expand our geographical reach with relatively little capital investment or risk. Whilst we anticipate that North America will remain a key engine of growth for the Group, we are seeing increasing demand from Continental Europe (which we can service from the UK) following our launch of Connect in Germany, and growth in Operate customers there, and expect to deliver further expansion there during FY20. In the latter half of FY20 we expect to investigate opportunities for expansion in Asia-Pacific.

In the UK, whilst growth in FY19 was pleasing, and continues, the possible impact of political and economic uncertainty is inevitably difficult to assess for the UK economy. What is clear is that the structural 'shift' to flexible working will continue. The Group's supply chain is international, with no material exposure to European suppliers. Our US business is operationally self-sufficient and underpins the Group's growth ambitions. Our European business, whilst growing, is modest and we are in the early stages of establishing an EU based operation to support growth and market entry with existing customers.

By design, our largest customers are well funded, established multi-site operators and we also have a spread of customers, whilst our Connect business globally is underpinned by three year contracts. Furthermore, our software and services are mission critical and provide operational efficiencies and savings to our customers that are, in turn, crucial to the delivery of service to their own occupiers.

The growth in our existing customer base underpins the resilience and expansion of the Group both in our existing territories and internationally. At the same time, we continue to win new customers – both new entrants to the market and established operators who share our vision of technology supporting the flexible workspace environment. This, aligned with the continued strength of the flexible workspace market and an encouraging pipeline, supports our confidence for further progress in our 2020 financial year.

Mark Furness
Chief Executive Officer
21 October 2019

Photo: Serendipity Labs, Madison

financial review
key performance indicators

£20.6m
+ 26%
Revenue
(£16.4m 31 July 2018)

£17.3m
+ 27%
Run Rate Annual Recurring Revenue[1]
(£13.6m 31 July 2018)

£4.2m
+ 31%
Adjusted EBITDA[1]
(£3.2m 31 July 2018)

£1.1m
+ 175%
Profit/(loss) before tax (pre-exceptionals)[2]
(£0.4m 31 July 2018)

£'m unless otherwise stated	2019	2018	change
Group Total Revenue	20.6	16.4	+26%
UK	12.8	11.9	+8%
USA	7.8	4.5	+73%
Recurring Revenue[8]	16.3	12.9	+26%
UK	10.7	9.6	+11%
USA	5.6	3.3	+70%
Recurring Revenue %age of Total	79%	78%	
Run Rate Annual Recurring Revenue[4]	17.3	13.6	+27%
Non-recurring revenue	4.3	3.5	+19%
Product Revenue			
Connect	19.2	15.5	+24%
Operate	1.4	0.9	+56%
Gross Profit	12.6	10.0	+26%
Gross Profit percentage	61%	61%	
Recurring Revenue margin percentage	70%	68%	
Statutory (loss)/ profit before tax	(1.4)	0.4	
Adjusted EBITDA[9]	4.2	3.2	+31%
Adjusted EBITDA margin	20%	20%	
Profit/(loss) before tax (pre-exceptionals)	1.1	0.4	+175%
Net cash / (debt)	2.7	(3.8)	

[8] See Revenue section on page 19 for explanation
[9] See explanation on page 20

financial review

This is the first annual report and accounts issued by essensys plc following a corporate reorganisation implemented shortly prior to the Admission to trading on AIM on 29 May 2019 (the "IPO").

IPO Outcome

The fundraising undertaken by the essensys plc (the "Company") as part of the IPO was more successful than anticipated, raising £14m for the Company (prior to expenses of £2.3m). This allowed the Group to repay in full all its bank debt and leaves us with a healthy cash position.

Incorporation, Group reorganisation & scope of financial results

The Company was incorporated as Essensys Group Limited on 22 January 2019 as a private limited company. On 16 May 2019, the Company acquired all the issued share capital of essensys (UK) Limited (formerly Essensys Limited), the Group's main trading company, by way of a share for share exchange with the shareholders of essensys (UK) Limited at that time. On 17 May 2019 the Company changed its name to essensys Limited and immediately re-registered as a public limited company in the name of essensys plc. This was undertaken in anticipation of the IPO.

The financial results included in this annual report cover the Group's combined activities for the 12 months ended 31 July 2019 and have been prepared on a merger accounting basis with the comparatives for the previous 12 months being those of essensys (UK) Limited and its subsidiaries (prepared in accordance with applicable International Financial Reporting Standards).

Revenue

Group total revenue grew by 26% to £20.6m in the year driven primarily by an increase in Connect revenue within the Group's US business where total live Connect sites grew to 164 at the year end from 107 (as at 31 July 2018). Notwithstanding the slight reduction in overall Operate site numbers, monthly Operate revenue grew by 40% from July 2018 to July 2019 and by 47% in the full year.

Recurring revenue comprises income invoiced for services that are repeatable and consumed and delivered on a monthly basis over the term of a customer contract. Run Rate Annual Recurring Revenue (Run Rate ARR) is an annualisation of the recurring revenue for the month identified (July 2019) and is an indication of the annual value of the recurring revenue for that month and is used by management to monitor long term revenue growth of the business.

Recurring revenue grew by 26% driven by the increase in number of Connect sites and pricing increases in the Operate business. Run Rate ARR grew 27% to £17.3m again driven primarily by the overall increase in Connect sites by 38% to 358 at year end (2018: 260).

Gross margins

Gross margins in the year were in line with FY18 with an increase in the recurring revenue margins to 70% being offset by reductions in non-recurring revenue. During the year UK recurring revenue margins increased to 77% as the benefit of cost reductions was experienced in the second half of the year. In the US, recurring revenue margins improved by three percentage points to 57% as that business' scale increased.

financial review
continued

Administrative expenses

Excluding depreciation charges administrative expenses grew by £1.6m in the year, a 23% increase year on year, in line with our strategic investment plan. This was primarily driven by increases in staff costs resulting from increases in overall headcount, the strengthening of the senior management team that took place during 2018 and 2019 and increased employee bonus levels as the business has grown. In addition, the Group increased marketing expenditure significantly in 2019 over relatively modest expenditure in 2018.

Statutory (loss)/ profit for the year

As a consequence of the costs we incurred in achieving the IPO and the share based payment expense incurred as a result of the vesting of employee share options prior to the IPO, the Group made a loss before tax for the year of £1.4m (2018: profit of £0.4m), analysed as follows:

£'m	2019	2018
UK (including Group central costs)	**0.6**	0.9
US	**0.5**	(0.5)
Profit / (loss) before tax (pre-exceptionals)	**1.1**	0.4
Pre-IPO Share based payment expense	**(0.9)**	-
Post-IPO Share based payment expense	**(0.1)**	-
IPO Costs	**(1.5)**	-
(Loss) / profit for the year	**(1.4)**	0.4

The Group's UK operation currently bears all the central management and governance costs of the business and as such the underlying performance of the UK business itself is understated. As noted above, the Group strengthened its senior management team during 2018 and 2019 which has resulted in additional, central payroll costs in the UK. Following the IPO and year end, these central costs are now borne by the Company and in future will be identified separately.

The Group's US operation moved to break even during 2018 and was profitable during 2019.

The Pre-IPO Share based payment expense relates to share options in essensys (UK) Limited that were in existence prior to the IPO which vested and were exercised immediately prior to the IPO.

Adjusted EBITDA

Adjusted results are prepared to provide a more comparable indication of the Group's core business performance by removing the impact of certain items including exceptional items (material and non-recurring), and other, non-trading, items that are reported separately. Adjusted results exclude adjusting items as set out in the statement of consolidated loss and below, with further details given in Notes 7, 14, 15, 16 and 28 of the financial statements. In addition, the Group also measures and presents performance in relation to various other non-GAAP measures, such as recurring revenue, run-rate annual recurring revenue and revenue growth.

Adjusted results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results.

Adjusted EBITDA (being EBITDA prior to exceptional costs) is calculated as follows:

£'m	2019	2018
Operating (Loss) / profit	**(1.0)**	0.8
Add back:		
Depreciation & Amortisation	**2.7**	2.4
EBITDA	**1.7**	3.2
Add back:		
Share Option Charge	**1.0**	-
IPO related costs	**1.5**	-
Adjusted EBITDA	**4.2**	3.2

Taxation

The Group incurred a small accounting tax expense in the year due to deferred tax charges arising in the UK. There was no current year corporation tax charge due to accumulated start-up losses in the US business combined with the overall current year loss made in the UK.

financial review
continued

Cash

Net cash at year end was £2.7m (2018: net debt of £3.8m) following the receipt of the proceeds of the IPO and the repayment of bank debt. The Group's current cash reserves provide sufficient capital to fund current planned product and software development, any expected short-term geographic expansion and working capital as the business continues to grow.

Capital Expenditure

Software development costs aside, the Group's ongoing capital expenditure requirements are expected to be modest and focussed on extending the geographic reach of Connect with the expansion of the essensysCloud private network. During the year the Group invested £460,000 specifically in expanding and upgrading that network (2018: £nil). Other than capitalised software development costs (see below) and Right of Use Asset ("ROUA") additions, the Group incurred other capital expenditure of £262,000 related primarily to the establishment of its West Coast US operation and the implementation of new internal systems (2018: £176,000).

Capitalised Software Development Costs

The Group continues to invest in software development resulting in ongoing improvements in its two software platforms, Connect and Operate. During the year the Group established an outsourced offshore development centre with an external provider in Hanoi, Vietnam to accelerate this work. Where such work is expected to result in future revenue, costs incurred that meet the definition of software development in accordance with IAS38, Intangible Assets, are capitalised in the statement of financial position. During the year the Group capitalised £0.8m in respect of software development (2018: £0.6m).

In implementing its product development strategy following the IPO the Group anticipates capitalising software costs at a higher rate over the next few years during a period of accelerated product investment.

IFRS 16 Adoption & Right of Use Assets

In anticipation of the IPO, the Group adopted IFRS 16 for the production of the Historical Financial Information contained within the Group's Admission Document. This has altered the treatment of the following elements of the Group's operations, the future value of which are capitalised as Right of Use Assets and the annual costs of which are now treated as depreciation and interest:

- Costs associated with the use of the Group's third party provided data centre locations which support the essensysCloud private network which were previously shown in cost of sales under UK GAAP; and
- Costs associated with the leases of the Group's offices in London and New York which were previously included within administrative expenses under UK GAAP.

Dividend policy

The Group's intention in the short to medium term is to invest in order to deliver capital growth for shareholders. The Board has not recommended a dividend in respect of the year ended 31 July 2019 and does not anticipate recommending a dividend within the next year but may do so in future years.

Alan Pepper
Chief Financial Officer
21 October 2019

principal risks & uncertainties

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 Board seeks to identify material risks and put in place policies and procedures to mitigate any exposure.

The risk assessment matrix below sets out and categorises key risks and outlines the controls that are in place. The Board recognises the nature and scope of risks can change and there may be other risks to which the Group is exposed and so this list is not intended to be exhaustive. The following principal risks, and controls to mitigate them have been identified:

Risk & uncertainty	Potential Impact	Mitigation
Dependence on key customers	The Group's business is significantly dependent on certain key customers. If the Group's commercial relationship with any of its key customers terminates or reduces for any reason its financial results could be materially adversely affected.	The Group maintains senior level contacts with its key customers and undertakes regular service reviews to ensure ongoing customer requirements are met. The continued growth of the Group's customer base is mitigating this risk over time.
The Group's growth strategy is partly dependent on the success of its existing customers	The Group's growth strategy is, to a degree, dependent on the continued success of its existing customers who are generally growing, multi-site, flexible workspace operators with increasing requirements for the Group's products. If the growth of the Group's customers slows, or the size of the Group's customers' businesses reduces, the Group will be adversely impacted.	The Group's strategy is to expand its customer base both within the territories it currently operates and geographically which will, in time, reduce this risk. Post IPO the Group has accelerated its sales efforts, winning more new customers in FY19 than in any previous year. During FY19 the Group gained new customers in new geographies and expects to expand those geographies during FY20.
Brexit	60% of the Group's business is in the UK and therefore may be adversely affected by an economic downturn caused by economic uncertainty resulting from Brexit. There is a risk that the Group's customers will come under financial pressure as a result of an economic downturn should one result from Brexit. Furthermore, growth in the UK business may be adversely affected by existing and potential new customers reducing their growth plans.	The Group's largest UK customers are well funded, long-established multi-site operators and the Group also has a spread of customers in the UK. The Connect business (75% of UK recurring revenue) is underpinned by 3-year contracts and the majority of revenue is fixed and contracted with the balance dependent partially on customer occupancy. The Group provides mission critical software and services that provide operational efficiencies and savings to our customers that are, in turn, critical to the delivery of service to their own occupier customers. The Board's view therefore is that the Group's business model and the nature of the software and services provided will mitigate against the impact of an economic downturn should one result from Brexit. The Group manages its financial exposure to customers proactively to minimise the risk of default. The Group's supply chain is international, with no material exposure to European suppliers. Its US business is self-sufficient operationally and relies on the UK for support, management and oversight which should not be affected by Brexit. Furthermore, the Group's growth is underpinned by expansion in North America. The Group's European business is modest, albeit growing and the Group is in the early stages of establishing an EU based operation to support that growth and market entry there from our existing customers.

principal risks & uncertainties
continued

Risk & uncertainty	Potential Impact	Mitigation
Volatility or slowdown in the flexible workspace market	The Group is focussed on providing mission critical software to the fast growing flexible workspace market. A significant change in the flexible workspace industry's current growth could have a material impact on the prospects of the Group.	Market research suggests that the structural change driving the growth in the flexible workspace market is unlikely to change and management experience has shown that even in a general economic downturn the sector continues to expand given general economic uncertainty. The Group is in the process of expanding into geographical markets where it does not currently have a significant presence which, will, in turn mitigate the risk of an overall market slowdown. The Group is in the early stages of investigating other, similar, verticals in which its products may have demand.
Reliance on key individuals and management capacity	The Group's business, development and prospects are dependent on a small number of key management personnel. The loss of the services of any key management personnel, for any reason, or failure to attract and retain necessary additional personnel, could adversely impact on the business, development, financial condition, results of operations and prospects of the Group. In addition, as the Group is growing quickly both in its existing geographies and internationally, it is possible that this small group of key management and other personnel may become stretched and there may be insufficient capacity to manage that growth.	The Directors believe the Group operates a progressive and competitive remuneration policy including the issue of share options which will play an important part in retaining and attracting key management personnel. The Board keeps the Group's operational and management capacity and structure under regular review and expects to employ additional senior personnel as the Group expands geographically.
The Group is dependent on maintaining a highly skilled specialist workforce	The Group requires highly skilled employees to carry out its business and enable it to achieve its growth targets. The Group's ability to achieve substantial revenue growth will depend, in large part, on its success in recruiting, developing and retaining sufficient numbers of such people to support its growth.	The Directors believe the Group operates a progressive and competitive remuneration policy including the issue of share options which will play an important part in retaining and attracting key management personnel. The Group's recent establishment of its offshore development centre has mitigated this risk.
The Group is reliant on the technical robustness of the Group's software platforms and the essensysCloud private network	The success of the Group is largely dependent on its technical capabilities and it relies to a significant degree on the efficient and uninterrupted operation of its software, computer and communications systems and those of its third-party suppliers, including the internet. Any malfunctioning of the Group's technology and systems or those of key third-party suppliers, or any security breaches, computer malware or other cyber-attacks could result in a lack of confidence in the Group's products, with a consequential adverse effect on the Group's business and financial results.	The Group's essensysCloud private network provides greater performance reliability, security and capability benefits compared to public internet. The Group's technology infrastructure is built with resilience and redundancy as key components and is hosted in multiple data centre locations operated by internationally recognised data centre providers. The Group monitors its software and systems on a 24/7 basis to ensure that in the event of any interruption (irrespective of the cause) it is able to respond quickly to issues that affect the performance of its products. The Group is ISO9001 and ISO27001 approved and operates rigorous change control and software development processes to ensure that any work undertaken on its software and technology infrastructure minimises the impact on customers. In addition, the Group regularly uses a third party consultant to undertake 'penetration testing' of its software and systems to ensure that they are in line with current industry standards and any weaknesses are identified. If identified any such weaknesses are dealt with promptly.

principal risks & uncertainties
continued

Risk & uncertainty	Potential Impact	Mitigation
Any system security breaches could lead to liability under data protection laws	The Group processes personal data as part of its business. There is a risk that this data could become public if there were a security breach at the Group resulting in potential financial liabilities.	The Group's Chief Information Officer (CIO) is the Group's Data Protection Officer, is a member of key management and is responsible for maintaining the Group's ISO accreditations and ensuring continued compliance with data protection legislation. See comments above regarding technology infrastructure and software processes. As part of the implementation of GDPR in 2018 the Group undertook a detailed review of its processes, procedures and software to ensure compliance with appropriate data protection legislation and amended its contracting arrangements with customers. As noted above, the Group regularly uses a third party consultant to undertake 'penetration testing' of its software and systems to ensure that they are in line with current industry standards and any weaknesses are identified. If identified any such weaknesses are dealt with promptly.
Foreign exchange volatility	The Group has substantial operations in the USA. Profits are therefore exposed to variations in exchange rates thereby impacting reported profits.	The Group relies on a partial natural hedge of GBP and USD costs and revenues being primarily in the same currency due to the operational independence of the Group's US business. The Group continuously monitors its foreign exchange exposure to assess whether any foreign currency transactions are necessary.
Competitor activity & software redundancy	Some of the Group's competitors include significantly larger enterprises with greater financial and marketing resources than the Group. There may also be new entrants to the market which could become competitors to the Group. In the event that the Group does not continue to develop the capability and applicability of its products there is a risk that they become redundant and are replaced by new entrants Certain elements of the Operate software product can be replicated easily using standard software development and workflow tools.	The Directors believe that significant barriers to entry exist in the markets in which the Group operates, including, for example, the technical skill and expertise required to develop its software, in particular that of Connect, which make it difficult to replicate this capability. The Group's recent success in winning new, sophisticated market entrants as customers demonstrates the robustness of the Group's products. The Directors are nevertheless aware of the need to ensure that the Group's products are at the leading edge of technology offerings to its target industries and it engages proactively with customers to ensure that its product development roadmap meets their requirements. Prior to the IPO the Group established an offshore software development centre to prepare for future product development and this investment has accelerated post IPO with the aim that the Group's products are integrated onto one platform thus providing efficiencies to the Group and greater capabilities and functionality to customers.

Approval

This Strategic Report was approved by the Board and signed on its behalf by:

Mark Furness
Chief Executive Officer
21 October 2019

corporate governance

Photo: Carr Workplaces – Financial District

board of directors

Charles Butler Mark Furness Alan Pepper Jon Lee

As explained at the time the Company listed on AIM, it is the Group's intention to appoint a third, independent Non-Executive Director. This process is well under-way and it is anticipated that an appointment will be made by the end of 2019.

Jon Lee

Independent Non-Executive Chairman
Aged 54

Jon joined the Board on 22 May 2019, in advance of the IPO. Jon has extensive experience in running software businesses in the US and Europe, including the UK. He is an experienced company director, having held multiple board positions, including London Bridge Software Holdings plc, a public company, where he was CEO. Jon has an MBA from MIT, and is a Chartered Engineer and a Chartered Management Accountant. He is a founder of LBS Properties Ltd, a property development management company focused on the residential and commercial sectors of the Central London market. Jon is also a founder of a venture capital fund, The Technology and Innovation fund LP, focused on the B2B software sector.

Mark Furness

Chief Executive Officer
Aged 45

Mark founded the Group in 2006 and has led the business since launch. Prior to essensys, Mark had over a decade's previous experience in the IT and telecommunications industry, including sales, general management and senior leadership roles. He has worked across the UK and Asia Pacific with major telecommunications companies such as Cable and Wireless and Optus, and more recently with IP communications and cloud services provider, Viatel.

Alan Pepper

Chief Financial Officer
Aged 50

Alan joined the Group in September 2017. Alan is a chartered accountant with nearly 30 years' experience in various financial, general management and directorship roles in professional services, private equity investment and industry. This included the start-up of a flexible workspace operator whilst at a venture capital business, its private equity backed management buyout whilst CFO and then as CEO of that business whilst it was listed on AIM. Most recently, prior to his appointment at the Group, he was Chief Commercial Officer of IWG plc's UK business.

Charles Butler

Independent Non-Executive Director
Aged 47

Charles joined the Board on 22 May 2019, in advance of the IPO. Charles is a chartered accountant with over two decades experience in senior and board level positions in growth and digital technology businesses, including those listed on AIM. These included as CEO of Market Tech Holdings plc, a property and digital technology group which he led from successful IPO to AIM, raising over £1bn in equity and debt, through to its subsequent takeover, and as Group CEO at NetPlay TV, the interactive gaming company. Charles is now a partner in Belerion Capital, a private equity firm specialising in E-commerce and technology, a non-executive director of Mysale Group Plc, a leading international online retailer listed on AIM, Chairman of Highcroft Investments plc, a REIT listed on the main list of the London Stock Exchange and a non-executive director of Atlantic Leaf Properties Limited, a UK REIT with a primary listing on the Johannesburg Stock Exchange.

directors' report

The Directors present their report and the audited financial statements of essensys plc ("the Company") and its subsidiaries (together "essensys or "the Group") for the year ended 31 July 2019. An indication of likely future developments in the business is set out in the Strategic Report.

Incorporation, change of name and pre-IPO reorganisation

The Company was incorporated and registered in England and Wales on 22 January 2019 as Essensys Group Limited as a private company limited by shares. On 16 May 2019, the Company became the holding company of essensys (UK) Limited (formerly Essensys Limited) and the Group by means of a share for share exchange with the existing shareholders of essensys (UK) Limited at that time. On 17 May 2019 the Company changed its name to essensys Limited and immediately re-registered as a public limited company with the name essensys plc.

The Company's shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange on 29 May 2019.

Principal activity

The principal activity of the Group is the provision of software and technology platforms that manage clients' critical technology infrastructure and business processes, primarily to the flexible workspace industry.

Directors

The directors of the Company who served during the year and up until the date of signing of this report were as follows:

- Jon Lee (appointed 22 May 2019)
- Mark Furness (appointed 22 January 2019)
- Alan Pepper (appointed 22 January 2019)
- Charles Butler (appointed 22 May 2019)

Director indemnification and insurance

The Group maintains Directors' and Officers' liability insurance for each of its directors. The insurance covers any liabilities that may arise to a third party, other than the Group or the Company, for negligence, default, or breach of trust or duty.

Results and dividends

The loss for the period, after taxation, amounted to £1.5m (2018 – profit of £0.4m).

No interim dividends were paid by the Company and the Directors do not recommend the payment of a final dividend.

essensys (UK) Limited paid a dividend to shareholders of £180.58 per original essensys (UK) Limited share on 16 May 2019, shortly prior to the IPO and in anticipation of the share for share exchange by which the Company acquired essensys (UK) Limited. The total dividend declared and paid was £4,449,034, the majority of which was used to settle outstanding directors' loans, the details of which are set out in note 29.

Financial risk management objectives and policies

Liquidity risk

The Group seeks to minimise financial risk by ensuring sufficient liquidity is available to enable it to invest and grow the business profitably. See below and note 3 to the financial statements for consideration of the ability of the group to continue as a going concern.

Credit risk

The principal credit risk for the Group arises from its trade debtors. In order to manage the credit risk, the Directors set limits for customers based on aging and size of debt. The Group proactively manages its trade debtors.

Foreign exchange risk

A significant proportion of the Group's operations are denominated in foreign currency, principally US dollars. Since the Group reports its financial results in sterling, fluctuations in rates of exchange between sterling and the non-sterling currencies, particularly US dollars, may have a material adverse effect on the Group's results of operations. The Group does not currently engage in any currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on its results as it does not currently anticipate any significant actual foreign currency movements due in part to the partial natural hedge that exists as a result of the operational and financial independence of its US business. The Group keeps its foreign exchange hedging policy under regular review.

Going concern

The financial statements on pages 42 to 91 have been prepared on the going concern basis. After making appropriate enquiries, the Directors consider that the Company and the Group has adequate resources to continue in business for the foreseeable future. As part of their enquiries the Directors reviewed budgets, projected cash flows and other relevant information for the 12 months from the date of approval of the Consolidated Financial Statements for the year ended 31 July 2019.

Post year end reporting date events

There are no significant events occurring after the reporting date to report.

Directors Remuneration

Details of Directors' remuneration is set out in the Remuneration Committee Report of the Board on page 39.

Directors Interests

The Directors of the Company held the following interests in the ordinary shares of essensys plc (either directly or indirectly):

Name	Number of ordinary shares	Percentage of ordinary shares (%)
Mark Furness	20,885,629	43.41
Alan Pepper	496,454	1.03
Jon Lee	33,113	0.07
Charles Butler	33,113	0.07

Substantial shareholders

As at 31 July 2019 and at the date of this report, the Shareholders listed below had a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Company:

Name	Number of ordinary shares	Percentage of ordinary shares (%)
Mark Furness	20,885,629	43.41
Canacord Genuity Group Inc	4,285,935	8.91
SFM UK Management LLP	2,756,623	5.73
Chelverton Asset Management Limited	1,837,748	3.82
Ian Bryn Sadler	1,752,192	3.64
Barry Clark	1,642,680	3.41

Purchase of Own Shares

There was no purchase of own shares in the financial year.

Corporate Governance

The Company has adopted the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Code") as set out in the Statement of Corporate Governance on pages 31 to 36.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit and loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group and Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 them with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the

directors' report continued

financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of 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 that the annual report and the financial statements are made available on the Company's 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.

Matters covered in the Strategic Report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the Strategic Report on pages 6 to 24. This includes a review of the group's business and future developments, and disclosures regarding the principal risks and uncertainties.

Disclosure of information to the auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there are no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

BDO LLP was appointed as auditor of the Company and the Group and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be tabled at the Annual General Meeting on 28 November 2019.

Annual General Meeting

The Annual General Meeting of the Company will be held on 28 November 2019 at the Company's registered office. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts.

Approval

The Directors' Report was approved by the Board and signed on its behalf by:

Alan Pepper
Chief Financial Officer
21 October 2019

statement of corporate governance

I am pleased to present my first Corporate Governance Statement as Chairman of the Board of Directors of essensys plc (essensys, or the Company/Group as the context requires).

As Chairman, it is my responsibility to ensure that essensys has both sound corporate governance and an effective Board. Since the Company listed on AIM in May 2019, it has chosen to adopt the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code"), to the extent it is appropriate having regard to the Company's size, board structure, stage of development and resources.

The Directors of essensys recognise the value of good corporate governance in every part of the business. The Board considers that compliance with the QCA Code will enable us to serve the interests of all our key stakeholders, including our shareholders, and will promote the maintenance and creation of long-term value in the Company. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees. Additional detail on how the Company has applied the QCA code is also provided in the corporate governance section of our website: https://investors.essensys.tech/investors/corporate-governance. Any areas of non-compliance with the QCA Code are also explained.

Key governance related matters that have occurred during the year include the Company's IPO and admission to AIM in May 2019 as referenced above, the formation of Audit and Remuneration Committees to the Board, my appointment as Non-Executive Chairman and the appointment of the other Non-Executive Director, Charles Butler, to the Board.

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

As part of the process of preparing for the IPO, the Group refined and developed its strategy and business model. essensys' software is designed and developed to serve the specific requirements of flexible workspace providers, removing operational complexity and enabling them to operate and scale more efficiently and the Group remains focussed on the flexible workspace sector, expanding its software and services offering and growing its customer base internationally. Details of the Group's strategy and business model can be found in the Strategic Report on page 6 and on the Group's website: https://investors.essensys.tech/investors/company/.

The key challenges in executing the Group's strategy are set out in the principal risks and uncertainties section on page 22.

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to providing shareholders with clear and transparent information on essensys' financial position and strategy. Any published announcements, financial reports and key documents are publicly available and will be regularly updated on the Group's website. Directors will meet with selected key shareholders and research analysts following the announcement of results and obtain appropriate feedback.

The Board will review the success of shareholder engagement on an ongoing basis and will take appropriate steps to improve engagement based on shareholder feedback if that becomes necessary.

essensys encourages its shareholders to attend the forthcoming inaugural Annual General Meeting in November 2019 which will provide an opportunity for the Directors to meet, listen and present to shareholders, and where shareholders will have the opportunity to ask questions of the Board.

The Board will also make itself available to shareholders on an ad hoc basis and encourages an open dialogue. The Company Secretary, One Advisory Limited, (company.secretary@essensys.tech) is the main point of contact for such matters and the Chief Executive Officer is principally responsible for such communication with shareholders.

statement of corporate governance continued

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

essensys recognises that it is responsible not only to its shareholders, but to a wider group of internal (members of staff) and external (customers, suppliers, regulators and others) stakeholders. essensys acts with integrity and values people, from its members of staff to those who form the communities with which it engages. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and to essensys' business and the Board takes account of such feedback when in discussions relating to the Group's strategy.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for determining the nature and extent of significant risks that may have an impact on essensys' operations, and for maintaining a risk management framework. In setting and implementing the Group's strategies, the Board has carried out a robust assessment of the principal risks and uncertainties affecting essensys' business, considered how these could affect operations, performance and solvency and what mitigating actions, if any, can be taken, having regard to both its risk tolerance and risk appetite The principal risks identified are set out in a risk register which includes the risk description, risk owner, a description of the control mechanism and the mitigating actions.

The Audit Committee has responsibility for the oversight of the Group's risk management and internal controls and procedures, as well as determining the adequacy and efficiency of internal control and risk management systems. It assists the Board in this process by reviewing the risk register as well as the effectiveness of the current internal and financial control environment. The Board reviews its internal control procedures and risk management mechanisms on an annual basis, and assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year. When the Group receives any comments or feedback from its auditors in relation to its internal controls, the Audit Committee ensures that these are actioned by the Company.

Whilst a review of the risk register is a scheduled item on the annual calendar of Board agenda items, risks and opportunities are continually considered when the Board is making considerations about the business and strategy of the Group.

An internal audit function is not yet considered necessary as day to day control is sufficiently exercised by the Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

The principal risks and uncertainties affecting the Group and the mitigation actions or factors are set out on page 22.

5. Maintain the board as a well-functioning, balanced team led by the chair

The Board comprises of two Executive and two Non-Executive Directors. Jon Lee is the Company's independent Non-Executive Chairman and Charles Butler is the other independent Non-Executive Director. Mark Furness (Chief Executive Officer) and Alan Pepper (Chief Financial Officer) are the Company's Executive Directors. The Executive Directors work full time for the business. The independence of the Board will be improved by the appointment of a third independent Non-Executive Director in 2019, resulting in the majority of the Board comprised of independent Directors.

The Directors have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chairman.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.

Meetings are open and constructive, with every Director participating fully. Senior management are invited to meetings from time to time, providing the whole Board with the opportunity for direct enquiry and a thorough overview of the Group. The Board and the committees of the Board are provided with high quality information, in a timely manner, to facilitate proper assessment of the matters requiring a decision or insight.

statement of corporate governance continued

The Chairman ensures that any feedback or suggestions for improvement on Board papers is provided to management. The Board considers that it has an appropriate balance.

The Board has delegated specific responsibilities to the Audit Committee and the Remuneration Committee to facilitate and improve the effectiveness of the Board, further details of which are provided under Principle 9 below. In advance of the IPO and prior to the initial meeting of the Remuneration Committee, the Group received formal advice regarding director and senior management remuneration and incentives.

From the period since admission of the Company to AIM on 29 May 2019 to the year end on 31 July 2019, two Board meetings took place, both of which were attended by all Directors. No Committee meetings took place during this period.

The Chairman and the Non-Executive Directors have been advised of the time required to fulfil their roles prior to appointment and were asked to confirm that they can make the required commitment before they were appointed. The Board is satisfied that the Chairman and all the Directors are able to commit the time necessary to fulfil their respective roles.

The contracts or letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Directors are satisfied that the balance of Executive and Non-Executive Directors is appropriate and that no individual or group may dominate the Board's decisions. The Board considers that each of the Directors has the experience and knowledge to constructively challenge the Group's strategy and to provide the necessary guidance, oversight and advice to enable the Board to operate effectively.

The Group believes that the current balance of skills in the Board as a whole reflects a very broad range of commercial and professional skills. The Chairman and other Non-Executive Director communicate with each other as necessary and meet, informally, without the presence of the Executive Directors from time to time during the year. Additionally, they each maintain ongoing communications with Executives between formal Board meetings.

Biographies of the current Directors are set out on page 27.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to participate in meetings or in matters when their individual areas of expertise may be of value.

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company's other advisers where relevant, as well as helping the Chairman to maintain excellent standards of corporate governance. All Directors were given AIM Rules and Directors Responsibilities training as part of the IPO process.

The Executive Directors will be subject to the Company's performance and development review process though which their performance against predetermined objectives will be reviewed and their personal and professional development needs considered. The Directors will be encouraged to raise any personal development or training needs with the Chairman.

The Non-Executive Directors have a breadth and depth of skills and experience across many different sectors enabling them to provide the necessary guidance, oversight and advice for the Board to operate effectively.

In order to keep Director skill-sets up to date, the Board uses third parties to advise the Directors of their responsibilities including receiving advice from the Company's external lawyers and NOMAD.

Board composition is always a consideration in relation to succession planning. The Board will consider any Board imbalances for future nominations, including Board independence and gender balance.

statement of corporate governance continued

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The structure of the Board is subject to continual review to ensure that it is appropriate for the Company and Group. Since the Company listed in May 2019, the Board has not commenced a formal board evaluation process to date. Over the next 12 months the Company intends to review the performance of the Board to ensure that its members collectively function in an efficient manner, focusing more closely on defined objectives and targets for improving performance, as well as reviewing the effectiveness of each Committee.

The Board currently runs a self-evaluation process whereby the Chairman annually assesses the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective;
- That they are committed; and
- Where relevant, they have maintained their independence.

The criteria against which the Board, its Committees and individual effectiveness is considered includes:

- effectiveness in setting strategy;
- rigour and extent of debate;
- balance and objectivity of decision making;
- responsiveness to new events and new information; and
- appropriateness of the Board composition and sufficiency of skills to discharge duties.

In Board meetings/calls, the Directors discuss areas where they feel a change would be beneficial for the Company, and the Company Secretary remains available to provide advice.

The Group has not yet adopted a policy on succession planning. The Company will consider succession planning in respect of the Board and other members of the Group's senior management as appropriate, as part of its review of Board effectiveness over the next 12 months, and this will be reviewed on an ongoing basis alongside the evaluation of the capabilities of the senior management team and the Directors.

Over the next 12 months, the performance review of the Executive Directors will be undertaken by the Remuneration Committee through recommendations to the Board on matters relating to their remuneration and terms of employment. The Non-Executive Directors will meet, without the Chairman present, to evaluate the Chairman’s performance, taking into account input from all the Directors.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board promotes a corporate culture that is based on sound ethical principles and behaviours. The Board recognises that the tone set by its decisions regarding strategy and risk may impact the corporate culture of the Group as a whole and on the way that employees and other stakeholders behave, which in turn will impact the performance of the Company.

The Group operates in a manner that encourages an open and respectful dialogue with employees, customers and other stakeholders and the Board considers that sound ethical values and behaviours are crucial to the ability of the Group to achieve its corporate objectives. The Group is committed to the highest standards of personal and professional ethical behaviour, and this must be reflected in every aspect of the way in which the Group operates. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Group does. The Directors believe that the Group has a transparent and communicative culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge, and suggested solutions for improvement. The Group promotes a healthy corporate culture through an Employee Handbook, which includes an anti-bribery policy and personal conduct policy, and regular employee engagement activities. Any fundamental breach of the Employee Handbook will be reported to the Board.

The Group has a whistleblowing policy which emphasises the importance to the business that any fraud, misconduct or wrong doing by staff or officers of the Group is reported and properly dealt with. The policy applies to all employees and officers of the Group. Other individuals performing functions in relation to the Group, such as agency workers and contractors, are encouraged to use it.

statement of corporate governance continued

essensys is accredited to ISO 9001 (Quality Management System) and ISO 27001 (Information Security Management System).

The terms of reference of the Audit Committee include:

- reviewing the adequacy of the Company's whistleblowing arrangements;
- reviewing the Company's systems and controls for the prevention of bribery; and
- receiving reports on non-compliance.

9. Maintain governance structures and processes that are fit for purpose and support good decision- making by the board

The Board generally meets formally once a month and otherwise as required. The Board has delegated specific responsibilities to the Audit Committee and the Remuneration Committee. These committees have only recently been established in connection with the admission to AIM. Each committee reports to the Board and has written terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference will be kept under continuous review to ensure that they remain appropriate and to reflect any changes in legislation, regulation or best practice. The reports of the Audit Committee and Remuneration Committee are set out on pages 37 and 39 respectively.

The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders, and leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, with the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The CEO has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group's corporate strategies and for the day-to-day management of the business. The CEO can be assisted in his duties by the other Executive Directors. The CEO is also the principle contact for liaison with shareholders and, together with the CFO, all other stakeholders.

The independent Non-Executives Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust. The Executive Directors seek regular counsel from the Non-Executive Directors outside of Board meetings.

There is a formal schedule of "Matters Reserved for the Board" which include matters relating to

- strategic aims and objectives and approval of budgets;
- structure and share capital;
- financial reporting and controls and dividend policy;
- maintenance of a sound system of internal controls and risk management;
- banking and financing arrangements;
- significant contracts;
- communication with shareholders; and
- changes to Board structure and composition.

The appropriateness of the Board's structures and processes will be reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman (see Principle 7). These will evolve in parallel with the Company's objectives, strategy and business model as it develops, to include a regular assessment of governance arrangements.

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

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations) as well as shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Company communicates progress with shareholders and stakeholders throughout the year by publishing announcements via a Regulatory Information Service, its Annual and Interim Report and Accounts, and through update meetings as necessary.

statement of corporate governance continued

In addition, all shareholders are encouraged to attend the Company's AGM, to be held in November 2019. The Board maintains that, if there is a resolution passed at a general meeting with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The Group's website is kept up to date with appropriate governance material, and contains details of relevant developments, press and corporate news and presentations. The results of shareholder votes are notified on the Group's website where a significant proportion of votes are cast against a resolution at any general meeting, and in such an instance the Company will include an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee with delegated duties and responsibilities.

Audit Committee

Charles Butler, Non-Executive Director, is Chairman of the Audit Committee. The other member of the Committee is Jon Lee. The Audit Committee is responsible for ensuring that the financial performance, position and prospects for the Group are properly monitored, controlled and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls. A report by the Chairman of the Audit Committee is included on page 37.

Remuneration Committee

Jon Lee, Non-Executive Chairman of the Company, is the current Chairman of the Remuneration Committee. The other member of the Committee is Charles Butler. The Remuneration Committee is responsible for reviewing performance of Executive Directors and determining the remuneration and basis of service agreements. The Remuneration Committee also determines the payment of any bonuses to Executive Directors and the grant of options. A report by the Chairman of the Remuneration Committee is included on page 39.

Jon Lee
Non-Executive Chairman
21 October 2019

audit committee report

As the recently appointed Chairman of the Audit Committee of the Company (**Committee**), I present my first Committee Report for the year ended 31 July 2019, which has been prepared by the Committee and approved by the Board.

Committee Meetings and Attendance

The two members of the Committee are myself, as chair, and Mr. Jon Lee. The Board considers that I have sufficient, relevant financial experience to chair the Committee given that I am a chartered accountant with over two decades experience and numerous Board positions outside of the Company (including serving as Non-Executive Chairman of another listed company).

From the period since admission of the Company to AIM on 29 May 2019 to the year end date of 31 July 2019, the Committee did not meet. The inaugural meeting of the Committee took place post the year end and was attended by both Committee members, Alan Pepper, Chief Financial Officer, and the external auditors, BDO LLP. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chairman shall require, and also at regular intervals to deal with routine matters and, in any event, at least three times in each financial year.

Committee Activities

The Committee is responsible for reviewing and reporting to the Board on the Company's financial performance, monitoring the integrity of the Company's financial statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management, and reviewing/monitoring the performance, independence and effectiveness of the Company's external auditors.

Since the Company's admission to AIM in May 2019, the Committee's primary activities comprised meeting with the external auditors, considering the audit approach, scope and timetable, and reviewing the key audit matters for the FY 2019 audit. In addition, the Committee reviewed the audit provided by BDO LLP, the Group's external auditors. The Committee concluded that BDO LLP are delivering the necessary audit scrutiny.

Accordingly, the Committee recommended to the Board that BDO LLP be re-appointed for the next financial year.

As part of the year end audit, the Committee:

- met with the external auditors to review and approve the annual audit plan and receive their findings and report on the annual audit;
- considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- considered the integrity of the published financial information and whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy;
- reviewed and approved the interim and year end results and accounts; and
- implemented a Non-Audit Service Policy in relation the Group's external auditor.

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- consider significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- keep the need for an internal audit function under review, having regard to the Company's strategy and resources; and
- review and authorise the non-audit services to be tendered to by the Company.

audit committee report
continued

Committee Objectives and Responsibilities

The Committee's main responsibilities can be summarised as follows:

- To report on and review the Company's financial performance;
- To monitor the integrity of the Company's financial statements and any formal announcements relating to the Group's financial performance;
- To review the Company's internal financial controls and risk management systems;
- To review any changes to accounting policies;
- To make recommendations to the Board in relation to the appointment of the external auditors;
- To make recommendations to the Board concerning the approval of the remuneration and terms of engagement of the external auditors;
- To review and monitor the extent of the non-audit services undertaken by external auditors;
- To review and monitor the external auditors' independence and objectivity; and
- To consider any matter specifically referred to the Committee by the Board.

The Terms of Reference are reviewed annually and are available on the Company's website: https://essensys.tech

Committee Effectiveness

The Committee is due to perform an assessment of its effectiveness in the first half of 2020.

Financial Reporting

During the year, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance.

The Committee considered the budget for 2020 and concluded that the going concern basis is appropriate. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

External Audit

The Committee will assess the external auditor's performance and effectiveness for the current year through a questionnaire to be completed by Audit Committee members and the Group's senior finance team. The output from the process will be reviewed and discussed by the Audit Committee and with the external auditor in 2020.

Charles Butler
Chairman of the Audit Committee
21 October 2019

remuneration committee report

As the Chairman of Remuneration Committee of the Company (**Committee**), I present my first Remuneration Committee Report for the year ended 31 July 2019, which has been prepared by the Committee and approved by the Board.

This Report will be put to an advisory vote at the Company's inaugural Annual General Meeting as a public company.

Committee Meetings and Attendance

The Committee is currently chaired by myself and its other member is Charles Butler. The Board considers that I have sufficient relevant experience to chair the Committee, given the numerous Board level positions previously held. It is my intention to stand down as Committee Chairman (but remain a member) once a third Non-Executive Director is appointed to the Board.

From the period since admission of the Company to AIM on 29 May 2019 to the year end on 31 July 2019, the Committee did not meet as the initial remuneration policy has been set prior to the IPO. The inaugural meeting of the Committee took place post the year end and was attended by both Committee members, Mark Furness, Chief Executive Officer and Alan Pepper, Chief Financial Officer. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chairman shall require and also at regular intervals to deal with routine matters and, in any event, at least twice in each financial year.

Remuneration policy for the year ended 31 July 2019

The Remuneration Committee determines the Company's policy on the structure of Executive Directors' and if required, senior management's remuneration. The objectives of this policy are to:

- Reward Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders;
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management of appropriate calibre;
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed company strategy over the long term; and
- Ensure the total remuneration packages awarded to Executive Directors, comprising both performance-related and non-performance-related remuneration, is designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

Committee Objectives and Responsibilities

The Committee's main responsibilities can be summarised as follows:

- To determine the framework or broad policy for the remuneration of the Chairman, the Executive Directors, and such other senior executives as it is requested by the Board to consider. The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive Directors of the Board. No Director shall be involved in any decisions as to their own remuneration;
- To determine such remuneration policy, taking into account all factors which it deems necessary (including relevant legal and regulatory requirements);
- To review the ongoing appropriateness and relevance of the remuneration policy, including policy comparisons with market competitors;
- To design and determine targets for any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes;
- To review the design of, and any changes to, all share incentive plans;
- To advise on any major changes in employee benefits structures throughout the Company;
- To review the structure, size and composition of the Board, including the skills, knowledge and experience;
- To give full consideration to succession planning;
- To recommend new Board appointments; and
- To consider any matter specifically referred to the Committee by the Board.

remuneration committee report continued

Directors remuneration

Annual salaries

Salaries are normally reviewed annually with effect from 1 August taking into account inflation, salaries paid to directors of comparable companies, Group and personal performance. Salaries of Executive Directors are determined by the Remuneration Committee. The Board as a whole decides the remuneration of the Chairman and Non-Executive Directors.

Salaries and fees for directors effective from 1 August 2019 are as follows:

Name	£'000
Mark Furness	246
Alan Pepper	226
Jon Lee	85
Charles Butler	55

Jon Lee's fee comprises a chairman's fee of £80,000 plus a fee of £5,000 for chairing the Remuneration Committee. Charles Butler's fee comprises a base non-executive fee of £50,000 plus a fee of £5,000 for chairing the Audit Committee.

Performance Bonus (audited)

The Group operates a performance bonus scheme that is based on achievement of both recurring revenue and profitability targets and is applicable to the whole business and, in particular, the Executive Directors and the Group's senior management.

As a result of the successful IPO, Alan Pepper received a one-off bonus of £100,000. The Executive Directors' bonuses recognised in the 2019 financial year is £269,000 (2018: £50,000). The maximum performance bonus opportunity for the Executive Directors is 60% of their annual salary.

Long Term Incentives (audited)

Shortly prior to the IPO, the Company adopted both a Long Term Incentive Plan ("LTIP") and a Company Share Option Plan ("CSOP") with all employees of the Group eligible to receive awards under the Share Plans. The Company has also established a Non-Executive Director Plan (together "the Share Plans").

On 28 May 2019 the Company granted a total of 2,694,954 share options to Executive Directors, senior management, employees and Non-Executive Directors under the Share Plans. A breakdown of the Directors' current interests in the long term incentives awards is set out below.

Name	Date of Grant	Number of options	Exercise Price (p)	Vesting Date	Lapse Date	Performance Conditions
Mark Furness	28 May 2019	397,351	0.25	28 May 2021	28 May 2029	Yes
Alan Pepper	28 May 2019	182,119	0.25	28 May 2021	28 May 2029	Yes
Alan Pepper	28 May 2019	145,698	151.00	28 May 2021	28 May 2029	No
Jon Lee	28 May 2019	49,669	151.00	28 May 2021	28 May 2029	No
Charles Butler	28 May 2019	33,113	151.00	28 May 2021	28 May 2029	No

Mark Furness and Alan Pepper's 0.25p exercise price awards are subject to a performance condition requiring achievement of absolute total shareholder return ("TSR") (growth in share price plus dividends). In order for an award to vest in full, compound annual TSR of 18 (eighteen) per cent. must be achieved over a period of three years (starting on the date of award). In respect of the TSR condition, 25 per cent. of the Award will vest on achievement of 8 per cent. compound annual TSR, with the remainder of the Award vesting on a straight-line basis between 8 per cent. and 18 per cent. Vesting against this TSR condition will be measured once upon the third anniversary of the date of award. The baseline share price for the TSR performance condition is 151p, the placing price at the IPO.

Further details of employee share schemes are set out in note 28 to the financial statements.

Directors remuneration – current year (audited)

The remuneration for the Directors for the year ended 31 July 2019 was as follows (£'000):

Name	Base Salary and Fees £'000	Benefits £'000	Bonuses £'000	Pension £'000	Share based payment £'000	2019 Total £'000	2018 Total £'000
Mark Furness	240	12	88	10	15	365	136
Alan Pepper	220	4	231	13	144	612	235
Jon Lee	17	-	-	-	2	19	-
Charles Butler	11	-	-	-	1	12	-
TOTAL	488	16	319	23	162	1,008	371

Included in Alan Pepper's bonus disclosure above is £50,000 paid in January 2019 in respect of the 2018 financial year.

Remuneration Policy for Non-Executive Directors

Charles Butler and I each receive a fee for our services as Directors, which is approved by the Board, mindful of the time commitment and responsibilities of our roles and of current market rates for comparable organisations and appointments. Non-executive director fees for the year commencing 1 August 2019 are noted above.

Remuneration decisions for the financial year ending 31 July 2019

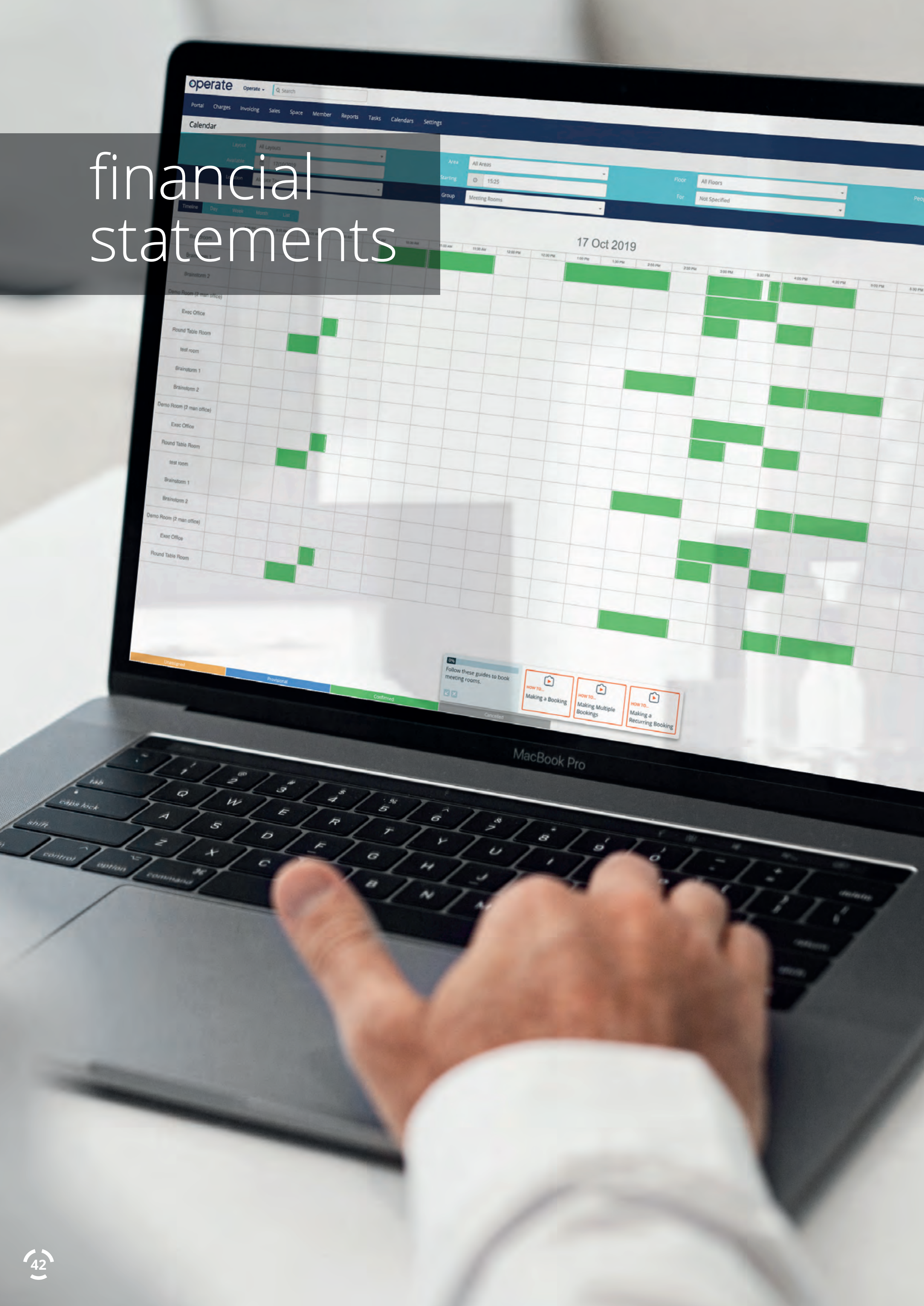
Performance bonuses payable to the Executive Directors for the year ended 31 July 2019 were £169,000.

Committee Effectiveness

The Committee is due to perform a self-assessment of its effectiveness during the first half of 2020.

Jon Lee
Chairman of the Remuneration Committee
21 October 2019

financial statements



independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

Opinion

We have audited the financial statements of essensys plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview

Group materiality was £255,000 (2018: £241,000), which represents 1.25% (2018: 1.50%) of total revenue. Component materiality and other considerations are detailed in the materiality section below.

Other than the parent company we identified two components of the group (either those operations required to have individual audit opinions issued under the Companies Act 2006, or those that contributed greater than 15% of group revenue), which, in our view, required an audit of their complete financial information.

We have identified and reported on four key audit matters, including revenue recognition, accounting for the initial public offering ('IPO') transaction and related costs, accounting for share options and capitalised development costs (as detailed below).

independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Description of key audit matter	Our response
Revenue recognition	There is a presumed significant audit risk arising from inappropriate or incorrect recognition of revenue unless conditions exist that permit the rebuttal of that risk. Due to the different revenue streams entered into by the group i.e. fixed and variable revenue related to the Connect and Operate systems, the key risk of material misstatement arises both from the recognition of variable revenue around the year end (cut-off) and the revenue recognition policy itself, as detailed within note 4 of these financial statements, ensuring it is in line with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Therefore, the key audit matter is the existence of revenue recognised during the year, revenue recognised around the year end specifically with regards to variable revenue, including the recognition of the correct apportionment of revenue in the year based on performance obligations completed as defined per IFRS 15 and the related amount deferred at year end for all contracts in progress.	For each material revenue stream, we considered management's processes for determining revenue to be recognised in accordance with the group's accounting policies and IFRS 15. This included identifying separate performance obligations included in a sample of contracts to determine whether revenue was being recognised appropriately, by obtaining evidence of the satisfaction of performance obligations. We performed testing over all material revenue streams, including: • Selected a sample of contracts, recalculated the expected revenue to be recognised in the year and traced this back to revenue recognised in the consolidated statement of comprehensive income. • Applied analytical testing procedures for all revenue recognised in the year and investigated all movements that were not consistent with our independent expectations set. All inputs used to set those expectations were tested substantively. • Selected a sample of revenue deferred at year end, tracing these back to the delivery of performance obligations post year end. • Selected a sample of sites that had gone live post year end which were invoiced in advance to confirm that the related contract revenue had been correctly deferred at year end. • Audited a sample of revenue items posted either side of year end to confirm that variable and fixed revenue cut-off procedures have been correctly applied and that revenue had been appropriately recognised. **Key observations:** Based on the procedures performed, including those in respect of cut off, we did not identify any evidence of material misstatement in the revenue recognised in the year or revenue deferred at 31 July 2019.

independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

Key audit matter	Description of key audit matter	Our response
Accounting for the IPO transaction and related costs	The IPO was a significant transaction in the year and there is a risk of error in the accounting for this one off transaction. This includes: - the accounting treatment adopted for the insertion of essensys plc as the new parent company for the group through the share for share exchange; - the new shares issue on the completion of the IPO; and - the recognition of and accounting for the resulting costs incurred in relation to the IPO. The arrangement was accounted for using 'merger accounting' principles which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. Refer to Note 3 – Basis of preparation for disclosure relating to the accounting for the share for share exchange.	As part of our audit of the accounting for the IPO transaction and related costs we performed the following procedures: • Reviewed the accounting for the insertion of the new parent company under merger accounting principles, which notes that the carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value on consolidation. • Confirmed that the difference between the cost of investment and the nominal value of the share capital acquired has been correctly recognised in a merger reserve whilst the carrying value of the investment is correctly carried at the nominal value of the shares issued. • Confirmed that essensys plc has correctly applied 'merger relief' available under Companies Act 2006 in respect of the share for share exchange as the company has acquired more than 90% of the equity in essensys (UK) Limited resulting in the share premium being recognised in a merger reserve. • Agreed the 9,271,523 new ordinary shares issued post the group reorganisation and as part of the IPO to the relevant supporting documentation. • Agreed the share issue costs of £793,000 to the relevant supporting documentation to ensure that the costs have been correctly deducted against share premium and should not be expensed through the consolidated statement of comprehensive income. • Furthermore, we tested a sample of other IPO related costs (£1.5m) to confirm that they had been correctly expensed. **Key Observations:** Based on the procedures performed, no evidence of material misstatement was noted.

independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

Key audit matter	Description of key audit matter	Our response
Accounting for share options	As a result of the IPO, the previous share option scheme was settled resulting in a material share based payment charge and new incentive schemes were also put in place. There is a risk of error in the accounting relating to the share options as the calculation of the share based payment charge includes a significant element of estimate and judgements. Refer to Note 4 – Share based payments for disclosure relating to the accounting policy for equity settled share based payments.	Our work over the accounting for the share options was supported by our in-house valuation specialists and included the following procedures: - Agreed a sample of share options issued to the underlying agreements including verifying the vesting conditions, vesting period, exercise prices and any attached performance conditions. - We used our in-house valuation experts to assess the appropriateness of the methodology used to value the share options and the reasonableness of certain key assumptions. - Independently re-performed the valuation of the share options, containing performance conditions, using the Monte Carlo model. - Recalculated the share based payment expense over the vesting period and for the period since grant date. - Assessed the sufficiency of the disclosures relating to the share based payment expense included in note 28, taking into account the requirements of relevant financial reporting standards and tested the completeness and accuracy of those disclosures. **Key Observations:** Based on the procedures performed, no evidence of material misstatement was noted.
Capitalised development costs	Recognition of internally developed intangible assets was considered to be a key audit matter, given the involvement of significant judgement, including: • Determining the distinction between research and development costs; and • Determining the time allocation and related value of salary costs relating to the development team to be capitalised. Refer to Note 4 – Intangible assets for disclosure relating to the accounting policy for capitalising development costs.	Our audit procedures involved: • Performing enquiries with employees who are outside of the finance function to understand their specific roles and procedures for capitalising internal software development. • For a sample of capitalised costs, through enquiry we were able to understand the technical specifics of the costs capitalised in order to identify research vs development costs. We thereafter analysed the costs that have been capitalised to ensure that they had met the development criteria as per IAS 38 and as set out in note 4. • Agreed the existence of a sample of employees to contracts including verifying their salary costs, identifying roles and responsibilities to determine if the portion of costs capitalised reflects the work performed on the systems. • Tested the validity of a sample of costs capitalised by agreeing to the underlying information and details logged on the system. Through review and challenging management's judgements and assumptions we were able to gain comfort that the costs capitalised as development expenditure were appropriate based on the efforts and work involved on the system. **Key Observations:** Based on the procedures performed, no evidence of material misstatement was noted.

independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality

Overall group materiality	£255,000 (2018: £241,000)
Basis for determining	1.25% of revenue (2018: 1.5% of revenue)
Rationale for benchmark applied	In arriving at this judgement, we considered the financial measures which we believed to be most relevant to the shareholders in assessing the performance of the group. Profit before tax is a generally accepted benchmark for a profit-orientated business. However, due to substantial IPO costs incurred in the year, there has been a degree of volatility in this measure. We concluded that, in isolation, this metric did not appropriately reflect the scale of the group's ongoing operations or its underlying performance. As a result, revenue was considered the most appropriate metric, but in quantifying materiality, we have also had regard to other performance measures such as operating profit and the impact of exceptional items.
Parent company materiality	£178,500 (2018: N/A)

Performance materiality

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality should be set at 70% of group materiality, being £178,500 (2018: 70%, being £168,700).

Performance materiality levels used for the two key components identified within the group were based upon the same benchmarks and percentages detailed for the group, due to each component being consistent in both nature, audit risks identified and control environment to the group as a whole. In the current year, the materiality and performance materiality allocated to both components was £164,000 and £114,800 (2018: £173,000 to £180,750 and £121,100 to £126,525).

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of 5% of materiality i.e. £12,750 (2018: £12,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

In determining the scope of our audit we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole. In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we performed an audit of the complete financial information ("full scope components") of two components within the group consolidation, covering entities within the UK and US which represent the principal trading business units within the Group. The group's primary audit team performed all audit procedures on all full scope components in the UK and US.

The group audit team centrally performed the audit of 100% (2018: 100%) of group revenue, 100% (2018: 100%) of group losses and 100% (2018: 100%) of total assets using the materiality levels set out above.

independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

Other information

The Directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

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

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

independent auditors report to the shareholders of essensys plc

for the year ended 31 July 2019

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.

A further description of our responsibilities for the audit of the financial statements is located 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Butcher (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

21 October 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

consolidated statement of comprehensive loss

for the year ended 31 July 2019

	Note	2019 £000	2018 £000
Turnover	6	**20,633**	16,444
Cost of sales		**(7,986)**	(6,414)
Gross profit		**12,647**	10,030
Administrative expenses		**(11,233)**	(9,328)
Other operating income		**51**	79
Share based payment expense		**(979)**	-
IPO related costs		**(1,508)**	-
Operating (loss)/profit	7	**(1,022)**	781
Interest receivable and similar income	10	**82**	94
Interest payable and similar charges	11	**(494)**	(459)
(Loss)/profit before taxation		**(1,434)**	416
Taxation	12	**(45)**	(24)
(Loss)/profit for the year from continuing operations		**(1,479)**	392
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Currency translation differences		**27**	(8)
Other comprehensive income/(loss) for the year		**27**	(8)
Total comprehensive (loss)/income for the year		**(1,452)**	384
Basic and Diluted (loss)/profit per share	13	**(3.7p)**	1.0p

The notes on pages 54 to 85 form part of these financial statements.

consolidated statement of financial position

as at 31 July 2019

	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Intangible assets	14	**3,732**	3,674
Property, plant and equipment	15	**1,376**	943
Right of use assets	16	**3,119**	3,751
		8,227	8,368
Current assets			
Inventories	18	**292**	–
Trade and other receivables	19	**5,727**	6,775
Cash at bank and in hand		**2,688**	882
		8,707	7,657
TOTAL ASSETS		**16,934**	16,025
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
Called up share capital	20	**120**	97
Share premium	21	**13,184**	-
Share based payment reserve		**979**	-
Merger reserve		**28**	28
Retained earnings		**(5,318)**	2,898
TOTAL EQUITY		**8,993**	3,023
LIABILITIES			
Non-current liabilities			
Borrowings	23	**-**	3,857
Lease liabilities	24	**1,637**	2,633
Deferred Tax	25	**67**	-
		1,704	6,490
Current liabilities			
Borrowings	23	**-**	787
Trade and other payables	22	**3,382**	2,768
Contract liabilities	6E	**1,044**	1,156
Lease liabilities	24	**1,811**	1,639
Current taxes		**-**	162
		6,237	6,512
TOTAL LIABILITIES		**7,941**	13,002
TOTAL EQUITY AND LIABILITIES		**16,934**	16,025

The financial statements were approved by the Board of Directors and authorised for issue on 21 October 2019.

Alan Pepper
Director

The notes on pages 54 to 85 form part of these financial statements.

consolidated statement of changes in equity

for the year ended 31 July 2019

	Share capital £000	Share premium £000	Share based payment Reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
1 August 2018	97	-	-	28	2,898	3,023
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(1,479)	(1,479)
Currency translation differences	-	-	-	-	27	27
Total comprehensive loss for the year	-	-	-	-	(1,452)	(1,452)
Transactions with shareholders						
essensys (UK) Limited Share buy back (see note 29)	-	-	-	-	(2,315)	(2,315)
essensys (UK) Limited Dividends paid (see note 29)	-	-	-	-	(4,449)	(4,449)
New shares issued	23	13,977	-	-	-	14,000
Cost incurred in issuing new shares	-	(793)	-	-	-	(793)
Share based payment charge	-	-	979	-	-	979
31 July 2019	**120**	**13,184**	**979**	**28**	**(5,318)**	**8,993**

consolidated statement of changes in equity

for the year ended 31 July 2018

	Share capital £000	Share premium £000	Share based payment Reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
1 August 2017	97	-	-	28	2,514	2,639
Comprehensive income for the year						
Profit for the year	-	-	-	-	392	392
Currency translation differences	-	-	-	-	(8)	(8)
Total comprehensive income for the year	-	-	-	-	384	384
31 July 2018	97	-	-	28	2,898	3,023

The notes on pages 54 to 85 form part of these financial statements.

consolidated statement of cash flows

for the year ended 31 July 2019

	Note	2019 £000	2018 £000
Cash from operations	32 A	**2,026**	2,598
Corporation tax paid		**(131)**	(120)
Foreign exchange		**38**	8
Net cash generated from operating activities		**1,933**	2,486
Cash flows from investing activities			
Purchases of intangible assets	14	**(800)**	(554)
Purchases of property plant and equipment	15	**(722)**	(176)
Payment of deferred consideration		**-**	(242)
Interest received		**82**	94
Net cash used in investing activities		**(1,440)**	(878)
Cash flows from financing activities			
Proceeds from the issuance of new shares		**14,000**	-
Costs of issuing new shares		**(2,301)**	-
Dividends paid		**(915)**	-
Buy back of shares		**(2,315)**	-
Proceeds from bank loans		**10,000**	378
Repayment of bank loans		**(14,644)**	(355)
Repayment lease liabilities	**24**	**(2,020)**	(1,664)
Interest paid on lease liabilities	**24**	**(198)**	(183)
Bank and other interest paid		**(299)**	(192)
Net cash generated from/(used in) financing activities		**1,308**	(2,016)
Net increase/(decrease) in cash and cash equivalents		**1,801**	(408)
Cash and cash equivalents at beginning of year		**882**	1,293
Effects of foreign exchange rate changes		**5**	(3)
Cash and cash equivalents at end of year		**2,688**	882
Cash and cash equivalents comprise:			
Cash at bank and in hand		**2,688**	882

The notes on pages 54 to 85 form part of these financial statements.

notes to the financial statements

for the year ended 31 July 2019

1 General information

essensys plc (the "Company") is a public limited company, incorporated in the United Kingdom under the Companies Act 2006 (registration number 11780413). The Company is domiciled in the United Kingdom and its registered address is Aldgate Tower 7th Floor, 2 Leman Street, London. E1 8FA. The Company's ordinary shares are traded on the Alternate Investment Market (AIM) of the London Stock Exchange.

The Group's principal activities are the provision of software and technology platforms that manage the critical infrastructure and business processes, primarily of operators in the flexible workspace industry. These activities are carried out by the Group's wholly owned subsidiaries.

The Company's principal activity is to provide management services to its subsidiaries.

2 Authorisation of financial statements and statement of compliance with IFRS

The financial statements for the year ended 31 July 2019 were authorised for issue by the Board of Directors and the Statements of Financial Position were signed on the Board's behalf by Mark Furness and Alan Pepper on 21 October 2019.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union and bearing in mind those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements of the Company have been prepared in manner consistent with those of the Group.

3 Basis of Preparation

These financial statements have been prepared under the historical cost basis and are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Group's business activities, together with factors likely to affects its future development, performance and position are set out in the Strategic report on pages 6 to 24. The financial position of the Group is described in the Financial Review on pages 18 to 21.

Going concern

The Group carefully manages financial resources, closely monitoring the working capital cycle. The Group has long term contracts with a number of customers and suppliers across different geographical areas and industries. Consequently, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As part of their enquiries in this regard the Directors reviewed budgets, projected cash flows and other relevant information for the 12 months from the date of approval of the financial statements. The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the above reasons.

Basis of consolidation

The consolidated financial statements incorporate the results of essensys plc and all of its subsidiary undertakings.

essensys plc was incorporated on 22 January 2019, and on 16 May 2019 it acquired the issued share capital of essensys (UK) Ltd, previously essensys Limited, by way of a share for share exchange. The latter had four wholly owned subsidiaries:

- essensys, Inc
- Hubcreate Limited
- TVOC Limited
- Spacebuddi Limited

3 Basis of Preparation (continued)

The consideration for the acquisition was satisfied by the issue of 38,836,044 ordinary shares in essensys plc to the shareholders of essensys (UK) Limited.

The accounting treatment in relation to the addition of essensys plc as a new UK holding company of the group falls outside the scope of IFRS 3 'Business Combinations'. The share scheme arrangement constituted a combination of entities under common control due to all shareholders of essensys (UK) Ltd being issued shares in the same proportion, and the continuity of ultimate controlling parties. The reconstructed group was consolidated using merger accounting principles which treated the reconstructed group as if it had always been in existence. Any difference between the nominal value of shares issued in the share exchange and the book value of the shares obtained are recognised in a merger reserve.

The company has applied the statutory relief as prescribed by Companies Act 2006 in respect of the share for share exchange as the issuing company has secured more than 90% equity in the other entity. The carrying value of the investment is carried at the nominal value of the shares issued.

4 Summary of significant accounting policies

Revenue

The Group generates revenue in the UK and the United States of America (USA). Turnover represents services provided in the normal course of business, net of value added tax. Services provided to clients during the year, including any amounts which at the reporting date have not yet been billed to the clients, have been recognised as revenue.

(a) Invoicing

Set up and installation costs are partially invoiced once the customer contract is signed with the remaining balance invoiced when the service goes live. Fixed monthly costs are invoiced one month in advance and revenue is recognised in the month the service is provided. Deferred revenue is recognised for the Group's obligation to transfer services to customers for which they have already received consideration (or an amount of consideration is due) from the customer. Variable monthly costs (including internet usage and telephone call charges) are invoiced monthly in arrears and accrued revenue is recognised in the month that the services were consumed.

(b) Contracts and obligation

The majority of customer contracts have two main services that the Group provides to the customer:

- Set up/installation
- Ongoing monthly software, services and support

Where a contract is modified and the remaining services are distinct from the services transferred on or before the date of the contract modification, then the Group accounts for the contract modifications as if it were a termination of the existing contract and the creation of a new contract.

The amount of consideration allocated to the remaining performance obligations is the sum of the consideration promised by the customer and the consideration promised as part of the contract modification.

(c) Determining the transaction price

The transaction price is determined as the fair value of the consideration the Group expects to receive over the course of the contract. There are no incentives given to customers that would have a material effect on the financial statements.

(d) Allocate the transaction price to the performance obligations in the contract

The allocation of the transaction price to the performance obligations in the contract is non-complex for the Group. There is a fixed unit price for each product sold. Therefore, there is limited judgement involved in allocating the contract price to each unit ordered.

4 Summary of significant accounting policies (continued)

Revenue (continued)

(e) Recognise revenue when or as the entity satisfies its performance obligations

The contracts may cover multiple sites, but the overarching terms are consistent in each contract. The set up/installation is seen as a distinct performance obligation and revenue is recognised at a point in time, when the installation is completed, and any hardware is provided to the client for their use. The customer can benefit from the set up/installation such as new internet connectivity or new hardware provided, and therefore revenue is recognised in full when these services are provided.

The second performance obligation is the provision of software, infrastructure and on-demand services over the term of the contract, and the Group recognises the revenue each month as it provides these services for the duration of the contract, i.e. over time.

Finance income

Finance income comprises interest receivable on funds invested and loans to related parties. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs

Finance costs comprise interest on bank loans, lease obligations and other interest payable. Interest on bank loans and other interest is charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Intangible assets

(a) Internal software development

Research expenditure is written of in the year in which it is incurred.

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

- it is technically and commercially feasible to develop the asset for future economic benefit;
- adequate resources are available to maintain and complete the development;
- there is the intention to complete and develop the asset for future economic benefit;
- the company is able to use the asset;
- use of the asset will generate future economic benefit; and
- expenditure on the development of the asset can be measured reliably.

Where the costs are capitalised, they are written off over their economic life which is considered by the directors to be 5 to 7 years.

(b) Goodwill

Goodwill arising on the acquisition of a business represents the excess of the fair value of the consideration and the fair value of the Group's share of the identifiable assets and liabilities acquired. The identifiable assets and liabilities acquired are incorporated into the consolidated financial statements at their fair value to the Group.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and is not subsequently reversed. On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(c) Other intangible assets

Other intangible assets are initially recognised at cost or, if recognised as part of a business combination, at fair value. After recognition, intangible assets are measured at cost or fair value less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost or fair value of intangible assets in equal annual instalments over their estimated useful lives and is included within administrative expenses.

4 Summary of significant accounting policies (continued)

Intangible assets (continued)

The estimated useful lives for other intangible fixed assets range as follows:

Customer relationships	-	6.3 years
Website	-	1 year
Acquired software	-	5 years

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost comprises the aggregate amount paid to acquire assets and includes costs directly attributable to making the asset capable of operating as intended.

At each reporting date the Group assesses whether there is an indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying value exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives or, if held under a finance lease, over the shorter of the lease term and the estimated useful life, using the straight line method. Depreciation is provided at the following annual rates:

Leasehold improvements	-	20%
Fixtures and fittings	-	25%
Computer equipment	-	10% – 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income or losses' in the statement of comprehensive income.

Leasehold improvements include security equipment purchased.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial information is presented in 'sterling', which is essensys plc's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into essensys plc's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income or expense'.

4 Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories consist exclusively of work in progress, which are items that have been purchased and allocated to satisfy specific customer contracts. As the items have yet to be installed at the customer location, and where title has not yet passed, they remain on statement of financial position until title has passed.

Trade and other receivables

Trade receivables, which are generally received by the end of the month following terms, are recognised and carried at the lower of their original invoiced value less provision for expected credit losses.

Cash and cash equivalents

All cash and short-term investments with original maturities of three months or less are considered cash and cash equivalents, since they are readily convertible to cash. These short-term investments are stated at cost, which approximates fair value.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised at original cost.

Exceptional items

Exceptional items are those that, in the Directors' view, are required to be separately disclosed by virtue of the size or incidence to enable a full understanding of the Group's financial performance.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where essensys plc's subsidiaries operate and generate taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Share capital

Ordinary shares are classified as equity. There is one class of ordinary share in issue, as detailed in note 20.

4 Summary of significant accounting policies (continued)

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued;
- The share premium account includes the premium on issue of equity shares, net of any issue costs;
- Share based payment reserve represents the cost of the shares issued under the relevant share option schemes;
- Merger reserve arose on the business combination that was accounted for as a merger in accordance with FRS 102;
- Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

Financial assets

The Group classifies all of its financial assets at amortised cost. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being 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.

The expected loss rates are based on the Group's historical credit losses experienced over the last three periods prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rates and inflation rate as the key macroeconomic factors in the countries that the Group operates.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. Under the General approach, at each reporting date, the Group determines whether there has been a significant increase in credit risk (SICR) since initial recognition and whether the loan is credit impaired. This determines whether the loan is in Stage 1, Stage 2 or Stage 3, which in turn determines both the amount of ECL to be recognised i.e. 12-month ECL or Lifetime ECL.

Financial liabilities

The Group classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include:

- Trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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

4 Summary of significant accounting policies (continued)

Impairment of assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

Where there is any indication that an asset may be impaired, the carrying value of the asset (or CGUs to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. Goodwill is reviewed for impairment on an annual basis, with any impairment to goodwill not reversed at a later period.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the essensys Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The excess of the consideration transferred and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate on the number of equity investments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Statement of Comprehensive Income over the remaining vesting period, with a corresponding adjustment to the Share Based Payment Reserve.

4 Summary of significant accounting policies (continued)

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets; and leases with a duration of twelve months or less, in line with the requirements of IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets ("ROUA") are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

4 Summary of significant accounting policies (continued)

Leases (continued)

For contracts that both convey a right to The Group to use an identified asset and require services to be provided to The Group by the lessor, The Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Retirement benefits

The Group operates a number of defined contribution plans. A defined contribution plan is a pension plan under which the employer pays fixed contributions into a separate entity. Contributions payable to the plan are charged to the income statement in the period in which they relate. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Holiday pay accrual

All employees accrue holiday pay during the calendar year, the Board encourages all employees to use their full entitlement throughout the year. A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Standards adopted in the year

(a) IFRS 9 Financial Instruments (IFRS9)

IFRS 9 has replaced IAS 39 Financial Instruments and Measurement (IAS 39), and contains the requirement for:

- the classification and measurement of financial assets and financial liabilities
- impairment methodology, and
- general hedge accounting

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the last three periods prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rates and inflation rate as the key macroeconomic factors in the countries that the Group operates.

Given the nature of the Group's financial assets and liabilities and the limited bad debt history, the adoption of IFRS 9 has had no material impact on the financial statements.

(b) IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 is a prescriptive standard which requires a business to identify the performance obligations which are contracted with its customer base. The Directors have reviewed the requirements of IFRS 15 and updated the accounting policies as appropriate. The changes have been both narrative and required adjustment to prior periods. The financial statements have been presented as such that the comparatives already include the adjustments required under IFRS 15.

(c) IFRS 16 Leases (IFRS 16)

The Group chose to adopt IFRS 16 in advance of its mandatory introduction date for accounting periods commencing on or after 1 January 2019. The standard has been applied fully retrospectively and so comparatives are accounted for under IFRS16.

IFRS 16 supersedes International Accounting Standard (IAS) 17 Leases and introduces new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. The primary impact on the Group's financial statements are due to the required changes of the Group's operating leases. The new standard requires that the obligations to pay future lease rentals over the expected lease term be recognised as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding RoUA also being recognised in the Statement of Financial Position.

4 Summary of significant accounting policies (continued)

Standards adopted in the year (continued)

(c) IFRS 16 Leases (IFRS 16) (continued)

The impact has been a material change in the gross assets and liabilities, as a result of recognising the leases as RoUA and liabilities, for the change in accounting policy, however there has not been a material impact in the value of the Group's net assets. Additionally, whilst the depreciation on the RoUA and the interest on the finance liability would be different to the present operating charges, there is not a material impact on the financial statements.

Standards, amendments and interpretations not yet effective

There are no standards issued not yet effective that will have a material effect on the Group's financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The Group does not expect any of the following standards issued by the IASB, but not yet effective, to have a material impact on the Group:

- IFRS 9 (2014) Financial Instruments (Amendment – Prepayment Features with Negative Compensation and Modification of Financial Liabilities);
- IFRIC 23 Uncertainty over Income Tax Treatments;
- IAS 28 Investments in Associates and Joint Ventures (Amendment – Long-term Interests in Associates and Joint Ventures);
- Annual Improvements to IFRSs 2015 – 2017 Cycle; and
- IAS 19 Employee Benefits (Amendment – Plan Amendment, Curtailment or Settlement).

5 Significant accounting judgements, estimates and assumptions

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Capitalisation of development costs

Costs are capitalised in relation to the development of the underlying software utilised within the Group. The most critical judgement is establishing whether the costs capitalised meet the criteria set out within IAS 38. Further, the most critical estimate is how the intangible asset can generate future economic benefit. Projects that are maintenance in nature are expensed as incurred whereas development that generates benefits to the group are capitalised. After capitalisation management monitors whether the recognition requirements continue to be met and whether there are any indicators that the capitalised costs are required to be impaired. See note 14 for details of amounts capitalised.

Measurement and impairment of goodwill and intangible assets

As set out in note 4 above the carrying value of goodwill is reviewed for impairment at least annually and for other intangible assets when an indication of impairment is identified. In determining whether goodwill or intangible assets are impaired, an estimation of the value in use of the Group is required. This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected and suitable discount rates based on the Group's weighted average cost of capital, in addition to the estimation involved in preparing the initial projected cash flows for the next 5 years.

These estimates have been used to conclude that no impairment is required to either goodwill or intangible assets but are judgemental in nature. See note 14 for details of the key assumptions made.

Accounting for IPO

During the year the Group incurred a total £2.3m of costs associated with its listing on the Alternative Investment Market of the London Stock Exchange (the "IPO"). Of this, £0.8m has been deducted against the share premium that resulted from the funds raised at IPO with the balance of £1.5m being expensed in the year. In assessing the appropriate treatment of the overall expenditure, the Group has reviewed the IPO related expenditure in detail and only deducted from the share premium account those costs that can, in management's judgement, be directly or reasonably proportionately attributed to the share proceeds raised for the Group at IPO.

5 Significant accounting judgements, estimates and assumptions (continued)

Valuation of Share Options

During the year the Group incurred a share-based payment charge of £979,000, of which £897,000 was in relation to share options in existence in essensys (UK) Limited (formerly Essensys Limited) issued prior to the IPO which were exercised shortly before the IPO. The balance of £82,000 comprised the amount chargeable to the year ended 31 July 2019 in respect of options in the Company issued on 28 May 2019, immediately prior to the IPO.

The charge in respect of the pre-IPO options in essensys (UK) Limited was based on valuations undertaken at the time of grants of options using a discounted cash flow valuation of that business. That valuation took into account recent financial performance at that time together with management's estimate then of future financial performance, that company's cost of capital and expected long term growth rate. As the pre-IPO option scheme was an 'exit only' scheme, the entire charge relating to that option scheme was expensed during the year ended 31 July 2019 as all outstanding options vested and were exercised shortly prior to the IPO.

The charge related to options in the Company at IPO was based on valuations undertaken using a Black Scholes or Monte Carlo Simulation option pricing models, depending on the type of option. In assessing that valuation judgements were made as to likely share price volatility, the expected life of the options issued, the proportion that would be exercised, the risk free rate applicable and the likely achievement of performance targets where applicable. The valuation of those options issued at IPO is spread over the vesting period and there will, therefore, be further share based payment expenses in future years in relation to those options issued as part of the IPO process.

6 Segmental Reporting

The Group generates revenue largely in the UK and the USA. The majority of the Group's customers provide flexible office facilities together with ancillary services (e.g. meeting rooms and virtual services) including technology connectivity.

The Group generates revenue from the following activities:

- Establishing services at customer sites (e.g. providing and managing installations, equipment and training on software);
- Recurring monthly fees for using the Group's software platforms;
- Revenue from usage of on demand services such as internet and telephone usage and other, on demand, variable services; and
- Other ad-hoc services.

The Group has one single business segment which is the provision of software and technology platforms that manage the critical infrastructure and business processes, primarily to the flexible workspace industry. The Group has two revenue segments and two geographical segments, as detailed in the tables below.

6A Revenue analysis by geographic area

The Group operates in two main geographic areas, the United Kingdom and the United States of America. The whole of the turnover is attributed to the principal activity. The Group's revenue per geographical segment is as follows:

	2019 £000	2018 £000
Analysis of turnover by country of destination:		
United Kingdom	**12,853**	11,926
United States of America	**7,780**	4,518
Total Income	**20,633**	16,444

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6 Segmental Reporting (continued)

6B Revenue analysis by revenue streams

The Group has two main revenue streams, Operate and Connect. The Group's revenue per revenue stream is as follows:

	2019 £000	2018 £000
Connect	**19,188**	15,467
Operate	**1,445**	977
Total Income	**20,633**	16,444

6C Revenue disaggregated by 'point in time' and 'over time'

The Group revenue disaggregated between revenue recognised 'at a point in time' and 'over time' is as follows:

	2019 £000	2018 £000
Revenue recognised at a point in time	**4,291**	3,556
Revenue recognised over time	**16,342**	12,888
Total Income	**20,633**	16,444

6D Revenue from customers greater than 10%

Revenue from customers greater than 10% in each reporting period is as follows:

	2019 £000	2018 £000
Customer 1	**2,952**	3,095
Customer 2	**2,864**	2,746
Customer 3	**2,623**	1,668

6E Contract assets and liabilities

Contract asset movements were as follows:

	2019 £000	2018 £000
At 1 August	**327**	478
Transfers in the period from contract assets to trade receivables	**(327)**	(478)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**271**	327
Commission costs capitalised on contracts	**204**	-
At 31 July	**475**	327

6 Segmental Reporting (continued)

6E Contract assets and liabilities (continued)

Contract liability movements were as follows:

	2019 £000	2018 £000
At 1 August	**1,156**	2,008
Amounts included in contract liabilities that was recognised as revenue during the period	**(880)**	(1,319)
Cash received and receivables in advance of performance and not recognised as revenue during the period	**768**	467
At 31 July	**1,044**	1,156

Contract assets are included within 'trade and other receivables' and contract liabilities is shown respectively on the face of the statement of financial position. Contract assets arise from the group's revenue contracts, where work is performed in advance of invoicing customers, and where revenue is received in advance of work performed. Cumulatively, payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. Commission costs capitalised on contracts represents internal sales commission costs incurred on signing of customer contracts and, in line with the requirements of IFRS15, spread over the life of the customer contract. Prior to the current year the Group expensed these costs in the year of the relevant contract started.

7 Operating (loss)/profit

	2019 £000	2018 £000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**425**	363
Amortisation of intangible assets	**742**	642
Amortisation of right of use assets	**1,586**	1,436
Loss on disposal of right of use asset	**61**	-
Fees payable to the Group's auditor (see below)	**494**	80
Amortisation of loan arrangement fee	**45**	-
Write off loan arrangement fees	**18**	-
Exchange differences	**(38)**	(8)
Research & Development expense	**88**	192
Staff costs (note 8)	**6,606**	4,933
Share based payment charges	**979**	-
IPO costs	**1,508**	-
Expected credit loss provision	**56**	(43)

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for the year ended 31 July 2019

7 Operating (loss)/profit (continued)

Analysis of fees paid to the Group's auditor:		
Annual financial statements	**74**	66
Audit Fee	**74**	66
Tax services	**-**	14
Assurance services	**24**	-
Corporate finance services	**396**	-
Non audit services	**420**	14
Total fee	**494**	80

8 Employees

Staff costs (including directors) consist of:

	2019 £000	2018 £000
Wages and salaries	**5,655**	4,216
Social security costs	**623**	532
Cost of defined contribution scheme	**145**	119
Other	**183**	66
	6,606	4,933

The average number of employees (including directors) during the year was as follows:

	2019 No.	2018 No.
Executive	**7**	7
Sales & Marketing	**9**	8
Finance & Administration	**8**	7
Support	**29**	30
Development	**15**	15
Provisioning	**6**	6
	74	73

9 Key management remuneration

Key management personnel include all the directors of the Company and the senior management and directors of essensys (UK) Limited, the Group's principal trading subsidiary, who together have authority and responsibility for planning, directing, and controlling the activities of the Group.

	2019 £000	2018 £000
Salaries and fees	**1,597**	1,061
Social security costs	**161**	105
Short term non-monetary benefits	**25**	48
Company contributions to money purchase pension schemes	**47**	18
Share based payment expense	**562**	-
	2,392	1,232

Full details of directors' remuneration is included within the Remuneration Committee Report on page 39.

notes to the financial statements

for the year ended 31 July 2019

10 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from related parties	**82**	94
	82	94

11 Interest payable and similar charges

	2019 £000	2018 £000
Bank loans and overdrafts	**299**	160
Finance leases and hire purchase contracts	**195**	267
Other interest	**-**	32
	494	459

12 Taxation on (loss)/profit on ordinary activities

	2019 £000	2018 £000
Current tax		
UK corporation tax	**3**	50
Irrecoverabe tax on loans to participators	**20**	-
Adjustment in respect of previous periods	**(74)**	8
Foreign tax on income for the year	**6**	3
Total current tax	**(45)**	61
Deferred tax		
Origination and reversal of timing differences	**90**	(33)
Adjustments in respect of prior periods	**-**	(4)
Total deferred tax	**90**	(37)
Taxation on profit on ordinary activities	**45**	24

notes to the financial statements

for the year ended 31 July 2019

12 Taxation on (loss)/profit on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	**(1,434)**	416
Tax using the Group's domestic tax rates (19%)	**(272)**	79
Effects of:		
Fixed asset differences	**143**	-
Expenses not deductible for tax purposes	**494**	119
Adjustments to tax charge in respect of previous periods	**(127)**	2
Irrecoverable tax on loans to participators	**20**	-
Adjustment in respect of prior periods	**(74)**	-
Income not taxable for tax purposes	**-**	(123)
Deduction for R&D expenditure	**(22)**	(130)
Other permanent differences	**(2)**	-
Other tax adjustments, reliefs and transfers	**10**	133
Foreign tax on income for the year	**35**	3
Adjust closing deferred tax to average rate	**(1)**	6
Adjust opening deferred tax to average rate	**(5)**	-
Timing differences not recognised	**(57)**	-
Deferred tax not recognised	**(97)**	(65)
Total tax charge for period	**45**	24

13 Earnings per share

	2019	2018
Basic and diluted weighted average number of shares	**40,381,298**	38,836,044

	2019 £000	2018 £000
(Loss)/profit for the year attributable to owners of the group	**(1,479)**	392
Basic and diluted (loss)/profit per share (pence)	**(3.7p)**	1.0p

The loss per share has been calculated using the (loss)/profit for the year and the weighted average number of ordinary shares outstanding during the period. Options outstanding at 31 July 2018 have not been included in the calculation of EPS because their exercise was contingent on the satisfaction of certain criteria that had not been met by 31 July 2018.

14 Intangible assets

Group	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost					
At 1 July 2018	335	3,661	280	1,263	5,539
Additions	-	800	-	-	800
At 31 July 2019	**335**	**4,461**	**280**	**1,263**	**6,339**
Amortisation					
At 1 July 2018	154	1,547	164	-	1,865
Charge for year	63	615	64	-	742
At 31 July 2019	**217**	**2,162**	**228**	**-**	**2,607**
Net book value				-	-
At 31 July 2019	**118**	**2,299**	**52**	**1,263**	**3,732**
At 31 July 2018	181	2,114	116	1,263	3,674

The goodwill relates to the acquisition of Hubcreate Limited on 18 February 2016 and has not been impaired since acquisition. The goodwill all relates to the one cash generating unit (CGU).

The Group estimates the recoverable amount of the CGU using a value in use model by projecting pre-tax cash flows for the next 5 years together with a terminal value using the long-term growth rate. The key assumptions underpinning the recoverable amount of the CGU are forecast revenue and forecast EBITDA percentage. The forecast revenues in the model are based on management's past experience and future expectations of performance. The pre-tax discount rate used in all periods is 12% derived from a WACC calculation and benchmarked against similar organisations within the sector. The long-term growth rate used is 2% in all periods which is the underlying growth rate of the economy. Using a discount rate of 15% and a long-term growth rate of 1% as sensitised assumptions also does not result in any impairment. The total recoverable amount in respect of goodwill as assessed by management using the above assumptions is greater than the carrying amount and therefore no impairment charge has been booked in each period.

Group	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost					
At 1 July 2017	335	3,107	280	1,263	4,985
Additions	-	554	-	-	554
At 31 July 2018	**335**	**3,661**	**280**	**1,263**	**5,539**
Amortisation					
At 1 July 2017	91	1,033	99	-	1,223
Charge for year	63	514	65	-	642
At 31 July 2018	**154**	**1,547**	**164**	**-**	**1,865**
Net book value				-	-
At 31 July 2018	**181**	**2,114**	**116**	**1,263**	**3,674**
At 31 July 2017	244	2,074	181	1,263	3,762

15 Property, plant and equipment

Group	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 July 2018	111	3,872	155	4,138
Additions	42	665	15	722
Exchange adjustments	33	226	(37)	222
At 31 July 2019	**186**	**4,763**	**133**	**5,082**
Depreciation				
At 1 July 2018	68	3,070	57	3,195
Charge for year	36	376	14	426
Exchange adjustments	16	67	2	85
At 31 July 2019	**120**	**3,513**	**73**	**3,706**
Net book value				
At 31 July 2019	**66**	**1,250**	**60**	**1,376**
At 31 July 2018	43	802	98	943

Group	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 July 2017	96	3,742	121	3,959
Additions	15	127	34	176
Exchange adjustments	-	3	-	3
At 31 July 2018	**111**	**3,872**	**155**	**4,138**
Depreciation				
At 1 July 2017	41	2,768	17	2,826
Charge for year	26	296	40	362
Exchange adjustments	1	6	-	7
At 31 July 2018	**68**	**3,070**	**57**	**3,195**
Net book value				
At 31 July 2018	**43**	**802**	**98**	**943**
At 31 July 2017	135	1,877	581	2,593

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16 Right of use assets

Group	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 July 2018	3,393	167	2,716	584	6,860
Additions	959	-	-	-	959
Disposals	(99)	-	-	-	(99)
Exchange adjustments	109	(25)	99	-	183
At 31 July 2019	**4,362**	**142**	**2,815**	**584**	**7,903**
Depreciation					
At 1 July 2018	1,290	75	1,642	102	3,109
Charge for year	928	35	565	58	1,586
Disposals	(38)	-	-	-	(38)
Exchange adjustments	80	(11)	58	-	127
At 31 July 2019	**2,260**	**99**	**2,265**	**160**	**4,784**
Net book value					
At 31 July 2019	**2,102**	**43**	**550**	**424**	**3,119**
At 31 July 2018	2,103	92	1,074	482	3,751

Group	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 July 2017	4,014	167	2,714	584	7,479
Additions	661	-	-	-	661
Disposals	(1,287)	-	-	-	(1,287)
Exchange adjustments	5	-	2	-	7
At 31 July 2018	**3,393**	**167**	**2,716**	**584**	**6,860**
Depreciation					
At 1 July 2017	1,820	33	1,053	44	2,950
Charge for year	758	42	578	58	1,436
Disposals	(1,287)	-	-	-	(1,287)
Exchange adjustments	(1)	-	11	-	10
At 31 July 2018	**1,290**	**75**	**1,642**	**102**	**3,109**
Net book value					
At 31 July 2018	**2,103**	**92**	**1,074**	**482**	**3,751**
At 31 July 2017	2,194	134	1,661	540	4,529

17 Subsidiaries

Subsidiary undertakings, associated undertakings and other investments

The following were subsidiary undertakings of the company:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Status	Nature of business
essensys (UK) Ltd	United Kingdom	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
essensys, Inc	United States of America	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
Hubcreate Limited	United Kingdom	100%	Non-trading	Provider of workspace management software
TVOC Limited	United Kingdom	100%	Non-trading	Virtual office provider
Spacebuddi Limited	United Kingdom	95%	Dormant	-

The registered office of Essensys Inc is Nelson Tower, 450 7th Avenue, New York, NY 10123. The registered offices of Hubcreate Limited, TVOC Limited and Spacebuddi Limited are as per the Company as given on the company information page.

18 Inventories

	2019 £000	2018 £000
Work in progress	**292**	-
	292	-

Work in progress are items and third party services purchased to satisfy specific customer contracts, where title has yet passed. Balances in previous years were not considered significant and are included within Prepayments at note 19 below.

19 Trade and other receivables

	2019 £000	2018 £000
Trade receivables (net)	**3,019**	1,768
Other receivables	**910**	4,213
Taxes and other social security	**63**	-
Corporation tax	**40**	-
Prepayments	**1,220**	463
Contract asset (note 6E)	**475**	327
Deferred taxation (note 25)	**-**	4
	5,727	6,775

Included in other receivables in 2018 were Directors loan accounts within essensys (UK) Limited totalling £3,226,547. On 5 June 2019 all outstanding Directors loan accounts were repaid in full.

19 Trade and other receivables (continued)

Analysis of trade receivables based on age of invoices

	< 30 £000	31-60 £000	61-90 £000	> 90 £000	Total Gross £000	ECL £000	Total Net £000
2018	1,238	225	106	208	1,777	(9)	1,768
2019	**1,722**	**40**	**419**	**903**	**3,084**	**(65)**	**3,019**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The majority of trade and other receivables are non-interest bearing. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analyses performed there is no material impact on the transition to ECL.

At 31 July 2019 the lifetime expected loss provision for trade receivables and contract assets is as follows:

	Less than 30 days past due £000	31 to 60 days past due £000	61 to 90 days past due £000	91 or more days past due £000	Total £000
Expected loss rate	0%	0%	0%	7.20%	
Gross carrying amount	2,197	40	419	903	3,559
ECL	-	-	-	65	65

Movements in the ECL are as follows:

	2019 £000	2018 £000
Opening ECL at 1 August	**9**	52
Increase during the year	**56**	-
Receivables written off as uncollectable	**-**	-
Unused amount reversed	**-**	(43)
ECL charge for the year	**56**	(43)
At 31 July	**65**	9

20 Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
48,107,567 (2018 – 38,836,044) ordinary shares of 0.0025p each (2018 – 0.01p)	**120**	97

The comparative share capital shown above is that of essensys (UK) Limited, previously Essensys Limited, immediately prior to its acquisition by the Company. On 15 May 2019 essensys (UK) Limited underwent a corporate reorganisation during which all outstanding share options were exercised, the company undertook a bonus share issue followed by a share split to result in essensys (UK) Limited having 38,836,044 shares of £0.0025p in issue. On 16 May 2019 the Company acquired the issued share capital of essensys (UK) Ltd, by way of a share for share exchange and on 29 May 2019 the Company was admitted to trading on AIM via an initial public offering (IPO), which generated gross proceeds of £14,000,000 (net proceeds of £11,699,000) from the issue of 9,271,523 new ordinary shares at 151p per share.

21 Share premium

	2019 £000	2018 £000
Share premium at start of period	-	-
Issue of new shares	13,977	-
Cost of issuing new shares recognised in equity	(793)	-
	13,184	-

22 Trade and other payables

	2019 £000	2018 £000
Amounts falling due within one year		
Trade payables	1,678	1,689
Other taxes and social security	319	499
Other creditors	117	25
Accruals	1,268	555
	3,382	2,768

23 Borrowings

	2019 £000	2018 £000
Non-current		
RCF	-	2,600
Acquisition Loan	-	-
EIF Loan	-	1,257
	-	3,857
Current		
RCF	-	-
Acquisition Loan	-	514
EIF Loan	-	273
	-	787
Total borrowings	-	4,644

Following the Group's admission to trading on AIM, the Group repaid all borrowings.

24 Lease liabilities

Nature of leasing activities

The Group leases a number of assets in the jurisdictions from which it operates in with all lease payments fixed over the lease term.

	2019 £000	2018 £000
Number of active leases	**27**	23

The Group sometimes negotiates break clauses in its leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term;
- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for the Group.

At both 31 July 2019 and 2018 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease. Where extensions to leases are permitted the Group has chosen to assume that the extensions will be taken and liabilities reflect this position.

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
At 1 August 2018	2,491	112	1,263	406	4,272
Additions	959	-	-	-	959
Interest expense	75	9	76	35	195
Effect of modification to lease terms	(60)	-	-	-	(60)
Lease payments	(1,098)	(35)	(744)	(143)	(2,020)
Foreign exchange movements	77	-	25	-	102
At 31 July 2019	**2,444**	**86**	**620**	**298**	**3,448**

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
At 1 August 2017	2,689	136	1,861	505	5,191
Additions	661	-	-	-	661
Interest expense	84	11	128	44	267
Effect of modification to lease terms	-	-	-	-	-
Lease payments	(943)	(35)	(726)	(143)	(1,847)
Foreign exchange movements	-	-	-	-	-
At 31 July 2018	2,491	112	1,263	406	4,272

24 Lease liabilities (continued)

Lease maturity

	Leasehold property £000 2019	Fixtures and fittings £000 2019	Computer equipment £000 2019	Leasehold improvements £000 2019	Total £000 2019
Up to 3 months	252	-	180	-	**432**
3 to 12 months	1,029	-	350	-	**1,379**
1-2 years	609	86	90	298	**1,083**
2-5 years	554	-	-	-	**554**
More than 5 years	-	-	-	-	**-**
	2,444	**86**	**620**	**298**	**3,448**

	Leasehold property £000 2018	Fixtures and fittings £000 2018	Computer equipment £000 2018	Leasehold improvements £000 2018	Total £000 2018
Up to 3 months	-	-	-	-	-
3 to 12 months	788	83	649	119	1,639
1-2 years	1,703	29	614	287	2,633
2-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
	2,491	**112**	**1,263**	**406**	**4,272**

Analysis by current and non-current

	Leasehold property £000 2019	Fixtures and fittings £000 2019	Computer equipment £000 2019	Leasehold improvements £000 2019	Total £000 2019
Due within a year	1,281	-	530	-	**1,811**
Due in more than one year	1,163	86	90	298	**1,637**
	2,444	**86**	**620**	**298**	**3,448**

	Leasehold property £000 2018	Fixtures and fittings £000 2018	Computer equipment £000 2018	Leasehold improvements £000 2018	Total £000 2018
Due within a year	938	7	605	89	1,639
Due in more than one year	1,553	105	658	317	2,633
	2,491	**112**	**1,263**	**406**	**4,272**

25 Deferred taxation

	2019 £000	2018 £000
Brought forward	(4)	33
Charged/(credited) to the income statement	71	(33)
Deferred tax transfer	-	-
Arising on business combinations in prior years	-	-
Carried forward	67	-

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Fixed asset timing differences	138	(79)
Other timing differences	(71)	79
	67	-

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 19 per cent. from 1 April 2017 and to 17 per cent. from 1 April 2020, and this has been reflected in this historical financial information.

26 Financial instruments

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other business, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect to these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and procedures for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Bank loan

It is Group policy that no trading in financial instruments should be undertaken.

26 Financial instruments (continued)

Financial instruments by category

	2019 £000	2018 £000
Financial assets at amortised cost		
Cash and cash equivalents	**2,688**	882
Trade and other receivables	**4,488**	6,312
Total financial assets at amortised cost	**7,176**	7,194
Financial liabilities		
Trade and other payables	**3,063**	2,266
Bank Loan	**-**	4,644
Lease liabilities	**3,448**	4,272
Total financial liabilities	**6,511**	11,182

Financial instruments not measured at fair value

These include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

The Group's activities expose it to a variety of financial risks:

- Market risk (including foreign exchange risk, price risk and interest rate risk)
- Credit risk
- Liquidity risk

The financial risks relate to the following financial instruments:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Loans and borrowings

The accounting policies with respect to these financial instruments are described above.

Risk management is carried out by the directors. The directors identify and evaluate financial risks and provide principals for overall risk management.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts.

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises because the Group operates in the United Kingdom and the United States of America, whose functional currency is not the same as the presentational currency of the Group. Foreign exchange risk also arises when individual companies within the group enter into transactions denominated in currencies other than their functional currency. Such transactions are kept to a minimum either through the choice of suppliers or presenting sales invoices in the functional currency.

26 Financial instruments (continued)

Financial instruments not measured at fair value (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Certain assets of the group companies are denominated in foreign currencies. Similarly, the Group has financial liabilities denominated in those same currencies. In general, the Group seeks to maintain the financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thus providing a natural hedge against foreign exchange risk and reducing foreign exchange exposure to a minimal level.

	2019 £000	2018 £000
Financial assets	**5,833**	6,468
Financial liabilities	**1,836**	6,546

The table below represents financial instruments that are denominated in currencies other than the functional currencies of the group entities:

	2019 £000	2018 £000
Financial assets	**2,944**	1,491
Financial liabilities	**1,422**	1,111

(ii) Interest rate risk

The Group's interest rate exposure arises mainly from the interest-bearing borrowings as disclosed in note 23. All the Group's facilities were floating rates excluding interest from leases, which exposed the group to cash flow risk. As at 31 July 2019 there are no loans outstanding, (2018 – £4,644,000) and the overdraft facility is available but not in use. Therefore, there is no material exposure to interest rate risk.

	2019 £000	2019 % Interest margin	2018 £000	2018 % Interest margin
Floating rate borrowings				
Bank loan - RCF	-	-	2,600	3.10
Bank loan – acquisition loan	-	-	514	3.10
Bank loan – EIF loan	-	-	1,530	3.85
	-		4,644	

All interest margins were above the Bank of England base rate of LIBOR.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash flows for operations. The Group manages its risk to shortage of funds by monitoring forecast and actual cash flows. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the majority of both its financial assets.

	2019 £000	2018 £000
Less than one year	**-**	787
One to two years	**-**	3,857
Two to five years		
	-	4,644

26 Financial instruments (continued)

Financial instruments not measured at fair value (continued)

(c) Liquidity Risk (continued)

A maturity analysis of the Group's trade and other payables is shown below:

	2019 £000	2018 £000
Less than one year	**3,382**	2,768
One to two years	**-**	-
Two to five years	**-**	-
	3,382	2,768

27 Pension commitments

The group operates defined contributions pension schemes. The assets of the schemes are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the funds.

	2019 £000	2018 £000
Pension charge	**145**	119
Pension liability	**30**	15

28 Share based payments

The Company operates five equity-settled share-based remuneration schemes for employees; two United Kingdom tax authority approved schemes (one EMI and one CSOP), an unapproved Performance Share Plan scheme, a share option plan for non-United Kingdom employees and an unapproved Non-Executive Director Plan.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	**£4.97**	**2,778**	£0.01	2,536
Granted during the year	**£0.95**	**2,695,330**	£4.97	1,341
Forfeited during the year	**£21.94**	**(131)**	£0.01	(1,099)
Exercised during the year	**£3.61**	**(3,023)**		-
Expired during the year		**-**		-
Outstanding at the end of the year	**£0.95**	**2,694,954**	£4.97	2,778

All options outstanding at the start of the year were exercised in advance of the IPO. The weighted average exercise price of options outstanding at the end of the year ranged was 95.25p and their weighted average contractual life was 9.8 years.

Of the total number of options outstanding at the end of the year, no options had vested and were exercisable.

28 Share based payments (continued)

Market Value Options were valued using the Black Scholes option pricing model. Performance Share options were valued using a Monte Carlo Simulation option pricing model. Expected dividends are not incorporated into the fair value calculations. The assumptions used in the calculations are as follows:

	2019
Risk free investment	**1.01%**
Expected life	**4.4 years**
Expected volatility	**40%**

Given a lack of historic volatility information related to the Company's shares, the volatility used was based on that of a comparative group of companies trading on AIM. The expected life was based initially on the minimum vesting period with an assumption that more senior personnel would not exercise immediately. The risk-free rate was based on the yield on UK government 10-year gilts at the time of the grant.

The Group recognised a total Share based payment expense of £979,000 in the year, comprising £897,000 related to the vesting and exercise of options in essensys (UK) Limited immediately prior to the corporate reorganisation in anticipation of the Company's IPO and a further £82,000 related to options issued immediately prior to Admission.

The essensys (UK) Limited option scheme was an 'exit only' scheme where options only vested in the event of a corporate transaction, in this case, the IPO. All essensys (UK) Limited options vested at IPO resulting in the accelerated catch up charge of £897,000 and that scheme is now closed. All options in the Company vest three years from the date of grant. Performance shares vest only on the achievement of certain performance conditions, the details of which are set out in the Remuneration Committee Report on page 39.

29 Related party transactions

The Group has taken advantage of the exemption available under IAS 24 Related Party Disclosures not to disclose transactions between Group Undertakings which are eliminated on consolidation.

Key management personnel

Key management personnel include all directors across the essensys plc group who together have authority and responsibility for planning, directing and controlling the activities of essensys plc group. Details of key management compensation is shown in note 9.

Pre-IPO share buy-back by essensys (UK) Limited

On 15 February 2019 essensys (UK) Limited (then Essensys Limited) bought back 3,250 ordinary shares for a total consideration of £2,315,000 from a former director and employee of essensys (UK) Limited. The shares repurchased were cancelled on 15 February 2019.

Pre-IPO Dividend to shareholders of essensys (UK) Limited

On 16 May 2019 the Company's subsidiary essensys (UK) Limited declared a dividend of £180.58 per original essensys (UK) Limited share to its shareholders at the time, the majority of whom were directors of that company. The total dividend amounted to £4,449,034 and was declared in advance of essensys (UK) Limited's acquisition by the Company by way of the share for share exchange in anticipation of the IPO. £3,533,513 of the dividend was used to settle outstanding directors' loans as set out below. The remainder of the dividend was paid as cash. At the time the dividend was declared essensys (UK) Limited had sufficient distributable reserves and continues to have positive distributable reserves.

29 Related party transactions (continued)

Directors Loans

The following advances and credits to the directors and key management personnel subsisting during the years ended 31 July 2019 and 31 July 2018. All advances incurred interest at a rate of 3.25% per annum. Directors loans are included within Other receivables in Note 19.

	2019 £000	2018 £000
Mark Furness		
Balance outstanding at start of year	**3,103**	2,756
Amounts advanced	**351**	284
Amounts repaid	**(3,534)**	(26)
Interest charged	**80**	89
	-	3,103

All amounts outstanding were repaid during the year. The maximum loan balance subsisting during the year was £3,533,513 (2018 – £3,129,325).

	2019 £000	2018 £000
Michael Guest		
Balance outstanding at start of year	**124**	102
Amounts advanced	**11**	19
Amounts repaid	**(137)**	-
Interest charged	**2**	3
	-	124

All amounts outstanding were repaid during the year. The maximum loan balance subsisting during the year was £137,687 (2018 – £124,300).

	2019 £000	2018 £000
Barry Clark		
Balance outstanding at start of year	**-**	30
Amounts advanced	**-**	-
Amounts repaid	**-**	(31)
Interest charged	**-**	1
	-	-

All amounts outstanding were repaid during 2018. The maximum loan balance subsisting during the year was £nil (2018 – £30,658).

30 Capital commitments and contingent liabilities

The Group had no capital commitments or contingent liabilities at 31 July 2019 (2018: USD $204,500).

31 Events after the reporting date

There are no events of any materiality after the reporting date to report.

32 Notes supporting statement of cash flows

32A Cash from operations

	2019 £000	2018 £000
Cash flows from operating activities		
(Loss)/profit for the financial year before taxation	**(1,434)**	416
Adjustments for non-cash/non-operating items:		
Amortisation of intangible assets	**742**	642
Depreciation of property plant and equipment	**425**	363
Loss on disposal of right of use asset	**61**	-
Write off of loan arrangement fee	**18**	-
Amortisation of loan arrangement fee	**45**	-
Amortisation of right of use assets	**1,586**	1,436
IPO related costs	**1,508**	-
Share based payment expense	**979**	-
Gains and losses on foreign exchange transactions	**(38)**	(8)
Finance income	**(82)**	(94)
Finance expense	**494**	459
	4,304	3,214
Changes in working capital:	**(292)**	-
(Increase)/decrease in inventories		
(Increase)/decrease in trade and other debtors	**(2,488)**	(131)
Increase/(decrease) in trade and other creditors	**502**	(485)
Cash from operations	**2,026**	2,598

32B Movement in net debt

	Cash and cash equivalents £000	Borrowings £000	Total £000
As at 1 August 2017	1,293	(4,613)	(3,320)
Cashflow	(411)	129	(282)
Interest charges	-	(160)	(160)
Exchange movements	(5)	-	(5)
As at 31 July 2018	**877**	**(4,644)**	**(3,767)**
Cashflow	**1,806**	**4,943**	**6,749**
Interest charge	**-**	**(299)**	**(299)**
Exchange movements	**5**	**-**	**5**
As at 31 July 2019	**2,688**	**-**	**2,688**

32 Notes supporting statement of cash flows (continued)

32B Movement in net debt (continued)

	Cash and cash equivalents £000	Borrowings £000	**Total £000**
Balances as at 31 July 2019			
Current assets	**2,688**	**-**	**2,688**
Current liabilities	**-**	**-**	**-**
Non-current liabilities	**-**	**-**	**-**
	2,688	**-**	**2,688**

	Cash and cash equivalents £000	Borrowings £000	Total £000
Balances as at 31 July 2018			
Current assets	882	-	882
Current liabilities	-	(787)	(787)
Non-current liabilities	-	(3,857)	(3,857)
	882	(4,644)	3,762

company statement of financial position

at 31 July 2019

	Note	2019 £000
ASSETS		
Non-current assets		
Property, plant and equipment	C3	**1**
Investments	C4	**97**
Trade and other receivables	C5	**11,625**
Total non-current assets		**11,723**
Current assets		
Trade and other receivables	C5	**133**
Cash at bank and in hand	C6	**91**
Total current assets		**224**
TOTAL ASSETS		**11,947**
EQUITY AND LIABILITIES		
Equity		
Issued share capital	20	**120**
Share premium	21	**13,184**
Share based payment reserve		**68**
Retained earnings		**(1,713)**
Total Equity		**11,659**
Liabilities		
Current liabilities		
Trade and other payables	C7	**288**
Total current liabilities		**288**
Total liabilities		**288**
TOTAL EQUITY AND LIABILITIES		**11,947**

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of the financial statements. The parent company's loss for the financial period was £1,713,000.

The financial statements were approved by the Board of Directors and authorised for issue on 21 October 2019.

Alan Pepper
Director

The notes on pages 89 to 91 form part of these financial statements.

company statement of changes in equity

for the year ended 31 July 2019

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
22 January 2019	**-**	**-**	**-**	**-**	**-**
Comprehensive loss for the period					
Loss for the year	-	-	-	(1,713)	(1,713)
Transactions with shareholders					
Shares issued	120	13,977	-	-	14,097
Cost of issuing new shares	-	(793)	-	-	(793)
Share based payment charge			68		68
31 July 2019	**120**	**13,184**	**68**	**(1,713)**	**11,659**

The notes on pages 89 to 91 form part of these financial statements.

company statement of cash flows

for the year ended 31 July 2019

	Note	2019 £000
Cash flows from operating activities		
Loss for the financial period		(1,713)
Adjustments for non cash/non operating items:		
IPO costs		1,435
Share option charges in relation to options granted		68
Finance income		(87)
		(297)
Changes in working capital:		
Increase in trade and other debtors		(133)
Increase in trade and other creditors		288
Cash from operations		(142)
Corporation tax paid		-
Foreign exchange		-
Net cash used in operating activities		(142)
Cash flows from investing activities		
Purchases of property plant and equipment	C3	(1)
Purchase of subsidiary undertakings, net of cash acquired		-
Loan issued to subsidiary undertaking		(11,625)
Interest received		87
Net cash used in investing activities		(11,539)
Cash flows from financing activities		
Proceeds from the issuance of new shares		14,000
Costs of issuing new share capital		(2,228)
Net cash generated from financing activities		11,772
Net decrease in cash and cash equivalents		91
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of the period		91
Cash and cash equivalents comprise:		
Cash at bank and in hand		91

The notes on pages 89 to 91 form part of these financial statements.

notes to the company financial statements

for the year ended 31 July 2019

C1 Accounting policies

The Company was incorporated on 22 January 2019.

The accounting policies of the company are consistent with those adopted by the Group with the addition of the following:

Investments

Investments are stated at their cost less impairment losses.

C2 Deferred tax

The company has an unrecognised deferred taxation asset of £47,401 in respect of tax losses. The company has not recognised the any deferred tax asset due to the lack of certainty over recovery of the asset.

	2019 £000
22 January 2019	-
Credited to income statement	-
Charged to income statement	-
At 31 July 2019	-

	2019 £000
Fixed asset timing differences	-
Short term timing differences	23
Losses and other deductions	24
Unrecognised deferred taxation asset	47

C3 Property, plant and equipment

	Computer equipment £000
Cost	
At 22 January 2019	-
Additions	1
At 31 July 2019	**1**
Depreciation	
At 22 January 2019	-
Provision for year	-
At 31 July 2019	-
Net book value	
At 31 July 2019	**1**

notes to the company financial statements

for the year ended 31 July 2019

C4 Fixed asset investments

	Investment £000
At 22 January 2019	-
Investment in subsidiary undertaking	97
At 31 July 2019	97

Subsidiaries

The subsidiary undertakings of the company as at 31 July 2019 are listed in note 17 of the Group's financial statements.

The company made a loan of £11,625,000 to its subsidiary, essensys (UK) Ltd. The loan is unsecured, bears an annual interest rate of 4.5%, of which the interest is charged on a monthly basis and is repayable on demand but not expected to be recovered within one year.

C5 Trade and other receivables

	2019 £000
Current:	
Other taxes and social security	63
Other debtors	3
Prepayments and accrued income	67
Total	133
Non-current:	
Loan to subsidiary undertaking	11,625

The company applies the general approach to measuring expected credit losses (ECL) on related party loans which uses the three-stage approach for measuring the ECL. The ECL has been determined based on a 12 month ECL as there has not been a significant increase in credit risk since its initial recognition. The ECL is considered immaterial for further disclosure.

At 31 July 2019 the lifetime expected loss provision for receivables is as follows:

C6 Cash and cash equivalents

	2019 £000
Cash at bank and in hand	91
	91

notes to the company financial statements

for the year ended 31 July 2019

C7 Trade and other payables

	2019 £000
Trade payables	121
Other creditors	89
Accruals	22
	232

C8 Related party transactions

The company has a related party relationship with its subsidiaries and with its directors and executive officers as set out in note 29 above.

Transactions with related parties

Transactions with subsidiary undertakings are disclosed in note C4.

There are no other related party transactions.

company Information

Registered office	Aldgate Tower 7th Floor 2 Leman Street London E1 8FA
Registered number	11780413
Directors	Jon Lee (Independent Non-Executive Chairman) Mark Furness (Chief Executive Officer) Alan Pepper (Chief Financial Officer) Charles Butler (Independent Non-Executive Director)
Company Secretary	ONE Advisory Limited 201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
Nominated Advisor & Sole Broker	Nplus1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Legal Advisers (Group & UK)	Osborne Clarke LLP One London Wall London EC2Y 5EB
Legal Advisers (USA)	Haynes & Boone, LLP 30 Rockefeller Plaza 26th Floor New York, NY 10112
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Website	www.essensys.tech

notice of agm

essensys plc

(the Company)

Company number 11780413

Notice is hereby given that the first Annual General Meeting (AGM) of the members of the Company will be held at the Company's Registered Office at Aldgate Tower 7th Floor, 2 Leman Street, London, E1 8FA on 28 November 2019 at 9:30 a.m.

Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 11 will be proposed as special resolutions.

1. To receive the reports of the Directors and the Financial Statements for the year ended 31 July 2019 together with the report of the auditor thereon.
2. To approve the report on Directors' remuneration for the year ended 31 July 2019.
3. To re-elect as a Director Mr. Mark Furness, who is retiring in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
4. To re-elect as a Director Mr. Alan Pepper, who is retiring in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
5. To re-elect as a Director Mr. Charles Butler, who is retiring in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
6. To re-elect as a Director Mr. Jonathan Lee, who is retiring in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.
7. To re-appoint BDO LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the Directors to determine the fees payable to the auditor.
9. To resolve that, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £40,089.64 comprising:

   (a) an aggregate nominal amount of £20,044.82 (whether in connection with the same offer or issue as under (b) below or otherwise); and

   (b) an aggregate nominal amount of £20,044.82 in the form of equity securities (as defined in section 560 of the Companies Act 2006) in connection with an offer or issue by way of rights, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any matter whatsoever.

   This authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on the date that is 15 months from the date of the Annual General Meeting or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2020, except that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or such rights to be granted after such expiry and the Directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

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10. To resolve that the Directors be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the general authority conferred on them by resolution 9 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Companies Act 2006, in each case as if section 551 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:

    (a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

    (b) any such allotment and/or sale, otherwise than pursuant to paragraph (a) above, of equity securities having, in the case of ordinary shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal value, not exceeding £12,026.89.

    This authority shall expire (unless previously revoked or renewed by the Company in general meeting) at such time as the general authority conferred on the Directors by resolution 9 expires, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

11. To resolve that the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its ordinary shares of 0.25 pence each provided that in doing so it:

    (a) purchases no more than in aggregate 4,810,756 ordinary shares;

    (b) pays not less than 0.25 pence (excluding expenses) per ordinary share; and

    (c) pays a price per share that is not more (excluding expenses) per ordinary share than the higher of:

        i. 5% above the average of the middle market quotations for the ordinary shares as derived from the Daily Official List for the five business days immediately before the day on which it purchases that share; and

        ii. the higher of the price of the last independent trade and the highest current independent bid on the market where the purchase is carried out.

    This authority shall expire at the conclusion of the Company's next Annual General Meeting or within 15 months from the date of passing of this resolution (whichever is the earlier), but the Company may, if it agrees to purchase ordinary shares under this authority before it expires, complete the purchase wholly or partly after this authority expires.

1 November 2019

Registered office:
Aldgate Tower 7th Floor
2 Leman Street
London E1 8FA

By order of the Board
Alan Pepper
Chief Financial Officer

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Explanatory Notes to the Resolutions:

1. Resolution 1 – The Directors are required to present to shareholders at the AGM the audited accounts of the Company for the financial period ended 31 July 2019 together with the Auditor's Report and the Directors' Report.
2. Resolution 2 – The Directors are seeking approval of the Directors' Remuneration Report, which is set out in the Company's Annual Report and Accounts, for the financial period ended 31 July 2019. This is an advisory vote and no entitlement to remuneration is conditional upon the resolution being passed.
3. Resolutions 3 to 6 – Under Article 83.1 of the Company's Articles of Association, all Directors of the Company must retire from office at the first Annual General Meeting at which they were appointed.
4. Resolutions 7 and 8 – The auditors are required to be re-appointed at each AGM at which accounts are presented. The Board, on the recommendation of the Audit Committee, which has evaluated the effectiveness and independence of the external auditors, is proposing the re-appointment of BDO LLP pursuant to Resolution 7. Resolution 8 is proposed to authorise the Board to fix the remuneration of the auditors.
5. Resolution 9 – This resolution is to renew the authority given to the Directors to allot shares or rights to subscribe for or convert security into shares in the capital of the Company subject to the conditions of the Companies Act 2006. The authority to be given by this resolution is limited to the allotment of 16,035,856 ordinary shares representing a third of the Company's issued Share capital at the date of this notice and shall be in substitution for all existing authorities but shall be without prejudice to any allotment of shares or grant of rights to subscribe for or convert security into shares already made or offered or agreed to be made pursuant to such authorities. This authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on the date that is 15 months from the date of the Annual General Meeting or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2020.
6. Resolution 10 – When shares are to be allotted for cash, section 561(1) of the Companies Act 2006 provides that existing shareholders have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the Directors to allot shares of up to an aggregate nominal amount of £12,026.89 otherwise than on a pro-rata basis. This represents 10% of the Company's issued Share capital on the date of this document. This authority shall expire (unless previously revoked or renewed by the Company in general meeting) at such time as the general authority conferred on the Directors by resolution 9 expires. Whilst the Directors have no intention at the present time of issuing relevant securities, other than pursuant to existing rights under employee share schemes, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing capital resources.
7. Resolution 11 – If passed, this resolution will grant the Company authority to buy its own shares in the market. The resolution limits the number of shares that may be purchased to 10% of the Company's issued share capital (excluding treasury shares). The price per ordinary share that the Company may pay is set at a minimum amount (excluding expenses) of 0.25 pence per ordinary share and a maximum amount (excluding expenses) of the higher of: (i) 5% over the average of the previous five days' middle market prices; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. This authority shall expire at the conclusion of the Company's next Annual General Meeting or within 15 months from the date of passing this resolution (whichever is the earlier).

Notes:

1. A form of proxy is enclosed for your use. Further copies of the form of proxy may be obtained from the registered office of the Company.
2. A member entitled to attend and vote at the above meeting has the right to appoint a proxy or proxies to attend and vote in his place. A proxy need not be a member of the Company.
3. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, must be completed and returned to the offices of the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, to arrive not later than 9:30 a.m. on Tuesday 26th November 2019.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders included in the register of members of the Company at 6:30 p.m. on 26 November 2019 or, if the Meeting is adjourned, in the register of members at 6:30 p.m. on the day that is two business days before the day of any adjourned Meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6:30 p.m. on 26 November 2019, or, if the Meeting is adjourned, in the register of members at 6:30 p.m. on the day that is two business days before the day of any adjourned Meeting, will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
5. A member entitled to attend and vote at the Annual General Meeting convened by this Notice is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need not be a member of the Company. If a member wishes his proxy to speak on his behalf at the Meeting, he will need to appoint his own choice of proxy (who is not the Chairman) and give instructions directly to the proxy. The completion and return of a form of proxy (or any CREST Proxy Instruction (as defined in Note 10)) will enable a shareholder to vote at the Annual General Meeting without having to be present at the Meeting, but will not preclude him from attending the Meeting and voting in person if he should subsequently decide to do so.
6. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.

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7. A "Vote Withheld" is not a vote at law, which means that the vote will not be counted in the proportion of votes "For" or "Against" the relevant resolution. A shareholder who does not give any voting instructions in relation to a resolution should note that his proxy will have authority to vote or withhold a vote on that resolution as he or she thinks fit. A proxy will also have authority to vote or to withhold a vote on any other business (including amendments to resolutions) which is properly put before the Annual General Meeting, as he or she thinks fit.

8. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint a proxy or proxies shareholders must: (a) complete a form of proxy, sign it and return it, together with the power of attorney or other authority (if any) under which it is signed, to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; (b) complete a CREST Proxy Instruction (as set out in Note 10 below); or (c) register the appointment of a proxy electronically at www.sharevote.co.uk (see Note 12 below), in each case so that it is received no later than 9:30 a.m. on 26 November 2019. To appoint more than one proxy, you will need to complete a separate form of proxy in relation to each appointment. A form of proxy for use in connection with the Annual General Meeting is enclosed with this document. If you do not have a form of proxy and believe that you should, please contact the Company's registrars, Equiniti Limited on 0371 384 2030 (or, if calling from overseas, on +44 121 415 7047) or at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

9. To be valid, the enclosed form of proxy must be lodged with Equiniti Limited, Aspect House, Spencer Road, West Sussex, BN99 6DA not later than 48 hours before the time appointed for the holding of the Annual General Meeting or at any adjournment thereof. CREST members who wish to appoint a proxy or proxies by utilising the proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the Meeting by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by the last time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. As an alternative to completing the hard-copy Proxy Form, you can appoint a proxy electronically by visiting www.sharevote.co.uk. You will need your voting ID, task ID and shareholder reference number (this is the series of numbers printed on your Proxy Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Proxy Form at www.shareview.co.uk. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 09:30 a.m. on 26 November 2019.

13. The following documents will be available for inspection at the Company's registered office at Aldgate Tower, 7th Floor, 2 Leman Street, London, E1 8FA, United Kingdom during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting:

    (i) copies of the service contracts and letters of appointment of the Directors of the Company; and

    (ii) the Articles of Association of the Company.

14. A copy of this Notice of Annual General Meeting will be published on the Company's website at www.essensys.tech with details of those matters required to be published pursuant to the Companies Act 2006.

15. As at the last business day prior to the publication of this Notice, the Company's issued share capital consisted of 48,107,567 ordinary shares, carrying one vote each. The total voting rights in the Company as at the last business day prior to publication are 48,107,567.

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www.essensys.tech

Aldgate Tower 7th Floor, 2 Leman Street, London E1 8FA

essensys annual report 2019