essensys

we power ambition

Annual Report

for the year ended 31 July 2020

ANNUAL REPORT FOR THE YEAR ENDED 31 JULY 2020

essensys
we power ambition

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

OVERVIEW

STRATEGIC REPORT

CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

Highlights

Strengthened platform for long-term growth

- **US remains major growth driver**
  - US recurring revenue +45%
- **Acceleration of flexible workspace opportunity as a result of Covid-19**
  - Traditional landlords and corporate real estate operators increasingly seeking flexible workspace solutions
- **Investment in long-term organic growth to capture market opportunity**
  - Product and software development capability now comprises 42% of total headcount
  - Product development to meet demand for flexible security solutions
  - Continued international expansion
- **Demand from existing and new customers continues to underpin future growth**
  - 419 live Connect sites at year end, up 17% (2019: 358)
  - 35 new Connect sites during the second half demonstrates resilience of business since Covid-19
  - 31 new customer wins

Resilient performance in line with expectations

- **Continued revenue growth, an increase of 9%**
- **Recurring revenue up 19%, representing 86% of Group revenue (2019: 79%)**
- **US business supporting high growth levels**
- **Operate revenue grew 36% to £1.9m and revenue per site increased by 56% year on year**
- **Adjusted EBITDA maintained at FY19 levels, reflecting investment for long-term growth and a temporary reduction in activity following the outbreak of Covid-19**
- **Successful £7m fundraising in April 2020**
  - Further strengthens our balance sheet liquidity and flexibility
  - Funding to support organic growth, investment and acquisitions as circumstances allow

Current trading and outlook

- **Robust visibility – contracted commitments from customers for a further 47 Connect sites**
- **Increase in enquiry levels since August, adding 74 potential Connect sites to our weighted sales pipeline**
- **Recovery in new business activity to approximately 75% of H1 FY20 levels**
- **Sales pipeline from new and existing customers underpins confidence for continued progress in 2021**

Financial summary

£'m unless otherwise stated	2020	2019	change
Revenue	**22.5**	20.6	**+9%**
Recurring revenue[1]	**19.4**	16.3	**+19%**
Run Rate Annual Recurring Revenue[1]	**19.7**	17.3	**+14%**
Statutory profit / (loss) before tax	**0.3**	(1.4)	
Adjusted EBITDA[1]	**4.2**	4.2	**+0%**
Adjusted EBITDA margin	**19.1%**	20.4%	
Profit / (loss) per share (pence)	**0.3p**	(3.7p)	
Proposed Final Dividend per share (pence)	**Nil**	Nil	
Net Cash	**8.5**	2.7	

[1] See Financial Review on page 22 for description and breakdown

Overview

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 segment of the commercial real estate market.

OVERVIEW

essensys at a glance

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

THE MARKET OPPORTUNITY

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

The flexible workspace market currently accounts for approximately 3% of the overall commercial office market. JLL predicts that 30% of all office space will be consumed flexibly by 2030[2]. Until recently the provision of flexible workspace was limited to specialist operators of whom few were international. Since then there has been a structural shift with more corporate occupiers demanding flexibility from their real estate providers. The market is expanding rapidly with new, hotel style, franchise, and operating structures on a more international basis. In addition, traditional landlord and corporate real estate operators globally have entered the market in response to demand for more flexibility and amenity from their own, existing, and more established, tenant base. This has been accelerated by Covid-19.

Given the positive underlying structural drivers, increased demand for flexibility and the evolving nature of real estate, essensys believes there is a significant market opportunity globally for its software, products, and services.

[2] The impact of Covid-19 on flexible space, JLL, July 2020

THE PROBLEM WE SOLVE

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

Using our technology, flexible workspace providers can scale and grow their businesses without having to linearly grow their back-office operations, leading to significant operational efficiencies and improved occupier experiences. We are well placed to help both existing providers as they expand their portfolio, and new entrants as they join the market.

Our technology allows providers to deliver a range of differentiated, flexible and customer-specific services to a broad base of tenants across multiple locations. We help providers 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
- Deliver services on demand
- Manage scale operations effectively
- Understand their business and make better, faster, decisions

essensys at a glance

Our platforms are **mission critical** to our customers.

OUR PRODUCTS

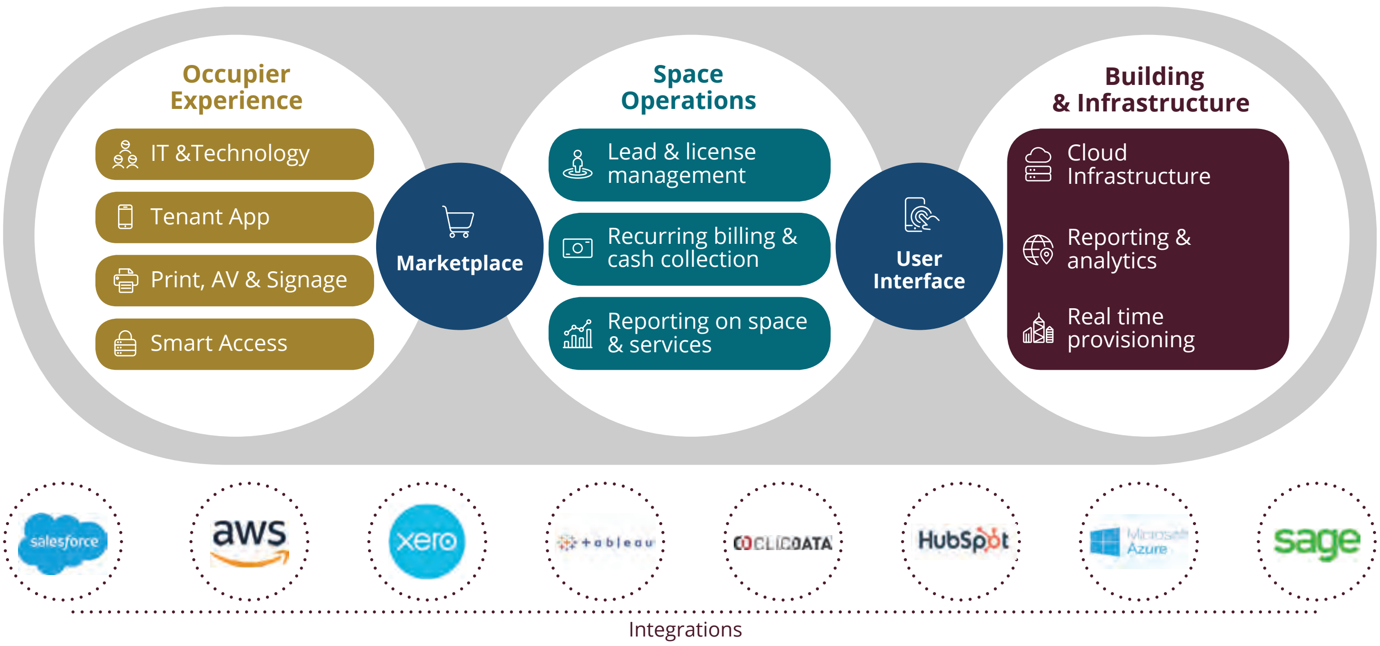
Our platforms are "mission critical" to our customers. They use our two platforms, Connect and Operate, to manage and run their flexible workspace businesses. Connect is our software-enabled infrastructure platform and Operate is our comprehensive Enterprise Resource Planning ("ERP") platform. Together our platforms allow operators to run their businesses in a more effective and efficient manner, from initial customer engagement to cash collection.

Increasingly our platforms are modular and additional modules have been launched to increase the value of our products to customers. Recent examples of product innovation include Smart Access, our integrated touchless access solution and essensys STEP, our proposition designed to help traditional office landlords provide more flexible tenant solutions. We continue to develop additional modules and functionality to support our customers' ambitions.

operate • connect

Flex Services Platform

Increased customer value & revenue opportunity



essensys has **grown significantly** since its incorporation in 2006, primarily through **organic** growth.

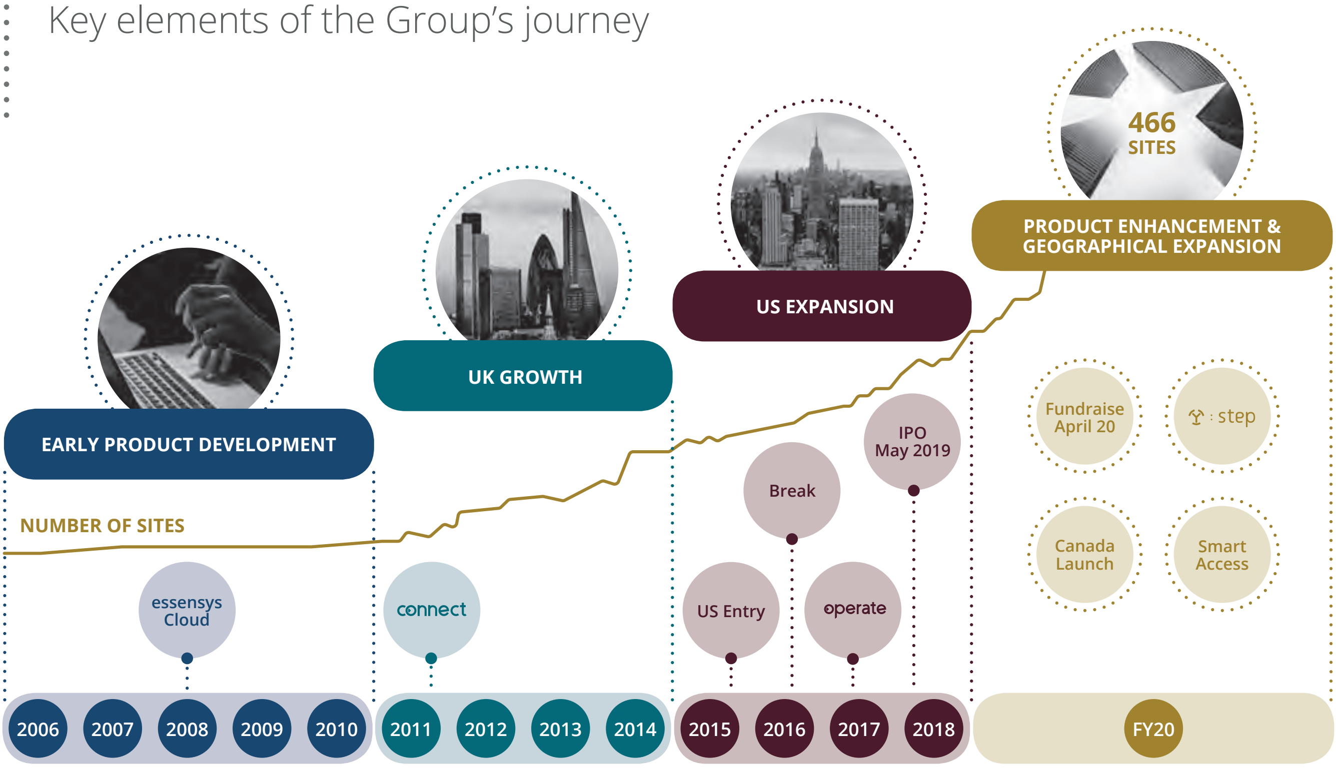
OUR JOURNEY

essensys has grown significantly since its incorporation in 2006 – primarily through organic growth in the UK and internationally. The US now accounts for 46% of Group revenue, highlighting the growth in a region which essensys only entered in 2015. We acquired Hubcreate Limited in 2016 which provided the basis for the Group's current Operate business. The Group currently employs 104 personnel, primarily in London, New York, and Los Angeles offices.

In February 2020, we broadened our Connect platform to include Smart Access – our touchless access control solution – and in June 2020, we launched essensys STEP. This product innovation increases our reach into the traditional landlord and commercial real estate markets.

Following our successful IPO in May 2019, we raised a further £7 million in April 2020 in an oversubscribed equity fundraising, which has further strengthened our balance sheet. This provides us with flexibility to tackle potential uncertainty arising from Covid-19 together with funds to expand globally and take advantage of longer-term expansion opportunities.

Key elements of the Group's journey



The Group's key customers are typically **ambitious**, multi-site **flexible** workspace providers, commercial real estate providers and multi-site landlords.

CUSTOMERS

The Group's key customers are typically ambitious, multi-site flexible workspace providers who recognise and value the importance of scale and operational efficiency. The Group also works with global commercial real estate providers and multi-site landlords as they become increasingly interested in providing flexible workspace solutions.

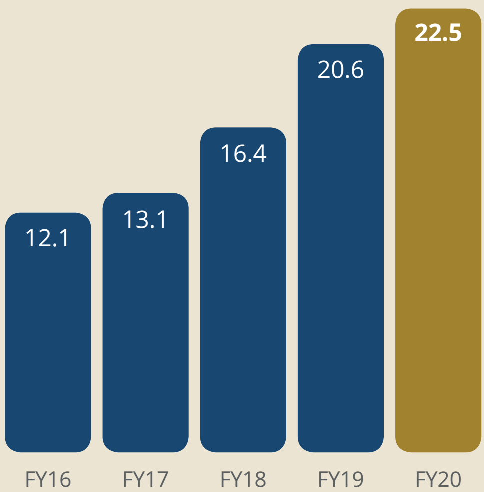
BUSINESS MODEL

The Group primarily contracts with customers on a multi-year basis; billing and collecting recurring revenue monthly throughout the term of the contract with any establishment charges invoiced when a customer site is activated. Recurring revenue accounted for 86% of revenue in FY20 (FY19: 79%). The Group's costs of sales are aligned to its revenue. These are primarily associated with initial activation of a customer site on the Group's platforms together with software hosting costs and costs associated with the Group's essensysCloud element of the Connect platform. The Group's overhead cost base is not directly related to revenue and combined with higher relative margins from the recurring element of its business, profitability margins are expected to grow over time as the Group's revenue continues to grow.

High recurring revenue base

Financial track record

The Group's five-year revenue history is as follows (£'m):



Chairman's Statement

The **momentum** that we saw at the end of the last financial year **continued** through the first half of this year.

In this, essensys' second annual report as a public company, I am pleased to report good progress towards our strategic objectives and delivering a financial outcome which is in line with market expectations. The Board is very pleased with this outcome in the context of Covid-19.

The momentum that we saw at the end of the last financial year continued through the first half of this year. During that period, the Group saw increased activity globally including from the broader corporate real estate market, accelerating entry into the flexible workspace market. The second half was, however, inevitably focussed around reacting to and mitigating the impact of the Covid-19 pandemic.

The impact of Covid-19 on the Group has been varied. Inevitably we saw delays to customer site "go-lives" and some customers requested financial support both in terms of cost reductions and payment deferrals. The Group provided support where feasible, balancing specific requests against our commitments to the entire customer base, staff and shareholders. We also provided support in the form of additional product capability. Business development activity was curtailed initially and expansion planning activities in Europe and APAC have been delayed. A positive impact, however, has been landlords and commercial real estate operators thinking more strategically about how to operate in the flexible workspace market as demand for traditional long leases reduces. This has helped us engage with them about our solutions for this segment.

The Group took the decision early on in the pandemic to raise additional capital to ensure that it had sufficient liquidity as the Covid-19 situation unfolded and, of more long-term importance, that it had the financial capability to accelerate its global expansion plans when the pandemic subsides. To that end, the Group raised £7m by way of a share placing from existing shareholders in April 2020 and at year end it maintains a healthy cash balance and remains debt-free.

We also made a conscious decision not to curtail any product and software development activities during the year and have significantly expanded the Group's UK based development capability. This has already resulted in a number of new product and service launches with more expected through FY21.

We are pleased with the overall financial performance, with continued growth in revenue and profits in line with market expectations. Group revenue was up 9% to £22.5m, and Adjusted EBITDA (excluding share-based payment expense) was in line with expectations and last year at £4.2m; this being a year of continued investment to support growth. The Group generated a profit before tax of £0.3m (2019: loss of £1.4m).

We continue to see growth in essensys' core customer segment of flexible workspace operators. In addition, the Group has seen accelerated growth from opportunities with traditional landlords and the broader real estate sector entering the flexible workspace industry. We have created propositions and launched new product offerings to support this and anticipate that this will be an important factor in the Group's business in FY21.

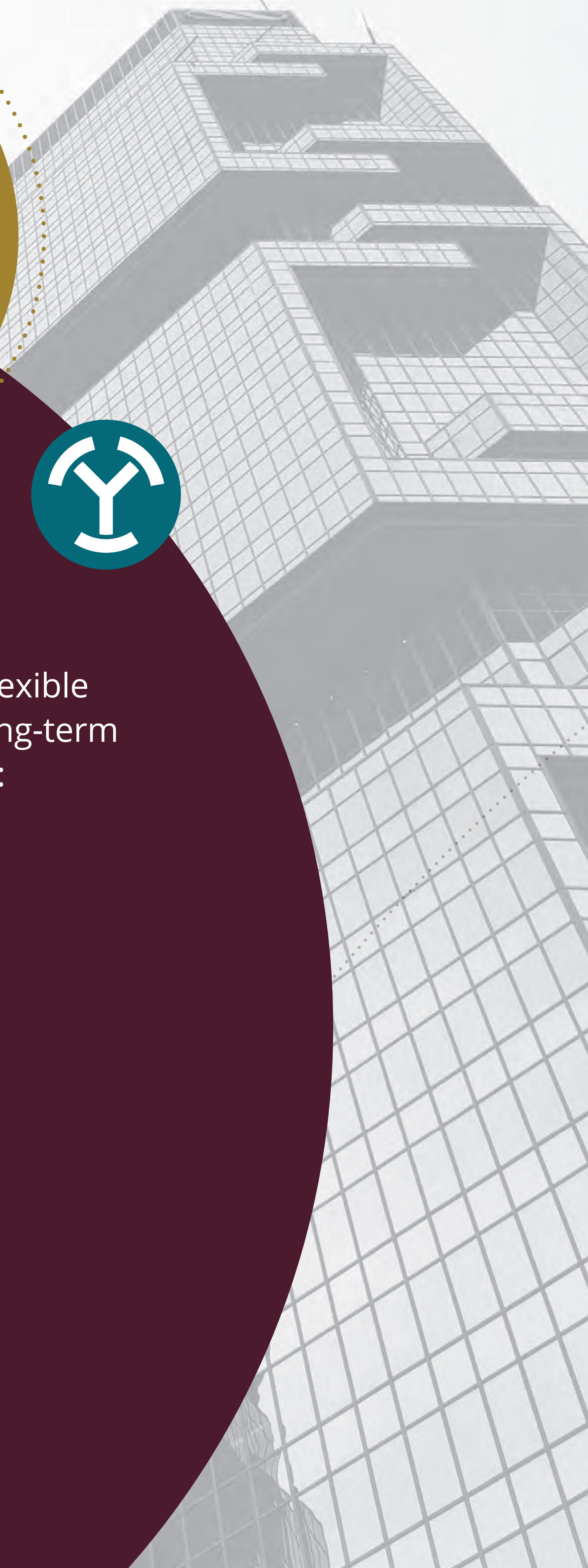
During the year the Group made two new independent Non-Executive Director appointments, in line with the intentions stated at the time of the IPO. I am delighted that we have been joined by Alex Notay and Elizabeth Sandler who both bring extensive real estate experience and complement the Board's other skills well.

The Group remains well placed to take advantage of expected increasing demand for flexible workspace, in spite of the uncertainty relating to Covid-19. New product launches have been well received and already had some early success. The Group's further geographic expansion is being planned and will be rolled out when market conditions are ready. We have a supportive investor base and a clear strategy focussed on the broadening flexible workspace market. Notwithstanding the current uncertainty in the wider environment the Group remains optimistic for FY21 and beyond.

Finally, I would like to pay a particular tribute to our staff who, in the face of very challenging circumstances, have enabled us to continue to deliver on our commitments to customers worldwide and make progress on our broader objectives. Their positive attitude, commitment and support are what drives our success.

Jon Lee
Non-Executive Chairman
12 October 2020

Strategic Report



essensys serves customers in the flexible workspace market, typically with long-term contracts. We focus on four groups:

- **ASSET OPERATORS**
  manage property on behalf of asset owners
- **ASSET-OWNER OPERATORS**
  own & manage property and retain full control
- **FLEX SPACE OPERATORS**
  operate flex spaces without owning the space assets
- **FRANCHISE OPERATORS**
  own model & brand for individual operators to operate a space

Strategy: land, expand, grow

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

Land

Accelerate 'go-to-market' strategy:
driving organic growth through new customer acquisition, facilitated by expanding the Group's profile and sales force internationally.

Acquisitions:
on an ongoing basis, bolt-on acquisitions to improve the Group's technology or obtain customers of long-term strategic value.

Expand

Cross and up-selling:
capturing significant cross-selling and up-selling opportunities within the existing customer base by leveraging new product development delivering new capabilities and further integrating the two platforms.

Broaden Marketplace offering:
extending the capability of our software and Marketplace services to 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 has launched a number of additional Marketplace services which will address a number of key operational challenges, including those exacerbated by Covid-19, such as touchless access control solution, for flexible workspace operators which have started to generate new customer enquiries and contracted business.

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
to underpin and accelerate the Group's future growth.

New geographic markets:
in addition to the business' US sales team, 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.

Market & Strategy

... **ambitious**, growing **flexible** workspace providers, who focus on attracting high quality tenants and corporate occupiers.

A RESILIENT YEAR WITH MARKET OPPORTUNITY EXPANDING

We were pleased to continue our strong start to life as a public company, with a robust performance underlining our leading position in the high growth flexible workspace market in what was our first full year on AIM. Revenue growth of 9% and EBITDA margin of 19% are the result of our continued focus on efficient, long-term, and profitable growth.

The flexible workspace market remains at the early stages of its adoption curve. Current market penetration levels are c.3% and, while Covid-19 presents challenges, our market is expected to rebound and develop even more rapidly from 2021 onwards, with a yearly growth rate of over 21%, which shows the scale of the opportunity for essensys.[3]

Covid-19 has accelerated certain pre-existing trends which are overwhelmingly positive. The evidence suggests the flexible workspace market will continue to be a growing part of the commercial real estate landscape and, if anything, will have broader application. 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 in recent years to offer some of the key benefits to their tenants. These include flexible terms, high quality amenities and a variety of settings, all of which have moved higher up the priority list as a result of Covid-19.

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 our ability to deliver continued revenue growth and customer expansion despite the Covid-19 pandemic. This, in turn, supports our future pipeline as a number of our customers look to expand their presence with new locations and take us into new geographies, such as continental Europe and APAC.

The acceleration of our product development roadmap aims to enhance our market leading position within our target market segment: ambitious, growing flexible workspace providers, who focus on attracting high quality tenants and corporate occupiers.

[3] Global Coworking Growth Study 2020, Coworking Resources

IMPACT OF LONG-TERM STRUCTURAL GROWTH DRIVERS

There are attractive, long-term structural growth drivers for enterprise level flexible workspace solutions, which have been accelerated by Covid-19.

Acceleration in the shift to flexible working

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. Whilst Covid-19 has temporarily impacted this demand, the pandemic has accelerated the structural shift to flexible working. According to Coworking Resources, which analysed requests data before and after government movement restrictions, space utilisation is beginning to recover with an increased focus towards private offices, long term contract durations and higher capacity.[4]

Mass remote working during the pandemic has emphasised the importance of the office for collaboration and innovation, and, in turn, an increased focus is being placed on flexibility, technology and the working environment. Flexibility is now expected by employees and is likely to lead to the need for more agile working solutions.

Existing flexible workspace operators are already 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. This is a trend playing out beyond the geographies in which we currently operate and is coupled with the continued international expansion of larger operators as they seek to capitalise on the network effects in their own businesses. According to the 2019 Coworker Members' Choice Awards, c.77% of coworking operators plan to expand by opening in new locations.[5]

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 offerings in response to increasing occupier demand for more flexible solutions. These landlords 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. Furthermore, we are increasingly seeing landlords establish their own flexible workspace offerings and brands.

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".

A recent JLL report which showed that 67% of CRE decisionmakers are increasing workplace mobility programmes and introducing more agile work strategies.[6] JLL continues to forecast that by 2030 30% of all office space will be consumed flexibly.[7]

4 Global Coworking Growth Study 2020, Coworking Resources
5 Global Coworking Growth Study 2020, Coworking Resources
6 The impact of Covid-19 on flexible space, July 2020, JLL
7 The impact of Covid-19 on flexible space, July 2020, JLL

Our products are **mission-critical** to our customers, providing them with operational **efficiencies** and **cost savings** whilst removing complexity from their businesses.

RESILIENCE

The success of operators is defined by their quality. Our products are mission-critical to our customers, providing them with operational efficiencies and cost savings whilst removing complexity from their businesses. These attributes are also attractive to new CRE entrants into the market where we can de-risk their establishment and assist in delivery to their, increasingly corporate, customers. Disciplined providers with strong balance sheets and efficient operating models are more likely to be successful. These are our target customers.

A 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).

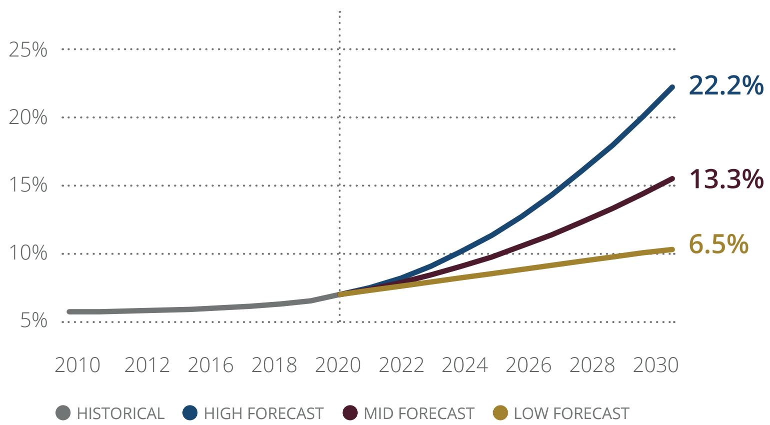
We expect that CRE companies and landlords will need to respond to any market softening and manage vacancy levels across their portfolios, and that they will do this by finding flexible workspace operators to partner with to make use of available capacity or by establishing their own flexible offerings. 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.

CBRE's research[8] in 2019 suggested 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.

[8] CBRE, Lets Talk About Flex, 2019

Flex office penetration forecast



CEO's report

I am **proud** of our people and our business.

RESILIENT PERFORMANCE IN LINE WITH EXPECTATIONS

In our 2020 financial year we performed in line with market expectations, and continued to grow, during the greatest global crisis in decades. The expansion of our US business continued, with recurring revenues up 45%. Whilst we have inevitably been impacted by Covid-19 (as set out below) we have continued to make good progress against our longer-term strategic objectives. We have seen a recovery in new business activity, are seeing an expansion of our market opportunity and are well positioned to expand the business both within our current geographies and more globally. This is a testament to the resilience of our business model, demand for our technology, and commitment and innovation of our staff. Our people adapted quickly to working from home, delivering excellent support for customers and the business and they continue to deliver for our customers globally. I am grateful for, and proud of, the commitment and dedication our staff have shown over what has been a challenging period for all.

Our £7m fundraising in April 2020 has further strengthened our balance sheet, given us added liquidity and flexibility in the context of Covid-19 together with the funding to take advantage of longer-term opportunities in our market when circumstances allow.

GROWTH IN RECURRING REVENUES DRIVEN BY CUSTOMER EXPANSION

In line with 2019, continued overall growth in Connect site numbers and Operate pricing drove revenue growth; with total recurring revenue for the year of £19.4m, up 19% from £16.3 in FY19. Run rate Annual Recurring Revenue (ARR), an indication of the continued growth of the business, grew to £19.7m in July 2020 from £17.3m in July 2019, an increase of 14%.

The expansion in the customer base that we have seen over the last few years – and in particular in FY19 - continued in FY20 with the addition of 31 new customers to the business. Our customer base continues to diversify both in terms of type and location with new customers in new regions and an increasing number of more traditional landlords and commercial real estate operators becoming customers.

CONTINUED GROWTH IN CONNECT SITES

We saw a net increase in Connect sites of 17% in the year to 419 at year end. Our ongoing customer growth and continued existing customer expansion resulted in the addition of 84 new sites in the year. Inevitably this was weighted to the first half of the year but, notwithstanding Covid-19, we delivered 35 new Connect sites in the second half.

A five-year history of Connect sites shows significant growth, at a CAGR of 30%:

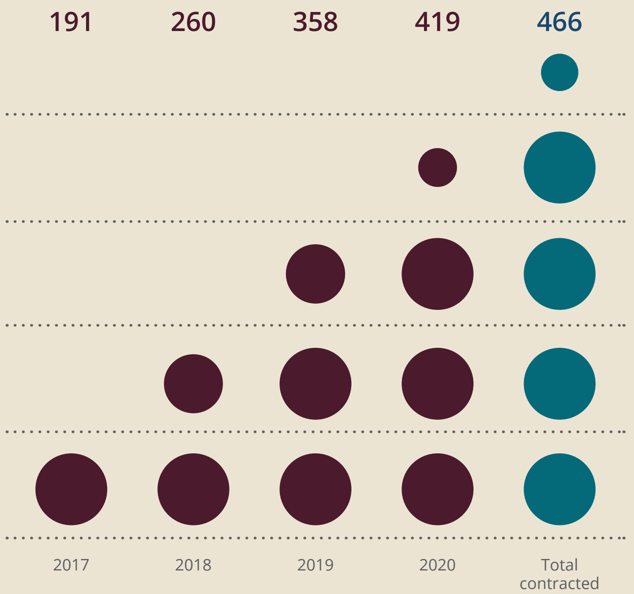
Having continued to sign new customer sites during the Covid-19 pandemic and with a broadening customer base we now have contracted commitments from customers for a further 47 Connect sites. This includes a number of sites utilising the Group's new landlord focussed STEP proposition and our new Smart Access solution (see below for more details).

Contracted visibility has inevitably shortened from FY19 given Covid-19 but, having seen an increase in enquiry levels since the end of the financial year we currently have potential site weighted pipeline amounting to 74 Connect sites.

CONTINUED PROGRESS WITH OPERATE

We continue to expand our Operate business, with a broader customer base, increased capability and increased pricing. Operate revenue grew 36% to £1.9m and revenue per site grew by 56% year on year. The improvement in our revenue per site reflected the conclusion of our drive to proactively engage, and where necessary part ways, with legacy low value customers in the second half of the year. This led to a reduction in Operate sites, by 14% to 435 driven primarily by the loss of one relatively low value contract.

Five-year history of Connect sites



connect

30%

5 year CAGR

We have made **major progress** in our product and software development activities in recent months.

ACCELERATION OF FLEXIBLE REAL ESTATE MARKET OPPORTUNITY AND EXPANDED GO-TO-MARKET STRATEGY

essensys has built a platform to capture the flexible workspace opportunity. Traditional landlords and major commercial real estate companies entering the flexible workspace market, whilst already active, have increased their engagement with us since the outbreak of Covid-19. We have seen landlords shift from a passive to a proactive approach to flexible workspaces, which is driving demand for flexible workspace products. This is a global trend, and we expect the widening of the flexible real estate market to present new growth opportunities for essensys' technology.

Our product development in recent years has positioned us well for this opportunity and to take further advantage of this we have further expanded our "go-to-market" capability in North America increasing sales headcount by 75% in the past year and are in the process of expanding our UK sales capability. In addition, we have appointed an experienced senior member of the Group's sales team to lead our expansion into continental Europe, which will be a key focus for FY21.

PRODUCT DEVELOPMENT

We have made major progress in our product and software development activities in recent months and continued to invest in this area during Covid-19. Having established our outsourced offshore development capability prior to our IPO in May 2019, the increased scale and visibility of the Group as a consequence of our listed status has allowed us to re-balance our development activity and increase the capability in our UK HQ. Our combined product and software development capability now numbers some 52 personnel, with 32 based in the UK. That continued focus allowed us to undertake some focussed capability enhancements to support our customers through the initial pandemic period.

This year we started to see the benefits of our accelerated product and software development activities since IPO. In February 2020, we broadened our Connect platform to include Smart Access – our touchless access control solution. Powered by our software and underpinned by our private network and cloud infrastructure, Smart Access not only delivers traditional card or smartphone based door access control, but also creates a broader contactless member experience, such as to desks, rooms, printers and amenities, in due course allowing members to book, pay and access resources with a single tap of their smartphone.

In June 2020, we launched essensys STEP. This product increases our reach into the traditional landlord and commercial real estate markets and equips landlords and asset owners with the software and technology needed to efficiently transition to a more flexible real estate model as occupier demand for that increases. Additionally, STEP helps bridge the gap between landlords and flexible workspace operators, allowing both to work together more easily to create seamless and comprehensive space-as-a-service solutions which are compelling for companies of all sizes.

That software development activity continues and we anticipate launching additional modules to our software throughout FY21 whilst at the same time furthering our integration of our platforms with the aim of launching our combined 'Flex Services Platform' in 2021.

COVID-19 IMPACT AND RESPONSE

As reported at the half year, management also took early and decisive steps to both protect the Group's staff and the business in March as the Covid-19 pandemic impacted. The Group utilized the UK's Coronavirus Job Retention Scheme, placing a number of staff on furlough leave, and also employed the US Government's Payment Protection Program. All employees agreed to reduced working hours and pay and the Group's senior management team and Board members agreed to substantial pay reductions for a period. As would be expected, we eliminated all non-essential capital and operating expenditure and paused recruitment. We made a conscious decision, however, to maintain our product and software development activity levels throughout the period and this led to a number of capability launches through the period, as reported above. The vast majority of personnel had all returned to full time working, and pay, by the end of the financial year.

essensys remains **mission critical** to our customers and our business remains underpinned by a high proportion of contracted, recurring, revenue.

We took the decision early on in the pandemic to ensure that the Group to further strengthen our balance sheet to ensure that we had the resources to take advantage of increasingly evident expansion opportunities both in the broader commercial real estate market, and geographically. To that end the Group raised £7m by way of a share placing on 9 April 2020 (see page 22 for further details) and I am grateful for the support our shareholders have shown us in their participation in that fundraising.

Following the full impact of government imposed movement restrictions we saw some requests for support from a number of customers and assessed those on a case by case basis. Primarily the Group gave financial support in the form of deferred payment terms and some short term cost reductions, or where a customer site had just opened or was opening during the initial pandemic period. As would be expected, we saw a reduction in Marketplace services utilisation and revenue from the implementation of the main restrictions in March through to year end albeit we have seen an improvement post year end.

Inevitably we saw the delay to some new contracted site openings that had been planned for the second half of the year, some of which moved into FY21. Pleasingly, however, we saw a relatively small number of cancellations. Equally inevitably we saw sales cycles lengthening, albeit we continued to sign new business through the period. By year end, however, new business activity had returned to approximately 75% of the average for the first half of the year.

CURRENT TRADING AND OUTLOOK

essensys remains mission critical to our customers and our business remains underpinned by a high proportion of contracted, recurring, revenue. We provide flexible workspace providers with operational efficiencies and cost savings whilst removing complexity from their businesses. In addition to established flexible workspace operators, these attributes are particularly attractive to new landlord and CRE entrants into the market where we can de-risk their establishment and delivery to their, increasingly corporate, customers.

We remain confident that the structural shift to flexible working will continue and, if anything, accelerate due to Covid-19; notwithstanding the ongoing challenges and uncertainty this presents and the additional risks to the UK economy resulting from Brexit. This is evidenced by traditional landlords and major commercial real estate companies looking to increase their flexible workspace footprint since the outbreak of the pandemic. We expect this trend to continue globally. The acceleration of our product development, go-to-market strategy, and international expansion in FY20 have given us a strong platform to capture the opportunities we see in the flexible workspace market. We expect to establish regional operations in mainland Europe and Asia-Pacific during FY21.

The start of FY21 has seen an improvement in new sales activity and an increase in our broader global pipeline. Our software development plans are well advanced and we remain ambitious for the business and the future. Our existing customers continue to grow and we are winning new customers across our existing, and new, geographies. Our substantial cash reserves, growing sales pipeline and positive long-term market dynamic support our confidence of further progress in the year ahead.

Mark Furness
Chief Executive Officer

12 October 2020

Section 172 Statement

The Board of essensys is proud of the high standard of corporate governance it has established and maintains. The Board makes a conscious effort to understand the interests and expectations of the Company's stakeholders, and to reflect these in the choices it makes in its effort to create long-term sustainable success for our business.

The Board takes care to understand the interests of our various stakeholders using engagement approaches which are tailored to each stakeholder group. The understanding we develop is factored into program planning, boardroom discussions, strategy and budget reviews. We consider the potential long-term impacts of key decisions made by the Board on relevant key stakeholder groups, and how we might best address stakeholder expectations from our business. This approach is expected to help essensys maintain effective, sustainable and mutually beneficial relationships.

Throughout this Annual Report, we provide examples of how we:

- take into account the likely consequences of long-term decisions;
- foster relationships with stakeholders;
- understand our impact on our local communities and the environment; and
- demonstrate the importance of behaving responsibly.

This section serves as our section 172 statement and should be read in conjunction with other information included in this Annual Report. Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in section 172.

The Board will periodically review its principal stakeholders and how it engages with each group. The consideration given to the interests of each stakeholder group may increase or decrease over time, to reflect the impact any decision may have on any particular stakeholder group and business circumstances. The Board therefore seeks to consider the impact and priorities of each stakeholder group during its discussions and as part of its decision making.

The table below sets out our key stakeholder groups, their interests and how essensys has engaged with them over the reporting period. However, given the importance of stakeholder focus, long-term strategy and reputation, these themes are also discussed throughout this Annual Report.

Stakeholder	Their interests	How we engage
OUR EMPLOYEES	• Training, development and career prospects. • Health and Safety • Working conditions • Diversity and Inclusion • Fair pay, employee benefits	As a software business, the Group's employees are critical to its success and the Group therefore engages with them in a number of ways. The Group continued to expand its management capacity during FY20. Annual appraisals are undertaken for all staff and during that process, and where appropriate at other times of the year, individual training and development needs are identified. During the year the Group decided to establish a 'future leaders' programme which it has launched with a specialist leadership training and development provider. In addition to ensuring that pay is appropriate for individual roles, it provides a broad benefits package, including healthcare, wellbeing and assistance packages. Pay reviews are undertaken annually and on promotion or change of duties. At year end management decided to implement a wide-ranging review of benefits available to staff with the aim of ensuring that these were appropriate and competitive. The Group operates a share option scheme for employees, the details of which can be found at note 27 to the financial statements. The Group updates employees regarding business activities on a regular basis, including weekly newsletters and monthly 'town hall' updates. The Group's Health & Safety Policy is reviewed and approved by the Board annually. During the year the Group established an employee consultation group with the aim of engaging regularly on issues of relevance to staff. It also commenced a programme of employee surveys. These engagement methods were used to formulate the Group's response to the Covid-19 pandemic and strategy of returning to the office. Information on the Group's employees can be found at notes 8 and 9 to the financial statements. The report of the Remuneration Committee at page 43 outlines details of the Group's remuneration policies.
OUR SUPPLIERS	• Workers' rights • Supplier engagement and management to prevent modern slavery • Fair trading and payment terms • Sustainability and environmental impact • Collaboration • Long-term partnerships	The Group has a relatively small number of significant suppliers with whom it works to build long term relationships. It ensures that its suppliers meet its standards of performance and ethical trading through regular meetings, contract negotiations and formal contract terms which include behaviour commitments. The Group reviews these supplier relationships regularly and where necessary, Board approval is required for significant changes. There were no such changes during the year. During the year the Group made no significant decisions regarding its supplier base however it is reviewing this in light of its plan for expansion in APAC and Europe. Amounts outstanding to suppliers are shown at note 17 to the financial statements.

Stakeholder	Their interests	How we engage
OUR INVESTORS	• Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Awareness of long-term strategy and direction	The Group provides regular reports and trading updates to its shareholders through appropriate public announcements, investor roadshows and update meetings or calls as appropriate. During the year it issue trading updates in October 2019, March, April and August 2020. Following the publication of its interim and full year results, senior management undertake meetings with shareholders to discuss the performance of the business and its strategic direction. Senior management and non-executive directors make themselves available to meet shareholders and prospective shareholders at other times of the year, Senior management engages with the financial and trade press and financial analysts on an ongoing basis, including undertaking analyst presentation on publication of financial results. The Group's website, Annual Report and Interim Report provide details on the business, its financial performance and long-term strategy and direction. During the year, following the FRC and FCA's recommendation to delay the issue of results due to the Covid-19 pandemic, the Board decided to provide a full trading update to shareholders on 24 March 2020 in lieu of its interim results in order that shareholders were kept informed of the Group's performance. The Group's interim results were issued on 9 April 2020. The Group encourages shareholders to attend its Annual General Meeting which is held in November of each year. In light of the current situation this meeting will be 'closed' and as s consequence the Board has decided to undertake a broader shareholder roadshow following the publication of its annual results. Further details on the Group's approach to engagement with shareholders and corporate governance generally can be found in the Statement of Corporate Governance on page 36.
OUR CUSTOMERS	• Timely and informative end to end service • Ease of access to information • Technical expertise • Timeliness • Safety • Data security	The Group enters into long term contracts with customers which include Service Level Agreements and behaviour commitments for both parties. As part of its services the Group provides a customer support service together with easily accessible online help and technical assistance. Significant customers have dedicated account managers and have direct access to members of senior management. During the year management decided to increase the capacity and capability of this function in response to growing customer numbers. The Group provides regular updates on product and capability improvements directly to customers through customer engagement sessions and provides general information on matters of industry relevance. It measures and monitors its response time to queries to ensure that customer issues are dealt with appropriately. As part of its customer engagement process, customers are regularly surveyed as to their experiences. The Group has attained ISO9001 and 27001 accreditations to ensure that its process and procedures are of an appropriate quality standard and that its information security procedures are appropriate. Compliance with the requirements of these standards is audited on an annual basis. During the year the Group decided to launch additional software capability in response to the Covid-19 pandemic which it provided free of charge to customers. The Group also released its Smart Access and essensys STEP capabilities in response to customer demands. In response to the Covid-19 pandemic the Group decides to engage proactively with customers and agreed to provide some element of financial support where that was considered appropriate. Given the mission critical nature of its services, the Group regularly communicates with its key customers regarding its financial performance in line with that communication provided to its shareholders. All customers can access relevant financial performance information on the Group's website.

Key performance indicators

+9% Group Total Revenue

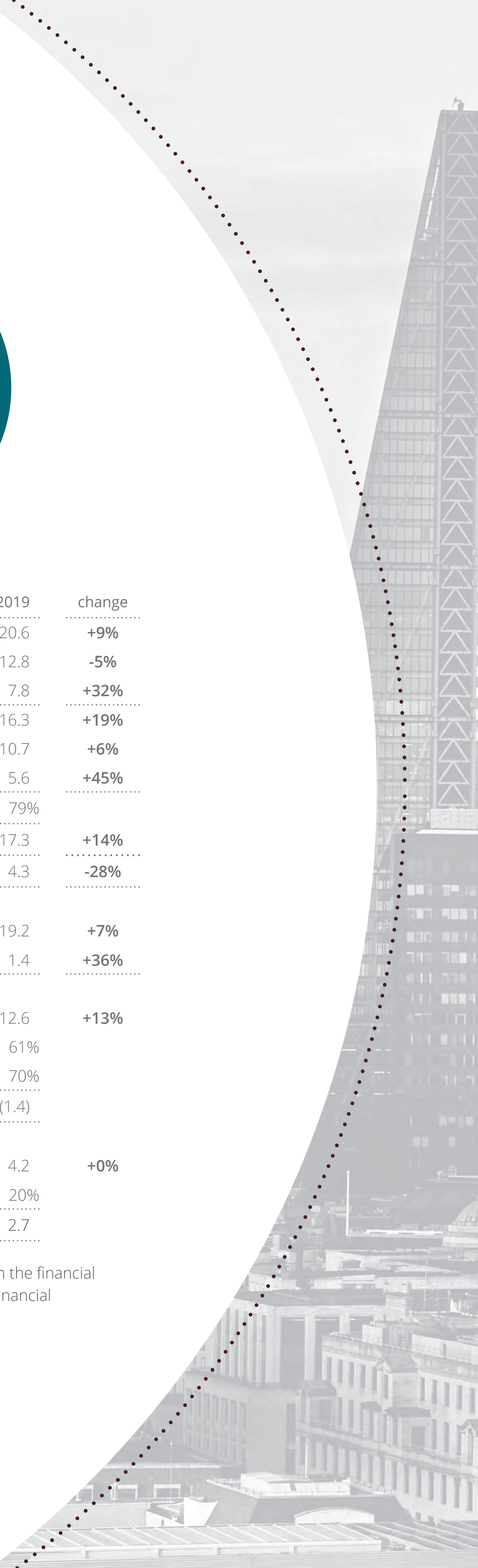
+19% Recurring Revenue

86% Recurring Revenue

19% Adjusted EBITDA Margin

£'m unless otherwise stated	2020	2019	change
Group Total Revenue	**22.5**	20.6	+9%
UK	**12.2**	12.8	-5%
USA	**10.3**	7.8	+32%
Recurring Revenue[9]	**19.4**	16.3	+19%
UK	**11.3**	10.7	+6%
USA	**8.1**	5.6	+45%
Recurring Revenue %age of Total	**86%**	79%	
Run Rate Annual Recurring Revenue[9]	**19.7**	17.3	+14%
Non-recurring revenue	**3.1**	4.3	-28%
Product Revenue			
Connect	**20.6**	19.2	+7%
Operate	**1.9**	1.4	+36%
Gross Profit	**14.3**	12.6	+13%
Gross Profit percentage	**64%**	61%	
Recurring Revenue margin %age	**69%**	70%	
Statutory profit / (loss) before tax	**0.3**	(1.4)	
Adjusted EBITDA[11]	**4.2**	4.2	+0%
Adjusted EBITDA margin	**19%**	20%	
Net Cash	**8.5**	2.7	

See below and pages 14, 15 and 16. of the CEO report above together with the financial statements below for explanation of significant movements in the above Financial Key Performance Indicators.



[9] See Revenue section on page 21 for explanation
[10] See explanation on page 22

Financial review

Recurring revenue grew by **19%** in the year

This is the second annual report and accounts issued by essensys plc following its Admission to trading on AIM on 29 May 2019 (the "IPO") and represents the first full year of the Group being listed.

SCOPE OF FINANCIAL RESULTS, ORIGINAL INCORPORATION & PRE-IPO REORGANISATION

The financial results included in this annual report cover the Group's combined activities for the 12 months ended 31 July 2020. The comparatives for the previous 12 months were for the Group's combined activities for the 12 months ended 31 July 2019, prepared on a merger accounting basis (including period pre and post IPO).

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.

REVENUE

Group total revenue grew by 9% to £22.5m in the year driven primarily by an increase in Connect revenue within the Group's US business where total live Connect sites grew to 223 at the year-end from 164 (as at 31 July 2019). Operate revenue grew by 36% in the full year to £1.9m (2019: £1.4m).

Recurring revenue comprises income invoiced for services that are repeatable and consumed and delivered monthly 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 2020 and 2019, as appropriate), 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 19% in the year driven by the increase in number of Connect sites and continued pricing increases within the Operate business. Run Rate ARR grew 14% to £19.7m (from 17.3m in 2019) again driven primarily by the net increase in Group Connect sites by 17% to 419 at year end (2019: 358).

GROSS MARGINS

Gross margins grew in the year to 64% (2019: 61%) as recurring revenue was a higher proportion of the Group's total revenue – 86% in FY20 (2019: 79%). Recurring revenue margins were in line with 2019 as the Group saw continued margin improvements in its UK business which was offset by a higher proportion of the Group's recurring revenue being derived from its, currently, lower margin US business.

ADMINISTRATIVE EXPENSES

Excluding depreciation charges, administrative expenses grew by £1.8m in the year, a 22% increase year on year, in line with our strategic investment plan. This was driven by increases in staff costs from the full year effect of increases in overall headcount 2019 (offset by no staff bonus payments for the current year); increases in provisions for estimated credit losses as a result of the Covid-19 pandemic and increases in professional fees as a consequence of being a listed business.

OTHER OPERATING INCOME: COVID-19 SUPPORT PAYMENTS

During the year the Group took advantage of government support schemes related to the Covid-19 pandemic both in the UK and the US. In the UK the Group received £145,000 under the Coronavirus Job Retention Scheme. The Group's US business received a loan under the Small Business Administration's Paycheck Protection Programme of $307,000 (£241,000) which is anticipated to be fully forgiven. These amounts are included within Other Operating Income in the year.

STATUTORY PROFIT / (LOSS) FOR THE YEAR

The Group made a profit before tax for the year of £0.3m (2019: loss of £1.4m). The year on year change is primarily as a result of the non-recurrence of the costs incurred in 2019 in achieving the IPO and a lower overall share based payment expense, analysed as follows:

£'m	2020	2019
UK (including Group central costs in 2019)	**1.7**	0.6
North America (US & Canada)	**2.1**	0.5
Group central costs (included in UK in 2019)	**(3.0)**	-
Profit / (loss) before tax (pre-exceptionals)	**0.8**	1.1
Pre-IPO Share based payment expense	**-**	(0.9)
Post-IPO Share based payment expense	**(0.5)**	(0.1)
IPO Costs	**-**	(1.5)
Profit / (loss) for the year	**0.3**	(1.4)

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 27 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	2020	2019
Operating profit / (loss)	**0.5**	(1.0)
Add back:		
Forex translation adjustments	**0.1**	-
Depreciation & Amortisation	**3.1**	2.7
EBITDA	**3.7**	1.7
Add back:		
Share based payment expense	**0.5**	1.0
IPO related costs	**-**	1.5
Adjusted EBITDA	**4.2**	4.2

The share based payment expense is excluded from Adjusted EBITDA as it is a non-cash charge and not considered relevant for assessment of underlying profitability.

TAXATION

The Group benefited from a tax credit of £158,000 in the year due to a refund of s455 tax previously paid on directors loans which were repaid at IPO. The Group also incurred a non-cash deferred tax charge of £334,000 in the year related to timing differences on the taxation related to capitalised development costs.

APRIL 2020 SHARE PLACING

On 9 April 2020 the Company issued 4,635,762 new ordinary shares of 0.25 pence each at a price of 151 pence per share by way of a share placing (the "Share Placing"). Gross funds raised were approximately £7m and the Company's issued ordinary share capital increased to 52,743,329 shares. The funds were raised to provide additional liquidity to support the business during the Covid-19 pandemic and fund the Group's geographical expansion.

Net proceeds of the Share Placing were £6.7m after costs of £0.3m which were all charged to the share premium account.

CASH

Net cash at year end was £8.5m (2019: £2.7m) following the receipt of the proceeds of the Share Placing. The Group's current cash reserves provide sufficient capital for the foreseeable future and will enable it to fund current planned geographic expansion, continued product and software development, and additional working capital as the business continues to grow.

CAPITAL EXPENDITURE

During the year the Group continued to expand its geographical presence in North America with additional essensysCloud infrastructure whilst at the same time expanding and upgrading the capacity of its UK & European infrastructure.

CAPITALISED SOFTWARE DEVELOPMENT COSTS

The Group continues to invest in software development resulting in ongoing enhancements to its two software platforms, Connect and Operate, and the integration of those platforms. During 2019 the Group established an outsourced offshore development centre with an external provider in Hanoi, Vietnam to accelerate this work whilst during 2020 the Group has rebalanced that capability with greater UK based development resource. 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 £2.3m in respect of software development (2019: £0.8m).

In implementing its accelerated product development strategy the Group anticipates capitalising software costs at a similar rate to 2020 in the next few years.

DIVIDEND POLICY

It remains 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 2020 and does not anticipate recommending a dividend within the next year but may do so in future years.

Alan Pepper
Chief Financial Officer

12 October 2020

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 in the short term 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 within the territories it currently operates, geographically and into the broader corporate real estate market which will, in time, reduce this risk. During FY19, the Group won more new customers than in any previous year. This continued into FY20 and towards the end of FY20 the Group further expanded its North American sales operation to take advantage of greater CRE interest in the flexible workspace market. It expects to expand it UK and EMEA operation in H1 FY21 and establish in APAC in H2 FY21.
The Group's growth strategy is partly dependent on its ability to establish operations and gain customers in new geographies	The Group's growth strategy is partly predicated on being able to establish operations and acquire new customers in new geographies, in particular the EU and APAC. In the event that it is unable to obtain the necessary personnel to achieve this or is constrained in its ability to establish these operations due, for example, by the continued impact of the Covid-19 pandemic, the Group's growth could be adversely impacted.	The Group already has a small number of customers in both the EU and APAC whilst a number of other existing customers are expected to 'pull' the Group into new territories. The Group is able to operate an EU based business from its existing UK base whilst its EU operation is established which will mitigate this risk. The Group has started the process of establishing its operations in APAC and hiring key personnel whilst key recent hires for the North American operation should ensure that there is sufficient capacity within Group management to mitigate this risk.

Risk & uncertainty	Potential Impact	Mitigation
Volatility or slowdown in the flexible workspace market	The Group is focussed on providing mission critical software to the flexible workspace market. The existing established flexible workspace operators have been negatively impacted by the Covid-19 pandemic as their customers have worked from home and taken steps to reduce costs. A failure to recover from the impact of Covid-19, its continuation beyond the medium term or a further significant change in the attractiveness of more flexible working environments could have a material impact on the prospects of the Group.	Market research continues to suggest 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. Prior to the impact of Covid-19, the Group was already experiencing increasing interest in flexible workspace options from traditional landlords and the broader commercial real estate market. This interest has accelerated during the Covid-19 pandemic and the Group has also launched its STEP proposition which is targeted at traditional landlords with the aim of expanding its business into that segment of the market. 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.
Brexit	54% 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 (87% 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.

Risk & uncertainty	Potential Impact	Mitigation
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 Group has made a number of additional personnel hires in its North American business including the imminent appointment of a new CEO for North America in order to make that business more self-sufficient which will, in turn, increase capacity within the rest of the management team. 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 cloud & private network infrastructure	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 accredited 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.

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. During the year the Group expanded its UK based software development team to complement the offshore software development centre it established prior to the IPO. It continues to invest in new product and software development 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.

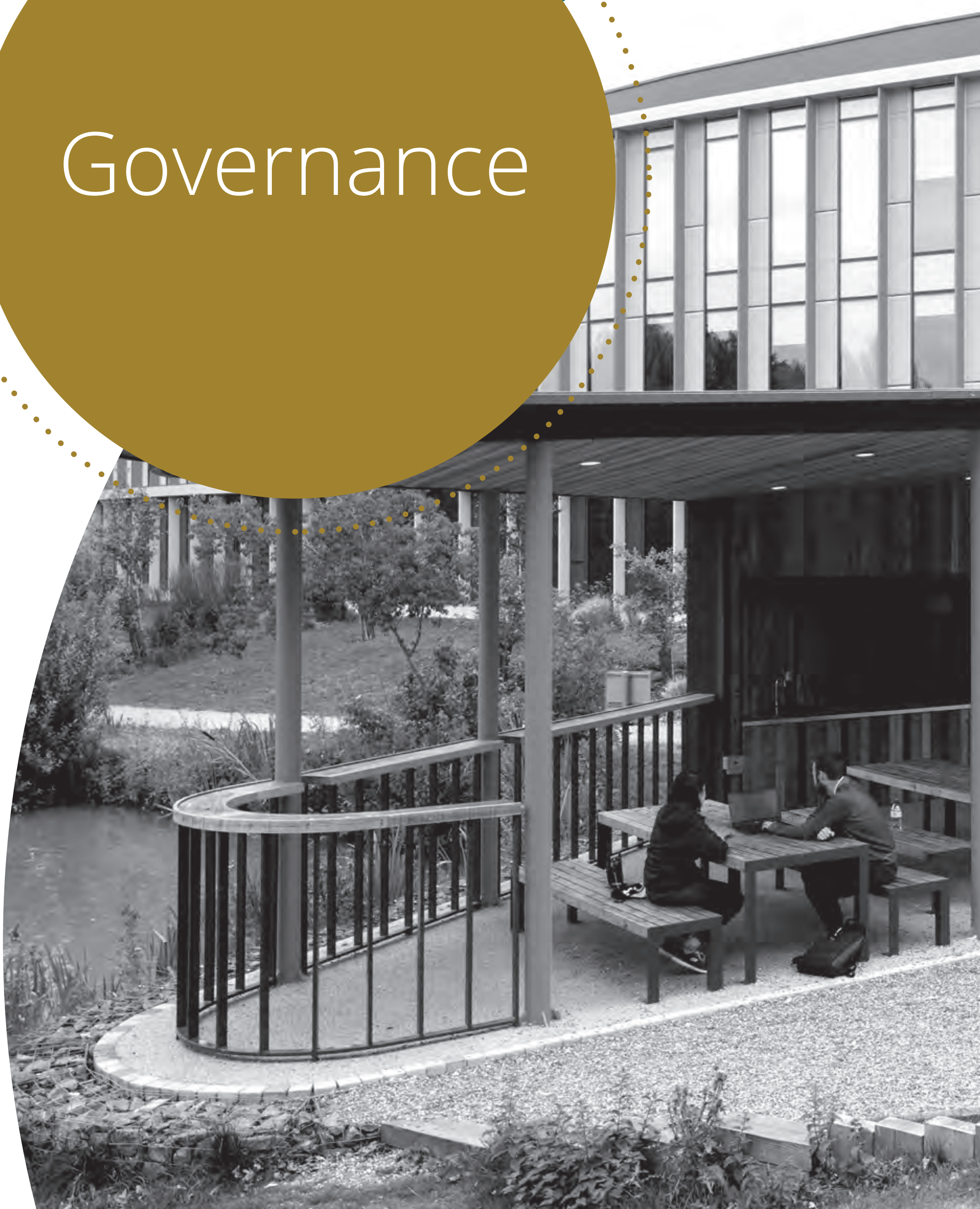
APPROVAL

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

Mark Furness
Chief Executive Officer

12 October 2020

Governance



essensys
we power ambition

Board of Directors

JON LEE

Independent Non-Executive Chairman, Aged 55

Jon joined the Board in 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 46

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 51

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 48

Charles joined the Board in 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, an investment manager specialising in E-commerce and technology, Chairman of Mysale Group Plc, a leading international online retailer listed on AIM and Chairman of Highcroft Investments plc, a REIT listed on the main list of the London Stock Exchange.

ELIZABETH SANDLER

Independent Non-Executive Director, Aged 50

Elizabeth joined the Board in January 2020.

Elizabeth has held leadership roles in the real estate and financial services sectors for the past 25 years in New York and London, most recently as founder and CEO of Echo Juliette (a workplace investment consultancy), and before that at The Blackstone Group, Deutsche Bank, AXA Financial and A.T. Kearney. She was Managing Director and Global COO of Blackstone's $15bn Real Estate Debt Strategies division from 2016 to 2018, and Managing Director and Global COO of a variety of Deutsche Bank businesses including its Risk Division (2014-16), Structured Finance (2010-2014) and Commercial Real Estate (2005-2010).

Elizabeth currently serves on the Board of FS KKR Capital, the NYSE-listed business development company, is director and founder of Echo Juliette LLC and an LLC member of Crosswind Capital, LLC.

ALEX NOTAY

Independent Non-Executive Director, Aged 38

Alex joined the Board in January 2020.

She is an international real estate investor and advisor, and recognised expert in the UK's Build to Rent sector, with 16 years' experience across the private, government and non-profit sectors. Since 2016 she has been a Fund Director at PfP Capital, the fund and asset management arm of Places for People Group, overseeing a UK-wide residential investment strategy. Places for People Group is one of the UK's largest property management, development, regeneration and leisure companies with c.£4.5bn of fixed assets and c.£830m turnover in 2019.

Previously she founded and led an international consultancy business advising real estate clients such as Grainger plc, Grosvenor, MSCI and the European Investment Bank on corporate strategy, innovation and operations (2012-2017). Prior to that Alex was Vice President and Research Director at the Urban Land Institute (2007-2011), the global real estate non-profit research and education organisation. Alexandra is a published author and editor of over 30 books and reports on real estate and serves on numerous industry committees.

BOARD AND COMMITTEE MEETING ATTENDANCE

There were 11 Scheduled Board meetings and 1 additional Board meeting held during the financial year. The table below sets out the attendance history for each Director at Board, and where relevant, Committee meetings held during the financial year.

Directors	Board	Audit Committee	Remuneration Committee
Mark Furness	12/12	-	-
Jon Lee	12/12	2/2	4/4
Alan Pepper	12/12	-	-
Charles Butler*	12/12	2/2	2/2
Elizabeth Sandler**	8/8	-	2/2
Alex Notay**	8/8	2/2	1/2

* Member of the Remuneration Committee until February 2020.
** Appointed in January 2020. Alex Notay was unable to attend one Remuneration Committee meeting due to a pre-existiing commitment.

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 2020, the Company’s first full year as a listed company. An indication of likely future developments in the business and any research and development activities are 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:

- Charles Butler
- Mark Furness
- Jon Lee
- Alexandra Notay (appointed 30 January 2020)
- Alan Pepper
- Elizabeth Sandler (appointed 30 January 2020)

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 profit for the period, after taxation, amounted to £0.2m (2019 – loss of £1.5m).

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

Total dividends paid by Group companies in 2019 amounted to £4.4m which was paid by essensys (UK) Limited to shareholders 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 majority of that dividend was used to settle outstanding directors’ loans, the details of which are set out in note 28.

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 54 to 93 have been prepared on the going concern basis. Following the share placing on 9 April 2020 which raised £6.7m (after costs) and 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 (including financial performance sensitivities) for the 12 months from the date of approval of the Consolidated Financial Statements for the year ended 31 July 2020. This included an assessment of a variety of adverse trading scenarios. More detail is provided in note 3 to the Consolidated Financial Statements.

POST YEAR END REPORTING DATE EVENTS

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

POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable donations during the year (2019: nil).

GREENHOUSE GAS EMISSIONS

essensys plc is not in scope for the requirement under Part 15 of the Companies Act 2006. Thus, no information is disclosed for these purposes.

DIRECTORS REMUNERATION

Details of Directors' remuneration is set out in the Remuneration Committee Report of the Board on page 43.

DIRECTORS INTERESTS

As at 31 July 2020 and the date of this report, 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 (%)
Charles Butler	46,358	0.09
Mark Furness	21,548,629	40.86
Jon Lee	66,225	0.13
Alexandra Notay	-	-
Alan Pepper	529,566	1.00
Elizabeth Sandler	9,933	0.02

SUBSTANTIAL SHAREHOLDERS

As at 31 July 2020 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	21,548,629	40.86
Canacord Genuity Group Inc	4,571,243	8.67
Soros Fund Management LLC	2,815,528	5.34
LF Tellworth UK Smaller Companies Fund	3,028,711	5.74
Chelverton Asset Management Limited	2,375,000	4.50
Ian Bryn Sadler	1,765,437	3.35
Barry Clark	1,742,017	3.30

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 36 to 40.

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 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 8 to 27.

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 24 November 2020.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 24 November 2020 at the Company's registered office. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts. In light of the ongoing Covid-19 pandemic, the 2020 essensys plc AGM will be held as a closed meeting. No business will be considered at the meeting other than the resolutions proposed in this Notice and shareholders will, regrettably, not be able to attend in person. Shareholders wishing to cast their vote are strongly advised to submit their votes on each resolution via proxy as early as possible.

APPROVAL

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

Alan Pepper
Chief Financial Officer

12 October 2020

Statement of Corporate Governance

I am pleased to present the 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://essensys.tech/investors/corporate-governance/. The Company has complied with the QCA Code throughout the year to 31 July 2020.

Key governance related matters that have occurred during the year include the appointment of two additional Non-Executive Directors, Elizabeth Sandler and Alexandra Notay to the Board, in January 2020, in addition to changes to the composition of the Audit and Remuneration Committees, as a result of these appointments.

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

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 8 onwards and on the Group's website: https://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 24.

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 reviews the success of shareholder engagement and takes appropriate steps to improve engagement based on shareholder feedback.

Actions taken to engage with shareholders during the year include investor roadshows and meetings with key investors and analysts. This provides the Board with the opportunity to express its vision for the Company and garner feedback on progress with regards to strategy.

essensys holds the Company's Annual General Meeting (AGM) in November each year. The results of the AGM are subsequently published on the Company's website. All 2019 resolutions were passed comfortably. The AGM can be an excellent opportunity for shareholders to meet with the Board and ask questions, and essensys would normally encourage its shareholders to attend the Annual General Meeting, however, in light of the ongoing Covid-19 pandemic the Board intends to holds it AGM with a minimum number of director shareholders present and focus only on the formal business of the AGM. In these exceptional circumstances it will therefore not be possible for shareholders to attend the 2020 AGM in person. Shareholders are encouraged to cast their votes via proxy this year.

The Board continues to 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.

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 stakeholders, both internally (members of staff) and externally (customers, suppliers, regulators and others). essensys acts with integrity and values people, from its members of staff to those who form the communities with which it engages. The Board has put in place a range of processes and systems to ensure there is close oversight and contact with its key resources and relationships.

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.

The Group's Section 172 statement is at page 17.

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.

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.

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.

The Board, assisted by the Audit Committee, 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.

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 24. essensys' Admission Document also outlines the key risks to the business, in Part II.

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

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 and its committees are provided with high quality information, in a timely manner, to facilitate proper assessment of the matters requiring a decision or insight. 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, and is currently comprised of two Executive and four Non-Executive Directors. Jon Lee is the Company's independent Non-Executive Chairman and there are three other independent Non-Executive Directors, namely Charles Butler, Elizabeth Sandler and Alexandra Notay. 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.

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. 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.

The Board is satisfied that the Chairman and all the Directors are able to commit the time necessary to fulfil their respective roles. For the financial year ended on 31 July 2020, twelve Board meetings took place, which were attended by all Directors appointed at the time of each meeting. Two Audit Committee meetings took place during the period, attended by all appointed Committee members. There were four Remuneration Committee meetings during the period, of which Alexandra Notay was unable to attend one of the two meetings held since her appointment due to a pre-existing commitment. The other Remuneration Committee meetings were attended by all appointed Committee members.

Prospective Non-Executive Directors are advised of the time required to fulfil their roles prior to appointment and are 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 Directors 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 pages 30.

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 through 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.

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. During the year, the Board conducted a formal internally-led board and committee evaluation process. All directors completed a confidential survey providing feedback on various aspects of the Board and Committee's performance. Detailed feedback was provided to, and considered by, the Board and each Committee.

The survey sought Directors feedback on areas including:

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

The evaluation findings indicated that the Board, its committees, the Chairman and each of the Directors continued to work effectively, although some areas of further development were identified. Recommendations and actions included:

- recommencing deep dive business area reviews as soon as practicable;
- continuing the move from operational towards a more strategic focus; and
- improving the timeliness of Board pre-reading packs.

The Chairman will use the output of the Board evaluation and individual Director performance reviews to further develop the performance of the Board during the year ahead. The Company Secretary remains available to provide advice.

The Group has not yet adopted a policy on succession planning. The Company considers succession planning in respect of the Board and other members of the Group's senior management, as appropriate, as part of its annual review of Board effectiveness and succession planning is 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 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. During the year the Group undertook an employee survey and established an Employee Consultation Group to obtain, in the first instance, employee feedback regarding the Group's actions and plans in relation to the Covid-19 pandemic. This level of engagement will continue in the future.

The Group has a whistleblowing policy which emphasises the importance to the business that any fraud, misconduct or wrongdoing 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.

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 fraud; 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. 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 and Remuneration Committees are set out on pages 41 and 43 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 principal 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 (including the section 172 statement), and through update meetings as necessary.

essensys normally encourages its shareholders to attend the Annual General Meeting in November 2020, however, in light of the ongoing Covid-19 pandemic the Board has decided to hold the 2020 AGM as a closed meeting attended by a minimum number of director shareholders, and focussed only on the formal business of the AGM. In these exceptional circumstances it will therefore not be possible for shareholders to attend the 2020 AGM in person. Shareholders are encouraged to cast their votes via proxy this year.

At essensys' 2019 AGM, all resolutions were passed comfortably, with at least 99% support for each resolution from proxy votes. However the Board maintains that, in line with corporate governance good practice, if there is a resolution passed at a general meeting with more than 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 members of the Committee are myself and Alexandra Notay. 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 41.

Remuneration Committee

The Remuneration Committee is chaired by Elizabeth Sandler and its other members Alexandra Notay and myself. 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 43.

Jon Lee
Non-Executive Chairman

12 October 2020

Audit Committee Report

As the Chairman of the Audit Committee of the Company ("Committee"), I present my Committee Report for the year ended 31 July 2020, which has been prepared by the Committee and approved by the Board.

COMMITTEE MEETINGS AND ATTENDANCE

The members of the Committee are myself, as chair, Jon Lee, and Alexandra Notay. 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).

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.

The Committee's primary activities over the year comprised meeting with the external auditors, considering the audit approach, scope and timetable, and reviewing the key audit matters for the FY 2019 and FY2020 audits. 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.

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 regularly reviewed and are available on the Company's website: https://essensys.tech

COMMITTEE EFFECTIVENESS

The Committee performed an assessment of its effectiveness in July 2020. Recommendations and actions included:

- holding more meetings outside the busy year end/half year reporting cycle; and
- increasing Committee time allocated to risks, risk mitigations and internal controls matters.

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 FY2021 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 at its next meeting and then with the external auditor.

Charles Butler
Chairman of the Audit Committee

12 October 2020

Remuneration Committee Report

As the Chair of Remuneration Committee of the Company ("Committee"), I present my first Remuneration Committee Report for the year ended 31 July 2020, 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 Annual General Meeting in November 2020.

COMMITTEE MEETINGS AND ATTENDANCE

The Committee is currently chaired by myself and its other members are Jon Lee and Alexandra Notay.

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 2020

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.

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.

Following the emergence of the Covid-19 pandemic, the Company took steps to reduce its overall payroll costs. As part of this the Board as a whole agreed to a 25% reduction in its remuneration for April and May 2020. Mark Furness waived his salary for the period April to June 2020.

Salaries and fees for directors effective from 1 August 2020 are unchanged from the prior year and are as follows:

Name	£'000
Mark Furness	246
Alan Pepper	226
Jon Lee	80
Charles Butler	55
Elizabeth Sandler	55
Alexandra Notay	50

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

In light of the Covid-19 pandemic and as a result of the Group not achieving its internal targets, no bonuses are payable to the Executive Directors or the Group's senior management. The Executive Directors' bonuses recognised in the 2020 financial year is therefore £nil (2019: £269,000). The maximum performance bonus opportunity for the Executive Directors is 60% of their annual salary.

Long Term Incentives (audited)

The Company operates 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 30 January 2020 the Company granted a total of 50,890 share options to Elizabeth Sandler and Alexandra Notay under the Non-Executive Director Plan. There were no other grants of share options to Directors during the year.

A breakdown of the Directors' current interests in the long term incentives awards is set out below.

Mark Furness and Alan Peppers 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 27 to the financial statements.

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 2022	28 May 2029	Yes
Alan Pepper	28 May 2019	182,119	0.25	28 May 2022	28 May 2029	Yes
Alan Pepper	28 May 2019	145,698	151.00	28 May 2022	28 May 2029	No
Jon Lee	28 May 2019	49,669	151.00	28 May 2022	28 May 2029	No
Charles Butler	28 May 2019	33,113	151.00	28 May 2022	28 May 2029	No
Elizabeth Sandler	30 January 2020	25,445	196.50	30 January 2023	30 January 2030	No
Alexandra Notay	30 January 2020	25,445	196.50	30 January 2023	30 January 2030	No

Directors remuneration – current year (audited)

The remuneration for the Directors for the year ended 31 July 2020 was as follows (£'000):

Name	Base Salary and Fees £'000	Benefits £'000	Bonuses £'000	Pension £'000	Share based payment £'000	2020 Total £'000	2019 Total £'000
Mark Furness	184	2	-	18	93	**297**	365
Alan Pepper	216	3	-	22	69	**310**	612
Jon Lee	79	-	-	-	9	**88**	19
Charles Butler	53	-	-	-	6	**59**	12
Elizabeth Sandler	26	-	-	-	4	**30**	-
Alexandra Notay	23	-	-	-	4	**27**	-
TOTAL	**581**	**5**	**-**	**40**	**185**	**811**	**1,008**

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

I and the other Non-Executive Directors 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 2020 are noted above.

REMUNERATION DECISIONS FOR THE FINANCIAL YEAR ENDING 31 JULY 2020

Performance bonuses payable to the Executive Directors for the year ended 31 July 2020 were £nil (2019: £169,000).

COMMITTEE EFFECTIVENESS

The Committee performed a self-assessment of its effectiveness during July 2020. Recommendations and actions included:

- holding more meetings outside the busy year end/half year reporting cycle; and
- considering the remuneration policy for an international business together with gender and ethnic pay gaps.

Further information on Directors' remuneration, including Directors' emoluments, share options and warrants holdings can be found in the Directors' Report on page 34.

Elizabeth Sandler
Chair of the Remuneration Committee

12 October 2020

Financial Statements

essensys
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Independent auditor's report to the members of essensys plc

OPINION

We have audited the financial statements of essensys plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the consolidated statement of comprehensive loss, 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 2020 and of the Group's profit 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 £280,000 (2019: £255,000), which represents 1.25% (2019: 1.25%) of total revenue. Component materiality and other materiality 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 three key audit matters, including revenue recognition, capitalisation of development costs and going concern.

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.

Revenue recognition

The Group has reported revenues of £22.5m (2019: £20.6m) with deferred revenue at 31 July 2020 of £0.59m (2019: £1.0m). The revenue recognition policy is detailed within note 4 of these financial statements and the revenue disclosures are outlined in note 6.

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 significant risk of material misstatement arises both from the recognition of variable revenue around the year end (cut-off) and whether revenue is recognised in accordance with the applicable accounting standards.

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 amounts deferred and accrued at year end for all contracts in progress.

How we addressed the key audit matter in the audit

For each material revenue stream, we considered management's processes for determining revenue to be recognised and assessed whether it was in accordance with the Group's accounting policies and applicable accounting standards. 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:

- For a sample of customers, we tested all revenue transactions in FY2020 for those customers by agreeing to contracts, customer invoices, cash receipts and usage reports where applicable to (1) check the proper identification of performance obligations; (2) check the proper and consistent allocation of the contract price to the performance obligations satisfied over time and at a point in time; (3) for deliverables, for which revenue is earned over time, accurate calculation of the revenue and deferred revenue based on the period for which the service was provided; (4) consistent application of the revenue recognition policy; and (5) appropriate period of revenue recognition with reference to contractual documents.
- We performed a search for revenue recorded through journal entries and searched for any unusual entries, or entries that were posted outside of normal business processes. We vouched any unusual items to supporting documentation to establish whether any sale had occurred in the financial year to support the revenue recognised.
- We selected a sample of new sites which went live during the reporting period and obtained direct confirmation from customers of the go-live date to confirm the revenue has been recognised at the correct point in time.
- We selected a sample of revenue deferred at year end, tracing back to the delivery of performance obligations post year end.
- We selected a sample of sites that had gone live post year end which were invoiced in advance to check that the related contract revenue had been correctly deferred at year end.
- We audited a sample of revenue items posted either side of year end to the underlying customer invoice and supporting documentation to confirm that variable and fixed revenue cut-off procedures had been correctly applied and that revenue had been recognised in the correct accounting period. We also tested a sample of credit notes raised subsequent to the year end and vouched each to the related customer invoice to assess whether any related to revenue in the reporting period and whether any provision had been made for this.

Key observations

Based on procedures performed, we did not identify any evidence of material misstatement in the revenue recognised in the year.

Capitalisation of development costs

The Group capitalised internal costs in respect of development projects amounting to £2.3m (2019: £0.8m). The Directors apply judgement in the classification of expenditure as capital in nature rather than ongoing operational expenditure. The significant judgement and related risk is that:

Internal costs are capitalised that should be expensed under the requirements of IAS 38 "Intangible Assets".

Capitalised development costs are disclosed in Note 14 of the consolidated financial statements and relevant accounting policies in Notes 4 and 5.

How we addressed the key audit matter in the audit

Our audit procedures involved:

- We assessed the nature of the sampled items capitalised and evaluated the appropriateness of their classification as capitalised costs, having regard to IAS 38 requirements. This included assessing whether major projects are technically feasible and commercially viable by reference to existing orders and future forecasts given the core technology.
- For a sample of capitalised costs, we held enquiries with employees in the development team to understand their specific roles and the details of the work they had performed which had been capitalised. We assessed whether the details of their work met the criteria as set out in the applicable accounting standards.
- For a sample of employees within the capitalised development costs calculation, we tested to employment contract to verify their salary cost used in the calculation and to check their job role was in line with the work being performed.
- We tested the proportion of costs being capitalised by agreeing to a sample of underlying timecards and checked the detail of the timecards aligned with the specific projects which had been identified as being able to be capitalised.

Key observations

Through our testing and by challenging management's judgements and assumptions, we were able to gain comfort that the costs capitalised as development expenditure were appropriate and no evidence of material misstatement was noted.

Going concern

In the second half of the financial year, the outbreak of Covid-19 became a global pandemic. Governments internationally have enforced various restrictions on society which has had a negative impact on the global economy resulting in ongoing uncertainty in the external economic environment.

The financial statements explain in note 3 how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group. That judgement is based on an evaluation of the inherent risks to the Group's business model, including the impact of Covid-19, and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

As a consequence, going concern is considered a key audit matter.

How we addressed the key audit matter in the audit

- We evaluated the key underlying assumptions used in the Group's forecasts around the achievement of forecast revenue, including sales growth through understanding how these were derived and robust interrogation including vouching new sales contracts signed after the balance sheet date and sales pipeline.
- We considered the Group's historical budgeting accuracy, by assessing actual performance against budget and understanding the changes in circumstances leading to the forecast revenue.
- We reviewed stress test analysis prepared by management to see when the Group will run out of cash. We confirmed through subsequent actual numbers that this scenario is improbable due to the Group being in a strong cash position.
- We performed analyses of changes in key assumptions including a reasonably possible (but not unrealistic) reduction in forecast revenue to understand the sensitivity in the cash flow forecasts for a period of twelve months from the date of approval of the financial statements.
- We considered the appropriateness of the related disclosures by comparing to the key assumptions and key sensitivities as considered by the Directors in their forecasts.

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	£280,000 (2019: £255,000)
Basis for determining	1.25% of revenue (2019: 1.25% 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 this being the first full financial year post-IPO, we consider that there is still 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 benchmark.
Parent company materiality	£196,000 (2019: £178,500) based on 70% of Group materiality (2019: 70%).
Materiality applied to the audits of the two significant components	In the range of £156,000 to £195,000 (2019: £164,000 applied to both components)

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 £196,000 (2019: 70%, being £178,500). Performance materiality used for the Parent company was similarly set at 70% of Parent company materiality, being £137,000 (2019: £124,000).

Performance materiality levels used for the two significant 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, performance materiality applied to the audits of the two significant components was in the range of £109,200 to £136,500 (2019: £114,800 applied to both components).

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% (2019: 5%) of materiality i.e. £14,000 (2019: £12,750). We also agreed to report differences below this threshold 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 in the Group financial statements, and to ensure we had adequate coverage of significant accounts in the financial statements, we performed an audit of the complete financial information ("full scope components") of two significant components within the Group consolidation, covering entities within the UK and US which represent the principal trading business units within the Group. Full scope audit procedures were also performed on the Parent company financial information. All audit procedures were performed by the Group audit team. Desktop review procedures were performed by the Group audit team over the three non-significant components of the Group.

The Group audit team centrally performed the audit of 100% (2019: 100%) of Group revenue, 100% (2019: 100%) of Group profits (2019: losses) and 100% (2019: 100%) of total assets using the materiality levels set out above.

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 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in 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: 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, UK

12 October 2020

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 2020

	Notes	2020 £000	2019 £000
Turnover	6	**22,499**	20,633
Cost of sales		**(8,117)**	(7,986)
Gross profit		**14,382**	12,647
Administrative expenses		**(13,778)**	(11,233)
Other operating income		**386**	51
Share based payment expense		**(514)**	(979)
IPO related costs		**-**	(1,508)
Operating profit / (loss)	7	**476**	(1,022)
Interest receivable and similar income	10	**2**	82
Interest payable and similar charges	11	**(132)**	(494)
Profit / (loss) before taxation		**346**	(1,434)
Taxation	12	**(191)**	(45)
Profit / (loss) for the year from continuing operations		**155**	(1,479)
Other comprehensive (loss) / income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(272)**	27
Other comprehensive (loss) / income for the year		**(272)**	27
Total comprehensive loss for the year		**(117)**	(1,452)
Basic and Diluted profit / (loss) per share	13	**0.3p**	(3.7p)

The notes on pages 58 to 87 form part of these financial statements.

FINANCIAL STATEMENTS

Consolidated statement of financial position

as at 31 July 2020

	Notes	2020 £000	2019 £000
ASSETS			
Non-current assets			
Intangible assets	14	**5,013**	3,732
Property, plant and equipment	15	**1,695**	1,376
Right of use assets	16	**2,055**	3,119
		8,763	8,227
Current assets			
Inventories	18	**323**	292
Trade and other receivables	19	**5,186**	5,727
Cash at bank and in hand		**8,496**	2,688
		14,005	8,707
TOTAL ASSETS		**22,768**	16,934
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
Called up share capital	20	**132**	120
Share premium	21	**19,881**	13,184
Share based payment reserve		**1,490**	979
Merger reserve		**28**	28
Retained earnings		**(5,435)**	(5,318)
TOTAL EQUITY		**16,096**	8,993
LIABILITIES			
Non-current liabilities			
Lease liabilities	23	**796**	1,637
Deferred tax	24	**409**	67
		1,205	1,704
Current liabilities			
Trade and other payables	22	**3,561**	3,382
Contract liabilities	6E	**550**	1,044
Lease liabilities	23	**1,346**	1,811
Current taxes		**10**	-
		5,467	6,237
TOTAL LIABILITIES		**6,672**	7,941
TOTAL EQUITY AND LIABILITIES		**22,768**	16,934

The financial statements were approved by the Board of Directors and authorised for issue on 12 October 2020.

Alan Pepper
Director

The notes on pages 58 to 87 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 July 2020

	Share capital £000	Share premium £000	Share based payment Reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
1 August 2019	120	13,184	979	28	(5,318)	8,993
Comprehensive profit for the year						
Profit for the year	-	-	-	-	155	155
Currency translation differences	-	-	(3)	-	(272)	(275)
Total comprehensive loss for the year	-	-	(3)	-	(117)	(120)
Transactions with shareholders						
New shares issued	12	6,988	-	-	-	7,000
Cost incurred in issuing new shares	-	(291)	-	-	-	(291)
Share based payment charge	-	-	514	-	-	514
31 July 2020	**132**	**19,881**	**1,490**	**28**	**(5,435)**	**16,096**

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 28)	-	-	-	-	(2,315)	(2,315)
essensys (UK) Limited Dividends paid (see note 28)	-	-	-	-	(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**

The notes on pages 58 to 87 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 July 2020

	Notes	2020 £000	2019 £000
Cash from operations	31 A	**4,026**	2,026
Corporation tax received/(paid)		**185**	(131)
Foreign exchange		**(140)**	38
Net cash generated from operating activities		**4,071**	1,933
Cash flows from investing activities			
Purchases of intangible assets	14	**(2,290)**	(800)
Purchases of property plant and equipment	15	**(992)**	(722)
Interest received		**2**	82
Net cash used in investing activities		**(3,280)**	(1,440)
Cash flows from financing activities			
Proceeds from the issuance of new shares		**7,000**	14,000
Costs of issuing new shares		**(291)**	(2,301)
Receipts from government grants		**386**	-
Dividends paid		**-**	(915)
Buy back of shares		**-**	(2,315)
Proceeds from bank loans		**-**	10,000
Repayment of bank loans		**-**	(14,644)
Repayment lease liabilities	23	**(1,926)**	(2,020)
Interest paid on lease liabilities	23	**(132)**	(198)
Bank and other interest paid		**-**	(299)
Net cash generated from financing activities		**5,037**	1,308
Net increase in cash and cash equivalents		**5,828**	1,801
Cash and cash equivalents at beginning of year		**2,688**	882
Effects of foreign exchange rate changes		**(20)**	5
Cash and cash equivalents at end of year		**8,496**	2,688
Cash and cash equivalents comprise:			
Cash at bank and in hand		**8,496**	2,688

The notes on pages 58 to 87 form part of these financial statements.

Notes to the financial statements

for the year ended 31 July 2020

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 2020 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 12 October 2020.

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 9 to 27. The financial position of the Group is described in the Financial Review on pages 21 to 23.

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis.

As at 31 July 2020 the Group had net assets of £16.1m (2019: £9m), including cash of £8.5m (2019: £2.7m) as set out in the Consolidated Statement of Financial Position, with no drawn debt and an undrawn debt facility of £1m. In the year ended 31 July 2020 the Group generated a profit before tax of £0.3m (2019: loss of £1.4m due to IPO costs of £1.5m). The group generated net cash before financing in the year of £0.8m (2019: £0.5m).

During the year the performance of the Group continued to improve with revenue increasing by 9% and recurring revenue by 19% with the Group generating an operating profit of £0.5m (2019: loss of £1m). The Group has long term contracts with a number of customers and suppliers across different geographical areas and industries.

The Directors have prepared a detailed budget and forecast of the Group's expected performance over a period covering at least the next twelve months from the date of the approval of these financial statements. As well as modelling the realisation of the sales pipeline, these forecasts also cover a number of scenarios and sensitivities in order for the Board to satisfy itself that the Group remains within its current cash facilities.

Whilst the Directors are confident in the Group's ability to grow revenue, the Board's sensitivity modelling (which considered the impact of Brexit and Covid-19) shows that the Group can remain within its cash facilities in the event that revenue growth is delayed (i.e. new sales bookings are not achieved) for a period in excess of twelve months. The Directors' financial forecasts and operational planning and modelling also include the actions, under the control of the Group, that they could take to further significantly reduce the cash outflow expected as the Group expands geographically. On the basis of this financial and operational modelling, the Directors believe that the Group has the capability and the operational agility to react quickly, cut further costs from the business and ensure that the cost base of the business is aligned with its revenue and funding scale.

As a consequence, the Directors have a reasonable expectation that the Group can continue to operate and to operate within its existing facilities and be able to meet its commitments and discharge its liabilities in the normal course of business for a period of not less than twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

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

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 for the year to 31 July 2019 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 were recognised in a merger reserve.

The company 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) Contract

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) Contractual 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.

(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.

(f) Costs to obtain and fulfil a contract

Set up and installation costs are partially invoiced once the customer contract is signed. The value of the invoiced amount is held as a contract liability until the performance obligation is satisfied.

The company incurs Incremental costs in obtaining a contract in the form of sales commissions. The Company recognises the sales commissions as an asset in relation to costs to obtain a contract. The company believes that the costs are recoverable as the proceeds from the customer over the contract period exceed the costs to obtain the contract. The asset is amortised over the contract life on a systematic basis.

Contract assets arise from the group's revenue contracts, where work is performed in advance of invoicing customers, and contract liabilities arise 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.

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 and lease liabilities. Interest on bank loans and lease liabilities 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.

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'.

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 the 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.

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 total value expensed at the balance sheet date in relation to the fair value of the share options at their grant date expensed over the vesting period 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, or contract assets, although contract assets are in scope of IFRS 9's impairment requirements as discussed below. 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.

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.

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 reasonably 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.

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

No new standards have been adopted in the reporting period as all were adopted previously.

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.

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.

Valuation of Share Options

During the year the Group incurred a share-based payment charge of £514,000 which related entirely to share options issued post IPO. In the year ended 31 July 2019 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 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 and during the year ended 31 July 2020 are based on valuations undertaken using a Black Scholes or Monte Carlo Simulation option pricing models, depending on the type of option. In assessing the valuation judgements were made over 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 after 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. See note 27 for details.

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:

	2020 £000	2019 £000
Analysis of turnover by country of destination:		
United Kingdom	**12,193**	12,853
United States of America	**10,306**	7,780
Total Income	**22,499**	20,633

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:

	2020 £000	2019 £000
Connect	**20,552**	19,188
Operate	**1,947**	1,445
Total Income	**22,499**	20,633

Connect revenue includes all revenue generated in relation to the Group's Connect product. It includes revenue recognised at a point in time as well as recognised over a period of time.

Operate revenue includes all revenue generated in relation to Group's Operate product. The revenue is recognised over a period of time.

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:

	2020 £000	2019 £000
Revenue recognised at a point in time	**3,138**	4,291
Revenue recognised over time	**19,361**	16,342
Total Income	**22,499**	20,633

6D Revenue from customers greater than 10%

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

	2020 £000	2019 £000
Customer 1	**3,377**	2,952
Customer 2	**2,787**	2,864
Customer 3	-	2,623

6E Contract assets and liabilities

Contract asset movements were as follows:

	2020 £000	2019 £000
At 1 August	**475**	327
Transfers in the period from contract assets to trade receivables	**(271)**	(327)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**164**	271
Capitalised commission cost released as contract obligations fulfilled	**(159)**	-
Commission costs capitalised on contracts	**211**	204
At 31 July	**420**	475

Contract liability movements were as follows:

	2020 £000	2019 £000
At 1 August	**1,044**	1,156
Amounts included in contract liabilities that were recognised as revenue during the period	**(1,044)**	(880)
Cash received and receivables in advance of performance and not recognised as revenue during the period	**550**	768
At 31 July	**550**	1,044

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 contract liabilities arise 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.

7 OPERATING PROFIT / (LOSS)

	2020 £000	2019 £000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**587**	425
Amortisation of intangible assets	**1,009**	742
Depreciation of right of use assets	**1,424**	1,586
Loss on disposal of right of use asset	**-**	61
Fees payable to the Group's auditor (see below)	**130**	494
Amortisation of loan arrangement fee	**66**	45
Write off loan arrangement fees	**-**	18
Exchange differences	**140**	(38)
Research & Development expense	**363**	88
Staff costs (note 8)	**8,149**	6,606
Share based payment charges	**514**	979
IPO costs	**-**	1,508
Expected credit loss provision	**470**	56

Analysis of fees paid to the Group's auditor:

	2020 £000	2019 £000
Annual financial statements – parent company	**19**	8
Annual financial statements – subsidiary companies	**81**	66
Audit Fee	**100**	74
Tax services	**-**	-
Assurance services	**30**	24
Corporate finance services	**-**	396
Non audit services	**30**	420
Total fee	**130**	494

8 EMPLOYEES

Staff costs (including directors) consist of:

	2020 £000	2019 £000
Wages and salaries	**6,186**	5,655
Social security costs	**794**	623
Cost of defined contribution scheme	**213**	145
Other	**956**	183
	8,149	6,606

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

	2020 No.	2019 No.
Executive	**5**	7
Sales & Marketing	**18**	9
Finance & Administration	**12**	8
Support	**29**	29
Development	**20**	15
Provisioning	**8**	6
	92	74

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.

	2020 £000	2019 £000
Salaries and fees	**1,838**	1,597
Social security costs	**243**	161
Short term non-monetary benefits	**15**	25
Company contributions to money purchase pension schemes	**108**	47
Share based payment expense	**317**	562
	2,521	2,392

Full details of directors' remuneration is included within the Remuneration Committee Report on page 43.

10 INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
Interest receivable from related parties	2	82
	2	82

11 INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
Bank loans and overdrafts	-	299
Lease liabilities	132	195
	132	494

12 TAXATION ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2020 £000	2019 £000
Current tax		
UK corporation tax	-	3
Irrecoverable tax on loans to participators	-	20
Recovery of irrecoverable tax on loans to participators	(159)	-
Adjustment in respect of previous periods	(4)	(74)
Foreign tax on income for the year	12	6
Total current tax	(151)	(45)
Deferred tax		
Origination and reversal of timing differences	334	90
Adjustments in respect of prior periods	8	-
Total deferred tax	342	90
Taxation on profit on ordinary activities	191	45

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:

	2020 £000	2019 £000
Profit / (loss) on ordinary activities before tax	**346**	(1,434)
Tax using the Group's domestic tax rates (19%)	**66**	(272)
Effects of:		
Fixed asset differences	**110**	143
Expenses not deductible for tax purposes	**102**	494
Adjustments to tax charge in respect of previous periods	**11**	(127)
Irrecoverable tax on loans to participators	**(159)**	20
Adjustment in respect of prior periods	**(4)**	(74)
Adjustment to losses	**(225)**	-
Deduction for R&D expenditure	**(123)**	(22)
Other permanent differences	**-**	(2)
Other tax adjustments, reliefs and transfers	**-**	10
Foreign tax on income for the year	**18**	35
Current tax (other)	**63**	-
Adjust closing deferred tax to average rate	**7**	(1)
Adjust opening deferred tax to average rate	**(18)**	(5)
Timing differences not recognised	**228**	(57)
Deferred tax not recognised	**115**	(97)
Total tax charge for period	**191**	45

13 EARNINGS PER SHARE

	2020 £000	2019 £000
Basic weighted average number of shares	**49,652,821**	40,381,298
Fully diluted weighted average number of shares	**49,794,049**	40,381,298

	2020 £000	2019 £000
Profit / (loss) for the year attributable to owners of the group	**155**	(1,479)
Basic and diluted profit / (loss) per share (pence)	**0.3p**	(3.7p)

The profit / (loss) per share has been calculated using the profit / (loss) for the year and the weighted average number of ordinary shares outstanding during the period.

14 INTANGIBLE ASSETS

Group	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost					
At 1 July 2019	335	4,461	280	1,263	6,339
Additions	-	2,290	-	-	2,290
At 31 July 2020	**335**	**6,751**	**280**	**1,263**	**8,629**
Amortisation					
At 1 July 2019	217	2,162	228	-	2,607
Charge for year	76	881	52	-	1,009
At 31 July 2020	**293**	**3,043**	**280**	**-**	**3,616**
Net book value					
At 31 July 2020	**42**	**3,708**	**-**	**1,263**	**5,013**
At 31 July 2019	118	2,299	52	1,263	3,732

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 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

15 PROPERTY, PLANT AND EQUIPMENT

Group	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 July 2019	186	4,763	133	5,082
Additions	73	917	2	992
Transfers	-	1,305	-	1,305
Exchange adjustments	(12)	(384)	(3)	(399)
At 31 July 2020	**247**	**6,601**	**132**	**6,980**
Depreciation				
At 1 July 2019	120	3,513	73	3,706
Charge for year	41	531	15	587
Transfers	-	1,136	-	1,136
Exchange adjustments	(7)	(127)	(10)	(144)
At 31 July 2020	**154**	**5,053**	**78**	**5,285**
Net book value				
At 31 July 2020	**93**	**1,548**	**54**	**1,695**
At 31 July 2019	66	1,250	60	1,376

	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

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 2019	4,362	142	2,815	584	7,903
Lease remeasurement	(37)	-	64	-	27
Transfers	-	-	(1,305)	-	(1,305)
Exchange adjustments	(121)	-	(47)	-	(168)
At 31 July 2020	**4,204**	**142**	**1,527**	**584**	**6,457**
Depreciation					
At 1 July 2019	2,260	99	2,265	160	4,784
Charge for year	985	35	345	59	1,424
Lease remeasurement	(596)	-	-	-	(596)
Transfers	-	-	(1,138)	-	(1,138)
Exchange adjustments	(40)	-	(32)	-	(72)
At 31 July 2020	**2,609**	**134**	**1,440**	**219**	**4,402**
Net book value					
At 31 July 2020	**1,595**	**8**	**87**	**365**	**2,055**
At 31 July 2019	2,102	43	550	424	3,119

	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	6,869
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	3,190
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

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

	2020 £000	2019 £000
Work in progress	**323**	292
	323	292

Work in progress are items and third party services purchased to satisfy specific customer contracts, where title has not yet passed.

19 TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Trade receivables (net)	**3,116**	3,019
Other receivables	**491**	910
Taxes and other social security	**-**	63
Corporation tax	**-**	40
Prepayments	**1,159**	1,220
Contract asset	**420**	475
	5,186	5,727

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
2020	**1,922**	**280**	**254**	**1,195**	**3,696**	**(535)**	**3,116**
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.

At 31 July 2020 the lifetime expected loss provision for trade receivables and contract assets is as follows:

31 July 2020	**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%**	**5.7%**	**10.6%**	**39.6%**	
Gross carrying amount	**2,294**	**280**	**254**	**1,243**	**4,071**
ECL	**-**	**16**	**27**	**492**	**535**

31 July 2019	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:

	2020 £000	2019 £000
Opening ECL at 1 August	**65**	9
Increase during the year	**656**	56
Receivables written off as uncollectable	**(186)**	-
ECL charge for the year	**470**	56
At 31 July	**535**	65

20 SHARE CAPITAL

	2020 £000	2019 £000
Allotted, called up and fully paid		
52,743,329 (2019 – 48,107,567) ordinary shares of 0.25p each (2019 – 0.25p)	**132**	120

On 9 April 2020 the Company issued 4,635,762 new ordinary shares of 0.25 pence each at a price of 151 pence per share by way of a share placing.

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

	2020 £000	2019 £000
Share premium at start of period	**13,184**	-
Issue of new shares	**6,988**	13,977
Cost of issuing new shares recognised in equity	**(291)**	(793)
	19,881	13,184

22 TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Amounts falling due within one year		
Trade payables	**1,912**	1,678
Other taxes and social security	**456**	319
Other creditors	**404**	117
Accruals	**789**	1,268
	3,561	3,382

23 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.

	2020 £000	2019 £000
Number of active leases	**15**	27

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 2020 and 2019 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 2019	2,444	86	620	298	3,448
Additions	586	-	-	-	586
Interest expense	78	6	25	23	132
Lease payments	(1,204)	(35)	(543)	(144)	(1,926)
Foreign exchange movements	(84)	-	(14)	-	(98)
At 31 July 2020	**1,820**	**57**	**88**	**177**	**2,142**

	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**

Lease maturity

	Leasehold property £000 2020	**Fixtures and fittings £000 2020**	**Computer equipment £000 2020**	**Leasehold improvements £000 2020**	**Total £000 2020**
Up to 3 months	**-**	**-**	**-**	**-**	**-**
3 to 12 months	**706**	**-**	**34**	**-**	**740**
1-2 years	**126**	**57**	**54**	**177**	**414**
2-5 years	**510**	**-**	**-**	**-**	**510**
More than 5 years	**478**	**-**	**-**	**-**	**478**
	1,820	**57**	**88**	**177**	**2,142**

	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**

Analysis by current and non-current

	Leasehold property £000 2020	**Fixtures and fittings £000 2020**	**Computer equipment £000 2020**	**Leasehold improvements £000 2020**	**Total £000 2020**
Due within a year	**1,113**	**31**	**71**	**131**	**1,346**
Due in more than one year	**707**	**26**	**17**	**46**	**796**
	1,820	**57**	**88**	**177**	**2,142**

	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**

24 DEFERRED TAXATION

	2020 £000	2019 £000
Brought forward	**67**	(4)
Charged/(credited) to the income statement	**342**	71
Carried forward	**409**	67

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Fixed asset timing differences	**409**	138
Other timing differences	**-**	(71)
	409	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. However, on 17 March 2020 the rate reduction due to come in effect on 1 April 2020 was substantively reversed so that the main rate of taxation will remain at 19 per cent., and this has been reflected in these financial statements.

25 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.

Financial instruments by category

	2020 £000	2019 £000
Financial assets at amortised cost		
Cash and cash equivalents	**8,496**	2,688
Trade and other receivables	**3,771**	4,488
Total financial assets at amortised cost	**12,267**	7,716
Financial liabilities		
Trade and other payables	**3,105**	3,063
Bank Loan	**-**	-
Lease liabilities	**2,142**	3,448
Total financial liabilities	**5,247**	6,511

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 key management personnel. 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. The key management personnel 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.

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.

	2020 £000	2019 £000
Financial assets	**9,027**	5,833
Financial liabilities	**1,640**	1,836

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

	2020 $000	2019 $000
Financial assets	**4,212**	2,944
Financial liabilities	**1,916**	1,422

A 10 per cent. weakening of the Group's reporting currency against the United States Dollar would have the following impacts on the groups reporting currency on the financial assets and liabilities listed above in United States Dollar:

	2020 $000	2019 $000
Financial assets	**(323)**	(242)
Financial liabilities	**(145)**	(117)

(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 2020 there are no loans outstanding, (2019 - £nil) and the overdraft facility is available but not in use. Therefore, there is no material exposure to interest rate risk

(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 borrowings and payables.

A maturity analysis of the Group's borrowings is shown below:

	2020 £000	2019 £000
Less than one year	**-**	-
One to two years	**-**	-
Two to five years	**-**	-
	-	-

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

	2020 £000	2019 £000
Less than one year	**3,561**	3,382
One to two years	**-**	-
Two to five years	**-**	-
	3,561	3,382

26 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.

	2020 £000	2019 £000
Pension charge	**213**	145
Pension liability	**35**	30

27 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. The UK plans includes employees from the Company and its main UK trading subsidiary essensys (UK) Ltd.

	Weighted average exercise price (pence) 2020	Number 2020	Weighted average exercise price (pence) 2019	Number 2019
Outstanding at the beginning of the year	**£0.95**	**2,694,954**	£4.97	2,778
Granted during the year	**£1.60**	**467,818**	£0.95	2,695,330
Forfeited during the year	**£1.52**	**(196,531)**	£21.94	(131)
Exercised during the year	**-**	**-**	£3.61	(3,023)
Outstanding at the end of the year	**£1.02**	**2,966,241**	£0.95	2,694,954

The weighted average exercise price of options outstanding at the end of the year was 101.67p (2019: 95.25p) and their weighted average contractual life was 8.9 years (2019: 9.8 years).

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

The options exercised during 2019 were options that existed in essensys (UK) Limited and which were exercised in advance of the IPO.

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:

	2020	2019
Risk free investment	**0.23% - 0.54%**	1.01%
Expected life	**3 .5 years**	4.4 years
Expected volatility	**50%**	40%

The volatility used for the share option grants during the current year was that actually experienced during the period from the IPO. Given a lack of historic volatility information related to the Company's shares in 2019, 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 £514,000 in the year, all of which related to options in the Company issued immediately prior to the IPO or subsequent thereto. In 2019 the Group recognised a total Share based payment expense of £979,000, 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 recognised in the previous year 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 45.

28 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 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. Details of key management compensation is shown in note 9.

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

In the prior reporting period, 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

In the prior reporting period, 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.

Directors Loans

The following advances and credits to the directors and key management personnel subsisting during the years ended 31 July 2020 and 31 July 2019. All advances incurred interest at a rate of 3.25% per annum. All amounts were repaid before 31 July 2019 therefore no balances exist on the statement of financial position at 31 July 2020 and 31 July 2019.

	2020 £000	2019 £000
Mark Furness		
Balance outstanding at start of year	-	3,103
Amounts advanced	-	351
Amounts repaid	-	(3,534)
Interest charged	-	80
	-	-

All amounts outstanding were repaid during the prior year. The maximum loan balance subsisting during the year was £nil (2019 - £3,533,513)

	2020 £000	2019 £000
Michael Guest		
Balance outstanding at start of year	-	124
Amounts advanced	-	11
Amounts repaid	-	(137)
Interest charged	-	2
	-	-

All amounts outstanding were repaid during the prior year. The maximum loan balance subsisting during the year was £nil (2019 - £137,687)

29 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no capital commitments or contingent liabilities at 31 July 2020 (2019: £NIL)

30 EVENTS AFTER THE REPORTING DATE

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

31 NOTES SUPPORTING STATEMENT OF CASH FLOWS

31 A Cash from operations

	2020 £000	2019 £000
Cash flows from operating activities		
Profit / (loss) for the financial year before taxation	**346**	(1,434)
Adjustments for non-cash/non-operating items:		
Amortisation of intangible assets	**1,009**	742
Depreciation of property plant and equipment	**587**	425
(Profit)/ loss on disposal of right of use asset	-	61
Write off of loan arrangement fee	-	18
Amortisation of loan arrangement fee	**66**	45
Depreciation of right of use assets	**1,424**	1,586
IPO related costs	-	1,508
Share based payment expense	**514**	979
Gains and losses on foreign exchange transactions	**140**	(38)
Finance income	**(2)**	(82)
Finance expense	**132**	494
Receipts from government grants treated as operating income	**(386)**	-
	3,830	4,304
Changes in working capital:		
(Increase) /decrease in inventories	**(31)**	(292)
Decrease / (increase) in trade and other debtors	**541**	(2,488)
Decrease / (increase) in trade and other creditors	**(314)**	502
Cash from operations	**4,026**	2,026

31 B Movement in net debt

	Cash and cash equivalents £000	Leases £000	Borrowings £000	Total £000
As at 1 August 2018	877	(4,272)	(4,644)	(8,039)
Cashflow	1,806	1,121	4,943	7,666
Interest charges	-	(195)	(299)	(494)
Exchange movements	5	(102)	-	107
As at 31 July 2019	**2,688**	**(3,448)**	**-**	**(760)**
Lease additions	**-**	**(586)**	**-**	**(586)**
Cashflow	**5,828**	**1,926**	**-**	**7,754**
Interest charge	**-**	**(132)**	**-**	**(132)**
Exchange movements	**(20)**	**98**	**-**	**78**
As at 31 July 2020	**8,496**	**(2,142)**	**-**	**6,354**

	Cash and cash equivalents £000	Leases £000	Borrowings £000	Total £000
Balances as at 31 July 2020				
Current assets	**8,496**	**-**	**-**	**8,496**
Current liabilities	**-**	**(1,346)**	**-**	**(1,346)**
Non-current liabilities	**-**	**(796)**	**-**	**(796)**
	8,496	**(2,142)**	**-**	**6,354**

	Cash and cash equivalents £000	Leases £000	Borrowings £000	Total £000
Balances as at 31 July 2019				
Current assets	2,688		-	2,688
Current liabilities	-	(1,811)	-	(1,811)
Non-current liabilities	-	(1,637)	-	(1,637)
	2,688	(3,448)	-	(760)

Company Statement of Financial Position

at 31 July 2020

	Notes	2020 £000	2019 £000
ASSETS			
Non-current assets			
Property, plant and equipment	C3	**1**	1
Investments	C4	**97**	97
Trade and other receivables	C5	**16,289**	11,625
Total non-current assets		**16,387**	11.723
Current assets			
Trade and other receivables	C5	**59**	133
Cash at bank and in hand	C6	**-**	91
Total current assets		**59**	244
TOTAL ASSETS		**16,446**	11,947
EQUITY AND LIABILITIES			
Equity			
Issued share capital	20	**132**	120
Share premium	21	**19,881**	13,184
Share based payment reserve	C7	**483**	68
Retained earnings		**(4,332)**	(1,713)
Total Equity		**16,164**	11,659
Liabilities			
Current liabilities			
Trade and other payables	C8	**282**	288
Total current liabilities		**282**	288
Total liabilities		**282**	288
TOTAL EQUITY AND LIABILITIES		**16,446**	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 £2,611,000 (2019 £1,713,000).

The financial statements were approved by the Board of Directors and authorised for issue on 12 October 2020.

Alan Pepper
Director

The notes on pages 91 to 93 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2020

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
31 July 2019	**120**	**13,184**	**68**	**(1,713)**	**11,659**
Comprehensive loss for the period					
Loss for the year	-	-	-	(2,619)	(2,619)
Transactions with shareholders					
Shares issued	12	6,988	-	-	7,000
Cost of issuing new shares	-	(291)	-	-	(291)
Share based payment charge	-	-	415	-	415
31 July 2020	**132**	**19,881**	**483**	**(4,332)**	**16,164**

	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 91 to 93 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 July 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Loss for the financial period		**(2,619)**	(1,713)
Adjustments for non cash/non operating items:			
IPO costs		**-**	1,435
Share option charges in relation to options granted		**415**	68
Finance income		**(473)**	(87)
		(2,677)	(297)
Decrease / (increase) in trade and other debtors		**74**	(133)
(Decrease) / increase in trade and other creditors		**(6)**	288
Cash from operations		**(2,609)**	(142)
Corporation tax paid			
Foreign exchange		**-**	-
		-	-
Net cash used in operating activities		**-**	-
Cash flows from investing activities			
Purchases of property plant and equipment	C3	**-**	(1)
Loan issued to subsidiary undertaking		**(4,664)**	(11,625)
Interest received		**473**	87
Net cash used in investing activities		**(4,191)**	(11,539)
Cash flows from financing activities			
Proceeds from the issuance of new shares		**7,000**	14,000
Costs of issuing new share capital		**(291)**	(2,228)
Net cash generated from financing activities		**6,709**	11,772
Net (decrease) / increase in cash and cash equivalents		**(91)**	91
Cash and cash equivalents at beginning of period		**91**	-
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 91 to 93 form part of these financial statements.

Notes to the company financial statements

for the year ended 31 July 2020

C1 ACCOUNTING POLICIES

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 £34,003 (2019 £47,401) in respect of tax losses. The company has not recognised the deferred tax asset due to the lack of certainty over recovery of the asset.

	2020 £000	2019 £000
1 August	-	-
Credited to income statement	-	-
Charged to income statement	-	-
At 31 July	-	-

	2020 £000	2019 £000
Fixed asset timing differences	-	-
Short term timing differences	(9)	23
Losses and other deductions	43	24
Unrecognised deferred taxation asset	34	47

C3 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £000
Cost	
At 1 August 2019	1
Additions	-
At 31 July 2020	**1**
Depreciation	
At 1 August 2019	-
Provision for year	-
At 31 July 2020	**-**
Net book value	
At 31 July 2020	**1**
At 31 July 2019	1
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**

C4 FIXED ASSET INVESTMENTS

	Investment £000
At 22 January 2019	-
Investment in subsidiary undertaking	97
At 31 July 2019 and 31 July 2020	**97**

Subsidiaries

The subsidiary undertakings of the company as at 31 July 2020 and 31 July 2019 are listed in note 17 of the Group's financial statements.

The company made two loans of £11,625,000 and £4,664,000 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

	2020 £000	2019 £000
Current:		
Other taxes and social security	**-**	63
Other debtors	**1**	3
Prepayments and accrued income	**46**	67
Amounts owing from group undertaking	**12**	-
Total	**59**	133
Non-current:		
Loan to subsidiary undertaking	**16,289**	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.

C6 CASH AND CASH EQUIVALENTS

	2020 £000	2019 £000
Cash at bank and in hand	**-**	91
	-	91

C7 SHARE BASED PAYMENT RESERVE

The accounting policy of the share based payments is noted on page 64. Note 27 also details the calculations of the share based payments relevant to the company and the wider group.

C8 TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Trade payables	**48**	121
Other creditors	**112**	89
Accruals	**122**	78
	282	288

C9 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 28 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)* Alexandra Notay *(Independent Non-Executive Director)* Elizabeth Sandler *(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
Tax advisers	RSM UK Tax and Accounting Limited 25 Farringdon Street London EC4A 4AB
Legal Advisers (Group, UK & Europe)	Osborne Clarke LLP One London Wall London EC2Y 5EB
Legal Advisers (USA)	Haynes & Boone, LLP 30 Rockefeller Plaza 26th Floor New York, NY 10112
Legal Advisers (Canada)	Fasken Martineau DuMoulin LLP Bay Adelaide Centre 333 Bay Street, Suite 2400 Toronto, ON M5H 2T6
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Website	www.essensys.tech

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about any aspect of the proposals referred to in this document, or the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial advisor.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document together with the Form of Proxy, as soon as possible, to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission onto the purchaser or transferee.

THE BOARD STRONGLY ENCOURAGES ALL SHAREHOLDERS TO VOTE ON THE RESOLUTIONS BY PROXY BEFORE THE DEADLINE OF 9:30 A.M. ON 20 NOVEMBER 2020.

In response to the Covid-19 pandemic the UK Government has introduced social distancing measures (the Public Health Measures) which remain in force at the time of publication of this notice. The health of our shareholders, employees and stakeholders is extremely important to us and the Board are mindful of the risk of a further rise in Covid-19 cases and consequent changes in public health measures which could come into force during the period between this Notice being sent and the date of this year's Annual General Meeting (AGM). With this in mind, the 2020 essensys plc AGM will be held as a closed meeting. No business will be considered at the meeting other than the resolutions proposed in this Notice and shareholders will, regrettably, not be able to attend in person.

The Board recognises the importance of the AGM to shareholders and has ensured that you are able to submit questions and vote notwithstanding the ongoing social distancing measures. Shareholders are strongly advised to submit their votes in respect of the business to be discussed via proxy as early as possible. Shareholders are advised to appoint the Chair of the Meeting as their proxy. Please do not appoint any other person (apart from the Chair of the Meeting) as your proxy, as we will not be able to let them enter the meeting and your vote may not be counted.

A Form of Proxy for use at the AGM has been sent to all shareholders today. Shareholders can return their proxy vote by post, online or (for CREST members) through CREST. Further information on voting by proxy is set out in the Notes to the Notice of AGM which is set out at the end of this document.

Shareholders are invited to submit questions related to the business of the meeting to the Board in advance of the AGM. The Board will endeavor to respond to all questions asked via email. For further information about how to contact us with your questions please see Note 4 on page 99. The Board looks forward to resuming normal shareholder meetings as soon as reasonably practicable.

The Company will continue to monitor the Covid-19 situation as it evolves and, if the situation or applicable guidance changes in advance of the AGM such that the Board determines that it is safe to make alternative arrangements for the AGM (including permitting wider attendance), it will announce these via RNS and on its website https://essensys.tech/investors/regulatory-news.

A copy of the Notice and our Annual Report and Accounts for the year to 31 July 2020 are also available on our website at https://essensys.tech/investors/documents.

EXPLANATORY NOTES TO THE RESOLUTIONS:

The below explanatory notes are intended to help you understand the effect of, and reasons for, the resolutions.

References to the Company's issued share capital below are to the Company's issued ordinary share capital as at the close of business on 19 October 2020 (being the latest practicable date prior to the publication of this document). No shares are held in treasury.

Resolutions 1 to 8 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed by members, more than half of the total voting rights cast must be in favour of the resolution. Resolutions 9 and 10 are proposed as special resolutions. For each of those resolutions to be passed, at least three quarters of the total voting rights cast must be in favour.

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 2020 together with the Auditor's Report and the Directors' Report.

Resolution 2 – The Directors are seeking approval of the Directors' Remuneration Report, which is set out on pages 43 to 45 of the Company's Annual Report and Accounts, for the financial period ended 31 July 2020. This is an advisory vote and no entitlement to remuneration is conditional upon the resolution being passed.

Resolution 3 to 5 – Alexandra Notay, Alan Pepper and Elizabeth Sandler are offering themselves for re-appointment, in accordance with Article 83.1 of the Company's Articles of Association. The remaining Directors will retire by rotation at future AGMs in accordance with the Articles. Brief biographies of all Directors can be found in the Annual Report and Accounts for the year ended 31 July 2020 and on the company's website https://essensys.tech/investors/the-board/

Resolutions 6 and 7 – The auditors are required to be re-appointed at each AGM at which accounts are presented. The Audit Committee has evaluated the effectiveness and independence of the external auditors and recommended their reappointment to the Board. BDA LLP has indicated its willingness to continue in office and Resolution 6 proposes to make this appointment. Resolution 7 is to authorise the Board to agree the auditor's remuneration.

Resolution 8 – 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 Act. This resolution will, if passed, authorise the Directors to allot (or grant rights over) ordinary shares:

(a) under an open offer, rights issue or in other situations, up to a maximum aggregate nominal amount of £43,952.77, which is equivalent to no more than 33.33% of the Company's issued share capital; and

(b) under a rights issue only, up to a further maximum aggregate nominal amount of £43,952.77, which is equivalent to no more than 33.33% of the Company's issued share capital.

The authority shall expire at the conclusion of the next AGM of the Company in 2021, or 15 months after approval, whichever is the sooner.

Resolution 9 – This resolution would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the company elects to hold in treasury) for cash without first offering them to existing 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 £13,185.83 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 at the next AGM of the Company in 2020. 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.

The authority shall expire at the conclusion of the next AGM of the Company in 2021, or 15 months after approval, whichever is the sooner.

Resolution 10 – This Resolution would give the company authority to purchase its own shares in the market, renewing the authority granted in previous years. As with previous authorities, the maximum number of shares purchased under this authority will not exceed 5,274,332 ordinary shares, representing 10% of the Company's issued share capital.

The authority shall expire at the conclusion of the next AGM of the Company in 2021, or 15 months after approval, whichever is the sooner.

Notice is hereby given that the 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, United Kingdom on 24 November 2020 at 9:30 a.m. In light of the current measures put into place by the UK Government to combat Covid-19, the meeting will be held as a closed meeting and, regrettably, shareholders will not be able to attend the meeting in person. Any changes to this position will be announced via RNS and on its website: https://essensys.tech/investors/regulatory-news.

Resolutions 1 to 8 are proposed as ordinary resolutions and resolutions 9 and 10 are proposed as special resolutions. Further information on all resolutions is given in the Explanatory Notes above.

AS ORDINARY RESOLUTIONS:

1. To receive the reports of the Directors and the Financial Statements for the year ended 31 July 2020 together with the report of the auditor thereon.
2. To approve the report on Directors' remuneration for the year ended 31 July 2020.
3. To elect Alexandra Notay as a Director in accordance with Article 83.1 of the Company's Articles of Association.
4. To re-elect Alan Pepper as a Director in accordance with Article 83.1 of the Company's Articles of Association.
5. To elect Elizabeth Sandler as a Director in accordance with Article 83.1 of the Company's Articles of Association.
6. 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.
7. To authorise the Directors to determine the fees payable to the auditor.
8. 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 £87,905.54 comprising:
   (a) an aggregate nominal amount of £43,952.77 (whether in connection with the same offer or issue as under (b) below or otherwise); and
   (b) an aggregate nominal amount of £43,952.77 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 2021, save 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.

AS SPECIAL RESOLUTIONS:

9. 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 12 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 £13,185.83.

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 2021, save 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.

10. 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 5,274,332 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 (unless previously varied as to duration, revoked or renewed by the Company in general meeting) 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.

30 October 2020

Registered office:	**By order of the Board**
Aldgate Tower 7th Floor	Alan Pepper
2 Leman Street	Chief Financial Officer
London E1 8FA	

NOTES:

1. The Company will make arrangements such that the legal requirements to hold the Meeting can be satisfied through the attendance of two director shareholders or employee shareholders.

2. Voting on each of the resolutions being proposed at the AGM, as set out in the Notice, will be conducted by way of a poll. This allows the votes of those shareholders who are unable to attend the AGM in person to be taken into account. On a poll, shareholders have one vote for each ordinary share held.

3. In light of the current situation, unless the Company announces alternative arrangements prior to the AGM, shareholders are not permitted to attend the AGM in person. Every eligible shareholder is, however entitled to appoint a proxy to exercise all or any of their rights to vote on their behalf at the AGM. A proxy need not be a member of the Company. However, given the restrictions on attendance, shareholders who wish to participate in the meeting are strongly encouraged to appoint the Chair of the meeting as their Proxy. Any other person appointed as a proxy will not be permitted to attend the meeting and will not be able to cast votes on your behalf.
4. If any shareholder has a question they would like to pose to the Board, this should be submitted to the Chair via company.secretary@essensys.tech by no later than 09.30 a.m. on 20 November 2020. Please title your email "essensys plc AGM" and include your full name and Shareholder Reference Number (as detailed on your Proxy Card). Questions may also be submitted in writing to our registered office, by the same deadline. We will endeavour to respond to all questions asked via email. Answers to commonly-asked questions, if any, will also be published on the Company's website.
5. A form of proxy is enclosed for your use. Further copies of the form of proxy may be downloaded from our website (https://essensys.tech/investors) or obtained from the registered office of the Company.
6. In the event that the Company announces alternative arrangements prior to the AGM, to enable shareholder attendance, then having already submitted a proxy vote will not preclude a member from attending the Meeting and voting in person if they subsequently decide to do so.
7. A proxy may demand, or join in demanding, a poll.
8. 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 09:30 a.m. on 20 November 2020.
9. Shareholders may change proxy instructions by submitting a new proxy appointment in accordance with the above instructions. Shareholders requiring a new Form of Proxy should contact the Company's registrars, Equiniti, 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. Note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions and any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. 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 20 November 2020 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 20 November 2020, 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.
11. In the case of joint registered holders, the signature of only one holder on a proxy form 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.
12. 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.

13. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member (however, please see the restrictions referred to in Note 3 above). If you wish to appoint the Chairman as one of your multiple proxies, insert "Chairman of the Meeting" in the box which is used to identify the name of the proxy on the form of proxy. 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 18 below), in each case so that it is received no later than 9:30 a.m. on 20 November 2020. 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.

14. To be valid, the enclosed form of proxy must be lodged with Equiniti Limited, Aspect House, Spencer Road, Lancing, 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.

15. The results of the voting at the AGM will be announced through a regulatory information service and will appear on our website (https://essensys.tech/investors) as soon as reasonably practicable following the conclusion of the AGM.

16. 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.

17. 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.

18. 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 20 November 2020.

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

20. As at 19 October 2020, being the last practicable date prior to the publication of this Notice, the Company's issued share capital consisted of 52,743,329 ordinary shares, carrying one vote each. The total voting rights in the Company as at the last business day prior to publication are 52,743,329.

21. Except as provided above, members who have general queries about the AGM should call the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA 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 (no other methods of communication will be accepted).

22. You may not use any electronic address provided either in this notice or in any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

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