Annual Report
for the year ended
31 July 2022

essensys

Annual Report

for the year ended 31 July 2022

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 commercial real estate industry.

Performance
Revenue growth in key US market; cash optimisation

Progress
APAC and Europe established; sites live

Development
First customers on the essensys Platform; new modules in progress

Customers
Improving customer mix; churn

Execution
Investment in Go-To-Market continues; adapting to endure

People
Senior leadership team in place

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Highlights

Good strategic progress

Improving quality of earnings

- Strategy optimised for capital efficient growth and cash conservation
- Focus on high value customers that deliver significant long-term expansion opportunities
- Improving customer mix reflects increased quantity of strategic accounts and continued reduction of low-value, single site customers
- Key renewals of multi-year contracts for top customers with additional multi-year renewals in final stages for other customers

Further international expansion

- APAC and Europe operations fully established with new customer sites now 'live'
- Adapting our investment approach to drive sustainable, profitable growth
- High quality sales pipeline across all regions

Investment in people and product

- Global leadership team in place to drive growth plan
- New 'capital light' model developed for entry into new geographies
- Investment in our platform and product roadmap as part of long-term growth and margin strategy

Financial performance in line with market expectations

Annual recurring revenues up 11%, reflecting improvement in quality of earnings

Group revenue – up 6% - and adjusted EBITDA in line with market expectations

Strong growth in the US, our largest market opportunity, up 17%

UK revenues down 8%, reflecting churn of low value customers and previously reported one-off customer insolvency

Recurring revenues account for 86% of total (FY21 87%)

Current trading and outlook

Largest customers re-accelerating expansion plans after a period of portfolio rebalancing, underpinning future revenue growth

Strong demand reflected in healthy pipeline of new business, helping to offset delays to sales cycles and capital deployment

Contracted new business from sites not yet live expected to deliver £2.3m ARR, as at 17 October 2022

Strong balance sheet, net cash of £24m and continue to be debt-free, supports long-term growth plan

Revised investment approach to result in achieving profitability at a lower revenue level within current cash resources

Financial summary

£'m unless otherwise stated	2022	2021 (as restated)	Change
Revenue	**23.3**	22.0	+6%
Recurring revenue[1]	**20.1**	19.1	+5%
Run Rate Annual Recurring Revenue[1]	**21.9**	19.8	+11%
Revenue at constant currency	**22.8**	22.0	+4%
Recurring revenue[1]	**19.7**	19.1	+3%
Run Rate Annual Recurring Revenue[1]	**20.5**	19.8	+4%
Statutory loss before tax	**(11.1)**	(2.9)	
Adjusted EBITDA[1]	**(7.0)**	1.3	
Loss per share (pence)	**(16.8p)**	(5.3p)	
Proposed Final Dividend per share (pence)	**Nil**	Nil	
Net Cash	**24.1**	36.9	

[1] See page 23 for definitions

Overview

Vision

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.

Using our software and technology helps our customers to:

- Increase operational efficiency
- Deliver digital services on demand
- Manage costs effectively
- Manage scale operations effectively
- Improve the occupier experience
- Understand how their customers use & interact with their spaces and services
- Engage with their customers

essensys at a glance

Our business

essensys is the leading global provider of software and technology for flexible, digitally-enabled buildings, spaces and portfolios. As the intelligent digital backbone, essensys provides a powerful platform that simplifies the delivery and management of next generation, flexible commercial real estate.

The real estate industry is transforming – it must be flexible to changing market demands, to accommodate hybrid working styles which require agile, move-in ready spaces and the delivery of on-demand digital services. The office sector is becoming an increasingly digital-first landscape driven by end-user demand and delivering digitally enabled spaces is key to success. The essensys Platform has been designed and developed to help solve the complex operational challenges faced by landlords and flexible workspace operators as they grow and scale their operations. It helps our customers to deliver a simple, secure and scalable proposition, responding to changing occupier demands, providing seamless occupier experiences, and realising smart building and ESG ambitions.

The problem we solve

Delivering flexible, adaptable and digitally enabled space is complex; doing it at scale is even more so. Our software removes the operational complexities both for landlords looking to deliver more flexible and adaptable real estate, and flexible workspace providers looking to deliver consistent experiences across their portfolios. We are well placed to help both existing providers as they expand their portfolios, and new entrants as they join the market.

Using our software and technology helps our customers to:

- Increase operational efficiency
- Manage costs effectively
- Improve the occupier experience
- Engage with their customers
- Deliver digital services on demand
- Manage scale operations effectively
- Understand how their customers use and interact with their spaces and services

essensys at a glance continued

Our platforms are “mission critical” to our customers.

Our products

Our platforms are “mission critical” to our customers. They use our software and technology to manage and run their flexible workspaces. The essensys Platform has been designed to deliver an end-to-end capability for real estate operators to run flexible workspaces ranging from the provision of digital infrastructure, through space management and space operations to occupier experience.

Customers

The Group’s target customers are typically large, multi-site landlords and flexible workspace providers who will gain the most return-on-investment from our software and technology. We specifically target customers that will be able to deploy our products and services in at least 20 sites and therefore deliver us in excess of £1m of Annual Recurring Revenue. The Group is increasingly working in partnership with global commercial real estate providers and managers as they evolve and roll out their own flexible workspace products and services.

Our customers range from geographically focussed real-estate operators and landlords to international flex workspace providers and global property groups. We serve customer locations across the world including, Australia, Dubai, Sweden, France and Brazil as well as in our core markets of the USA and the UK. In the past year we established operations in mainland Europe and APAC to support both our existing customers in those regions and to accelerate our growth in these significant markets.

INDUSTRIOUS

JLL

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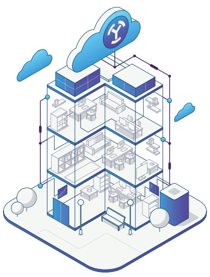
The essensys Platform

The intelligent digital backbone for commercial real estate



Connect

Global private network

A powerful and secure cross-portfolio network solution designed for the next generation of real estate

Control

Intelligent automation

An intelligent software layer that simplifies & automates the management of spaces, digital services & occupiers

Create

Seamless experiences

Advanced booking, access control and connectivity technology. Delivering seamless in-building and cross-portfolio tenant experiences.

Our simple, proven strategy of Land-Expand-Grow delivers us high value customers with significant long term expansion opportunity.

Business model

We are a software as a service ("SaaS") business with high levels of long-term recurring revenue. Our simple, proven strategy of **Land-Expand-Grow** delivers us high value customers with significant long term expansion opportunity. Once we have acquired a new customer, our business grows with them as they expand their flexible space footprint. We contract with customers on a multi-year basis; billing and collecting recurring revenue monthly throughout the term of the contract. Customers usually incur set-up charges associated with bringing a new location (site) onto our network and activating the software ("Non-recurring revenue") which is recognised when the customer site is activated. Recurring revenue accounted for 86% of revenue in FY22 (FY21: 87%).

The Group's costs of sales are aligned to its revenue. These are primarily associated with the fibre cost to provide connectivity to customer sites, initial set-up of a customer site on the Group's platforms, software hosting costs and costs associated with maintenance and operation of the Group's platforms and network.

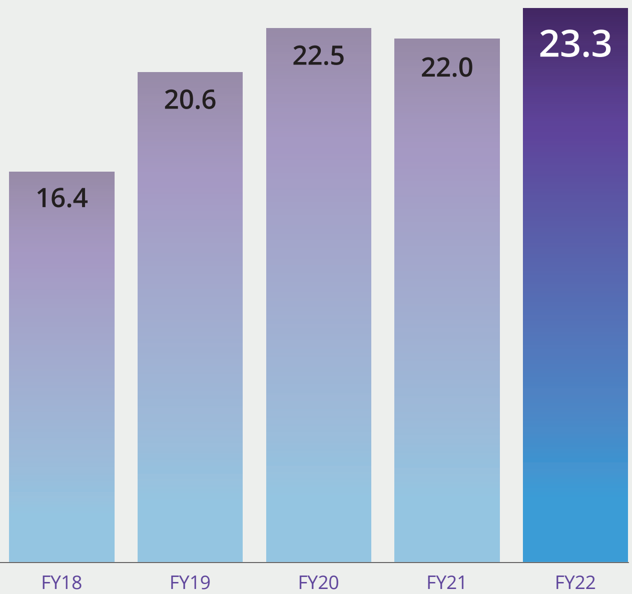
The Group's overhead cost base is not directly related to revenue and higher relative margins from the recurring element of its business, together with an increasing focus on scaling multi-site customers, means that operating margins are expected to expand over time as the Group's revenue continues to grow.

£23.3m

Revenue for the year ended 2022

Financial track record

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



The US now accounts for 57% of Group revenue, highlighting the growth in a region which we entered in FY15.

Our journey

We have been helping create digitally-enabled workspaces since 2006. Growth has primarily been organic - in the UK initially and, more recently, internationally. The US now accounts for 57% of Group revenue, highlighting the growth in a region which we entered in FY15. We acquired Hubcreate during FY16 which provided the basis for the Group's current Operate business. During FY21 the Group established an operation in mainland Europe and during FY22 established operations in the Asia Pacific region. At the end of FY22 the Group employed 180 personnel directly, primarily in the UK and US but with personnel also based in Singapore, Hong Kong, Australia, France and the Netherlands.

Following our successful IPO in May 2019, we raised a further £7 million in April 2020 to strengthen our balance sheet in response to the uncertainty arising from the Covid-19 pandemic whilst also providing initial funds for expansion. In July 2021 in light of the continued rapid expansion of the market opportunity, the Group raised a further c. £33.2m in an oversubscribed equity placing and open offer. The net proceeds of that fundraising are being used to exploit the significant opportunities presented by the growing flexible workspace market by accelerating our proven go-to-market strategy and product development with the aim of increasing overall market share in North America, the United Kingdom, Continental Europe and Asia Pacific.

essensys' Investment Case

Strongly positioned to take advantage of the growth in the flexible workspace market

- By 2030 it is estimated that 30% of all office space will be flexible, accelerated by the Covid-19 pandemic
- Flex office space in essensys territories is expected to increase at a CAGR of 31% between 2020 and 2030 to an aggregate size of c. £3.4billion (Source: JLL)

Significant expansion opportunity in our key geographies

- The Group's established high-value, strategic accounts alone provide significant long-term growth opportunity through their expansion and increased product penetration in each site
- essensys' longer-term plan is to increase its market share by 10% from current levels to an overall market share of 17% by 2030 in its key territories

Modular, scalable technology

- Provides single platform for flexible real estate operators to automate the management of IT and technology infrastructure, their spaces and inventory and their tenants, without needing to scale-up back-office operations
- essensys provides an intelligent "digital backbone" for flex office space providers, creating digitally enabled spaces and frictionless in-building experiences

SaaS-based model with high levels of recurring revenue and client retention

- Customers usually contract on a multi-year basis with monthly revenue collection
- Recurring revenue 86% of total with net retention of over 100%

Strong IP and few direct competitors

- High levels of investment in people, product and innovation to maintain competitive advantage
- Few directly comparable competitors; alternatives include people intensive 'do-it-yourself' options or multiple outsourced supplier solutions

Chairman's statement

Our 2022 financial year was, once again, set against a rapidly changing and unpredictable backdrop.

Jon Lee
Independent Non-Executive Chairman

I would like to start by recognising the efforts of our people. Our people are at the heart of our vision and our success is a testament to their hard work and resourcefulness.

essensys grew revenues by 6% in FY22, underlining the resilience of our business model. Covid-19 and lockdowns curbed the high revenue growth we are accustomed to, slowing sales cycles and our expansion plans; however, whilst revenue growth was lower than our original plans, we maintained planned EBITDA as our teams responded with energy and focus to this challenge. We end the year with good momentum with existing and new customers.

essensys has an excellent platform for growth. During the year the team has made good progress with its long-term growth plan. Notably, we have seen the launch of essensys in APAC and Europe, the development and launch of the essensys Platform to deliver significant new capabilities to our customers and continued investment in the product roadmap for future growth. essensys is built on strong foundations and a focus on strategic customers who will look to essensys to deliver flexible workspaces in the long term and who have the scale to deliver growth for our business. We have a strong balance sheet with £24m net cash at year end.

essensys has added to its executive leadership team during the year with the appointment of Sarah Harvey as Chief Financial Officer. Sarah's appointment and Alan Pepper's move into the new stand-alone Chief Operating Officer role are necessary to support essensys' ambitions to scale up in the coming years. Sarah brings a wealth of relevant expertise and is well qualified to oversee the continued financial management of the Group.

essensys remains extremely well placed to take advantage of the increasing demand for flexible workspace. We continue to see opportunities to grow with flexible workspace operators and traditional landlords, as they build their presence in the flexible workspace industry. Notwithstanding the current uncertainty in the wider macroeconomic environment the Group remains confident of further progress in the year ahead and beyond.

Jon Lee
Non-Executive Chairman
31 October 2022

Strategic Report

“Workforce preferences lean towards hybrid work enablement”

Is this section ⟶

Strategic and operational review

The flexible workspace market has attractive, long-term dynamics; hybrid working is here to stay and plays to our strengths.

Mark Furness
Chief Executive Officer

A clear strategy to capture the flexible workspace opportunity

essensys has a clear strategy to capture the growth in the flexible workspace industry. The long-term market opportunity remains very exciting and now includes hybrid working, which is increasingly a feature of everyday working life.

Our model is to act as the intelligent digital backbone for commercial real estate. Since 2006 our software has automated and simplified technology operations for real estate and flexible workspaces. This, in turn, removes complexity and reduces cost. The essensys Platform allows landlords and flex workspace providers to solve the complex challenges they face and deliver seamless, digital-first in-building and cross-portfolio experiences.

Following our fundraising in FY21, our planned investment in international expansion, people and product gives us the platform to drive long-term, profitable growth. The expansion of our go-to-market activities was delayed in the first half of our financial year, with Covid-19 restrictions slowing sales cycles, the expansion of our sales teams and the wider return to the office. However, against a challenging backdrop, we made good progress with this strategy in FY22. It is a testament to the resilience of our business model, the quality of our customer base and our people that revenues increased by 6%, in line with market expectations. Momentum with existing strategic customers remains strong and underpins a significant pipeline of opportunities. This helped us manage extensions to sales cycles and capital deployment, some portfolio rebalancing among landlords and the expected churn at the tail-end of our customer base.

Exciting market opportunity

The flexible workspace industry benefits from attractive long-term structural growth drivers.

We continue to see a clear shift towards hybrid working and flexible workspaces. Among the largest corporates, two thirds say making hybrid work is in their top three strategic priorities[1]. Hybrid working is here to stay for commercial real estate and global working practices. In JLL's recent global survey of the commercial real estate industry, three in four landlords and operators plan to make all office spaces open and collaborative, with no dedicated desk spaces[2]. 73% see remote and hybrid working as critical to attracting and retaining talent[3].

Nevertheless, most organisations still expect the office to remain at the heart of the work ecosystem and for this to include more 'flex'. This includes more traditional sectors, such as law and finance. Occupier demand will, in turn, drive greater demand for a range of flexible services and amenities. The most sought-after attribute in today's office environment is flexible open space[4]. While there are many reasons for this shift, an important factor for organisations is reducing cost.

The acceptance of hybrid working and the shift to flexible workspaces is, in turn, driving demand for technology on a practical, day-to-day level. Most real-estate organisations still depend on legacy technology which could undermine their ability to compete and win. Eight in ten respondents in a recent global commercial real estate survey do not have a fully modernised core system that could easily incorporate emerging technologies[5].

Three in four landlords and operators say investing in quality office space is a higher priority than expanding total footprint[6]. Whilst we saw some evidence of this during the latter part of FY22 we are also seeing landlords establish new flex operations and existing operators resuming their expansion plans. A significant opportunity for essensys exists within our current strategic customers who are aiming to scale their flex offerings across their portfolio globally, such as Industrious, Hines, Carr Workplaces, JLL and Tishman Speyer, so this trend is a positive development.

The opportunities presented by our market are expected to benefit essensys in the medium to longer term, as a leading global provider of flexible workspace software and technology. We expect future underlying occupier demand to be enhanced by two more recently established areas. First, what we call 'enterprise flex space': dedicated move-in ready team space for a period of up to three years with limited or no customisation. Second, what we call 'agile flex space', consisting of plug and play spaces or networks of options for individuals and small teams.

[1] JLL, The Future of Work Survey 2022
[2] JLL, The Future of Work Survey 2022
[3] JLL, The Future of Work Survey 2022
[4] EMEA Office Occupier Sentiment Survey, 2022
[5] Deloitte, 2022 Commercial Real Estate Outlook
[6] JLL, The Future of Work Survey 2022
[7] EMEA Office Occupier Sentiment Survey, 2022

Progressing our long-term growth plan

We have a well-established plan to **Land, Expand and Grow** to capture the market opportunity in the flexible workspace market and have evolved that plan this year to focus on sustainable growth, targeting those customers that are key to our long-term ambition whilst expanding and growing with our existing strategic customer base. This focus led to an increase in churn in the smaller, non-strategic customer base in FY22 in addition to the previously reported UK customer who went into administration during the year. Our target new customers are those that, in time, can deliver at least 20 sites, or $1m of ARR. This focus on high-value strategic customers has also resulted in improved unit pricing with monthly contracted recurring revenue on average 10% higher per site than those sites which churned in FY22.

Our Operate business represented 8% of our revenue in the year (FY21: 9%). Operate will continue to reduce as a proportion of total Group revenue over time as strategic customers move to the essensys Platform and the remaining long-tail of small customers migrate to non-essensys solutions.

We have continued our investment in people, product and international expansion, which is the basis for our growth plan.

Land – Expand – Grow

Our simple, proven strategy allows us to direct resources to the areas of our go-to-market efforts that provide the most compelling returns at that time. In periods of rapid market expansion, this allowed us to increase our investment considerably in the 'Land' phase; the acquisition of new customers, thus improving our customer mix and expanding our geographic footprint. This improvement and our adaptable model means that once we have acquired these customers we are able to refocus resources towards the large expansion opportunity that this provides – the 'Expand' phase. The result of this is increased sales efficiency (improved LTV to CAC ratio) and a less aggressive capital investment program aimed at new customer acquisition.

Land

We added 18 new customers in FY22, in addition to the 24 added in FY21. The majority of these new customers are landlords and real-estate companies, including large landlords in Sweden and the USA with whom we expect to expand our business in FY23 and beyond.

New customers won this year include a top 10 European real estate investment manager with significant scale in Europe, a significant Irish property company as well as an established North American multi-site flex workspace operator. Our well developed sales pipeline includes a well-known SouthEast Asian conglomerate, a number of multi-site flex workspace operators and further significant real estate owners and operators in all our geographies.

We now have a full global leadership team in place to drive our growth plan. Our leadership team includes regional CEOs in all three geographical regions, a Group Chief People Officer and our new CFO, Sarah Harvey, who was appointed in May 2022. As part of this transition to support our scaling up, Alan Pepper moved from his role as CFO and COO to a fully dedicated COO role.

Expand

We continue to see strong demand from our key strategic customers; during the year we added 65 new sites with existing and new customers and currently have a healthy contracted pipeline of 52 sites representing £2.3m annual recurring revenue, the majority with our top 20 strategic customers.

Our existing customer base, particularly in the US, is indicating significant growth plans over the next few years. We are increasingly engaged at senior levels with large property organisations in assisting them with their technology requirements. These types of strategic customers continue to provide the Group with significant long term expansion opportunities. We are engaged with a number of very large potential new customers and whilst these have longer sales cycles the likely scale of business is significant. Strategic customers who engage us for multiple sites generate higher revenue per site and deliver stronger net margins due to the lower cost to serve that their operational maturity provides.

As we continue to focus on high-value strategic customers, churn of small low value legacy customers continued, primarily in the UK, which reduced our overall site count during the year. These customers have largely been single site operators that do not offer an expansion opportunity and have high service costs. Expansion with our existing UK customers included a renewal and new territory expansion into Ireland with a real estate owner dedicated to life sciences, with further expansion anticipated in FY23 and a renewal with a top five customer which gave us exclusivity for their entire portfolio.

The recent renewal of multi-year contracts with our top three customers demonstrates our longevity with our strategically important customers and underpins our future pipeline, both in the short-term and the long-term. These renewals and consolidations are expected to continue in FY23. Those renewals included customers rebalancing their portfolios following the Covid-19 pandemic to focus on quality locations as they look to their own future growth plans. We anticipate renewing multi-year contracts with a number of other strategic customers in FY23. Typically when we sign a new customer we are engaged to provide services to a small number of pilot locations, followed by the longer-term opportunity to roll out across a large portfolio.

As part of our international expansion plan, our APAC and European operations were fully established during FY22. APAC is fully operational with new customers and sites live, in delivery and under negotiation. Now that we have the international platform in place, we are adopting a 'capital light' model to reduce the investment required to support further expansion into new geographic territories from our increasingly global customers.

Grow

Our targeted investment in product includes, notably, the evolution of the essensys Platform and our smart access capability and associated products.

Our intention is for the essensys Platform to act as the intelligent digital backbone for commercial real estate. Moving our customers onto the essensys Platform presents a long-term opportunity for margin and revenue growth through greater automation and greater access to in-building services and amenities. We have migrated the first wave of our customers onto the new platform and continue to invest in product and software development to enhance its value to users. We have also expanded our global private network to provide additional capacity to support significant site and ARR growth.

The essensys Platform has been developed and built to serve as its own distribution vehicle for future value-add functionality and modules. This product-led growth (PLG) strategy is designed to reduce sales cycles for upsell, improve customer LTV (lifetime value) and drive gross margin performance.

Regional performance

Continued growth in North America

The US market continues to be a strong driver of Group growth. The US market represents a £1.7bn total addressable market, of which we believe approximately £377m is currently serviceable by essensys. In addition, the US acts as a gateway to global expansion, as US headquartered customers look to expand their flexible offering across their respective global portfolio.

Site numbers in the US grew by 5% and we saw a 23% increase in North America recurring revenue. We are starting to see growth in the US market accelerating with a number of customers setting out ambitious expansion plans for the rest of this calendar year and beyond. Evidence of the structural shift to a more flexible way of working continues to grow with an increasing number of landlords engaging with us on technology solutions to support their repurposing of traditional office environments. Those engagements involve a number of globally recognisable real estate operators which each individually provide the opportunity for significant long-term account growth.

Prospects include a California mixed use landlord with 22 locations, a West Coast landlord with 37 buildings and an APAC business and a pan US REIT with 29 identified flex locations. Expansion with our existing top 10 customers in North America continues to underpin our growth ambitions in the next year.

UK and Europe

The UK and European market represents a £936m total addressable market, of which we believe approximately £250m is currently serviceable by essensys.

The appointment of James Lowery as CEO of UK & Europe completed our senior regional leadership appointments and will allow the implementation of tailored growth strategies around the Group's international operations. James brings significant industry experience from his time at British Land where he led their flexible workspace operation and this knowledge will be instrumental in opening up opportunities for discussions with similar organisations across Europe.

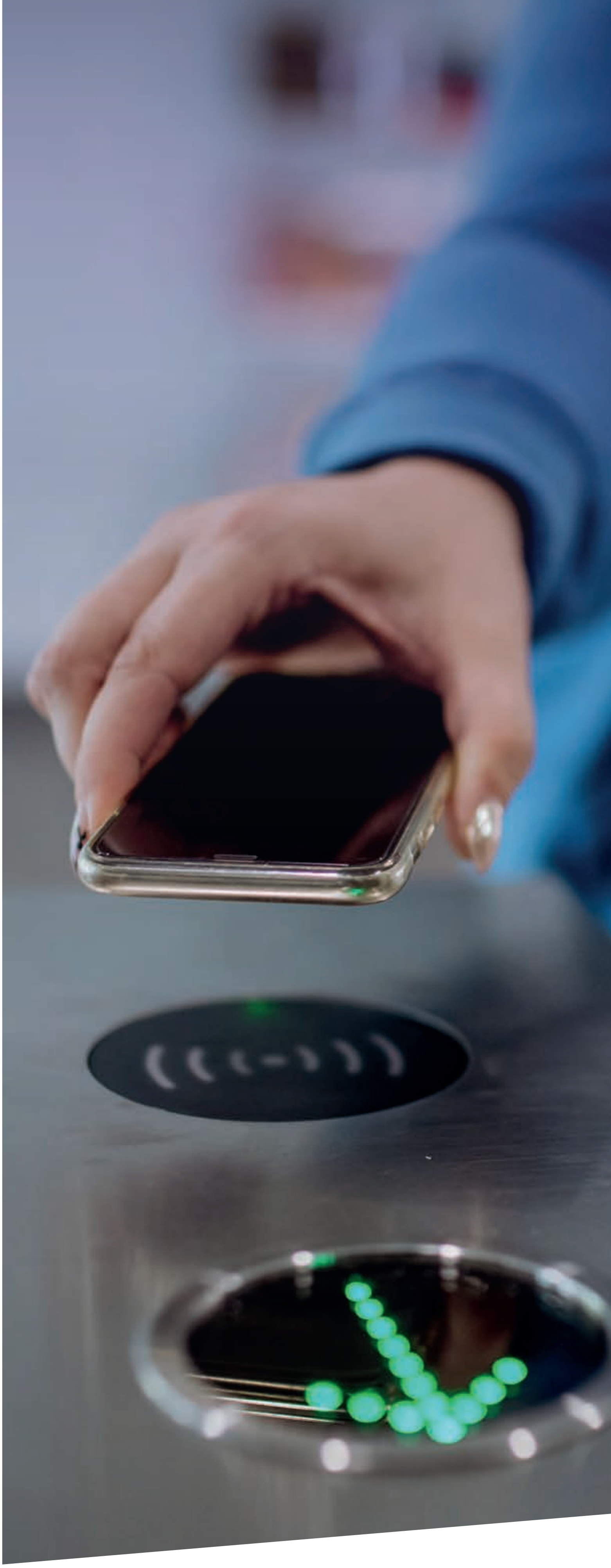
Our total number of sites in the region was 17% lower, following the expected churn of lower value, non-strategic customers, some portfolio rebalancing by our larger customers and the previously reported unexpected insolvency of a long-standing flexible workspace operator customer. Going into FY23 we expect less volatility and reduced churn as the improvement in our customer mix continues.

In line with our experience in the US we are seeing signs of activity levels building in both the UK and mainland Europe. During the year we signed a strategic customer in Sweden resulting in two initial pilot locations; we now have a further four sites in active engagement. We also contracted with a large European real estate investment manager towards the end of the year which brings us significant future expansion opportunity. Further engagement with a number of large European property companies and managers continues and, whilst these have longer sales cycles, the opportunities with some of these customers is significantly greater than we might have originally anticipated. Our prospects include a 36 site Operate-only French customer moving onto the essensys Platform; a UK operator with more than 50 buildings; a Swedish private landlord with 35 CBD locations; and a German REIT with more than 500 buildings.

APAC

Asia represents a £663m total addressable market, of which we believe approximately £225m is currently serviceable by essensys. As part of our plan to expand in the APAC region, we have to date engaged with over 50% of our target customers and we are making good progress establishing our business in the region. We now have personnel in Hong Kong, Singapore and Australia, with go to market capability now fully established in all three locations. Business development activity and pipeline is increasing in all markets.

Australia, in particular, is expected to be a major opportunity for the Group. Existing customer pull from the US led to the establishment of our first new location in Sydney during the period and has resulted in a further sites live in Australia and additional pipeline there. We are also well engaged with a number of Australia's largest property companies and flexible workspace operators.



Prospects in the region include a Singapore regional landlord with a flex brand; a Singapore regional flex space operator with more than 40 locations; a large Australian landlord with an established flex strategy; and a Singapore based global landlord with an invested-in flex brand and a large number of existing flex locations.

Current trading and outlook

Momentum with strategic customers remains strong and underpins a significant pipeline of opportunities. This is helping us manage near-term headwinds such as delays in sales cycles and capital deployment, some portfolio rebalancing among landlords and churn at the tail-end of our customer base. We continue to take steps to extend our cash runway, including optimising our strategy and developing a capital light model for new territory entry, as we have done in Sweden.

essensys has a healthy pipeline of new business, with contracted new business expected to deliver £2.3m Annual Recurring Revenue (as at 17 October 2022) and we have a strong balance sheet that supports a clear strategy, proven model and strong platform to drive sustainable, profitable growth. The Group remains debt-free, with a cash balance of £24m at the end of FY22.

The flexible workspace market has attractive, long-term dynamics; hybrid working is here to stay and plays to our strengths. Our long-term growth plan has not changed. Our momentum, allied to contracted new business and a healthy long-term pipeline, supports our confidence of further progress in FY23 and beyond.

As we enter the next phase of our growth, and given continued economic uncertainty, we are adopting a more selective approach to investment both from a capital and new customer acquisition perspective. This approach will reduce cash burn to ensure we achieve profitability within our current cash resources. Whilst we continue to expect healthy revenue growth from our existing customers and new customer pipeline, total revenue for the new financial year is expected to be at a lower level than previously anticipated.

Mark Furness
Chief Executive Officer
31 October 2022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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 does this by 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.

Section 172 Statement continued

Our employees

Their interests

- Training, development, and career prospects.
- Health and Safety
- Working conditions
- Diversity and Inclusion
- Fair pay, employee benefits
- Environmental issues

How we engage

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 FY22. These appointments included a Chief People Officer to lead on all employee related matters across the Group together with an increase in the Group's global HR capability.

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.

The Group carries out a regular programme of employee surveys with the aim of influencing its employee engagement programme. This engagement was used to formulate the Group's approach to hybrid working. These 'pulse' surveys will continue to be utilised during FY23.

In addition to ensuring that pay is appropriate for individual roles, the Group provides a broad benefits package, including healthcare, wellbeing and assistance packages. Pay reviews are undertaken annually as part of the appraisal process and on promotion or change of duties. Following the recent appraisal and performance assessment at the end of FY22 the Group has implemented a number of targeted and general pay rises with the aim of retaining key employees. Subsequent to year end the Group commenced an external review of all salary and job grades across the business.

The Group operates a share option scheme for employees, the details of which can be found at note 27 to the financial statements. Following a review of incentives, the Group broadened the planned application of that share incentive plan in FY22 and will implement this in FY23.

The Group updates employees regarding business activities on a regular basis, including newsletters, monthly 'town hall' updates and the launch of 'essensys engaged', a regular series of interviews and discussion panels on relevant topics (examples in the year included International Women's Day and Pride).

The Group's Health & Safety Policy is reviewed and approved by the Board annually.

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 44 outlines details of the Group's remuneration policies.

Our suppliers

Their interests

- Workers' rights
- Supplier engagement and management to prevent modern slavery
- Fair trading and payment terms
- Sustainability and environmental impact
- Collaboration
- Long-term partnerships

How we engage

The Group has a relatively small number of significant suppliers with whom it works to build long term relationships and has traded with for a number of years. It ensures that its suppliers meet its standards of performance and ethical trading though 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 continued to engage with a small number of new suppliers with the aim of improving its existing service to customers, assisting in its product development activities and supporting the expansion of its business into mainland Europe and Asia Pacific.

Amounts outstanding to suppliers are shown at note 22 to the financial statements.

Our Investors

Their interests

- 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

How we engage

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 issued trading updates in October 2021, March, April and August 2022.

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 also undertake update presentations and answer questions targeted at smaller investors to ensure that they have access to the same information as institutions.

Senior management engages with the financial and trade press and financial analysts on an ongoing basis, including undertaking analyst presentations 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.

The Group encourages shareholders to attend its Annual General Meeting which will be held on 1 December 2022.

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 37.

Our customers

Their interests

- Timely and informative end to end service
- Ease of access to information
- Technical expertise
- Timeliness
- Safety
- Data security

How we engage

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 continued 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. Customer views and requests are taken into account in development of the Group's software development roadmap.

The Group has retained its 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 FY21 the Group engaged a third party SOC2 audit and this process continued during FY22.

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. During the year the Group renegotiated a number of strategic customer contracts. In negotiating these contracts, where commercially appropriate, the Group took into account those customers views and opinions. All customers can access relevant financial performance information on the Group's website.

Financial Key Performance Indicators

£'m unless otherwise stated	2022	2021	Change
Group Total Revenue	**23.3**	22.0	6%
North America	**13.2**	11.3	17%
UK & Europe	**9.8**	10.6	-8%
APAC	**0.3**	-	
Recurring Revenue	**20.1**	19.1	5%
North America	**11.0**	8.9	23%
UK & Europe	**9.0**	10.2	-12%
APAC	**0.1**	-	
Recurring Revenue %age of Total	**86%**	87%	
Run Rate Annual Recurring Revenue	**21.9**	19.8	11%
Non-recurring revenue	**3.2**	2.9	10%
Gross Profit	**14.1**	14.2	-1%
Gross Profit percentage	**61%**	65%	
Recurring Revenue margin %age	**64%**	69%	
Statutory loss before tax	**(11.1)**	(2.9)	
Adjusted EBITDA	**(7.0)**	1. 3	
Adjusted EBITDA margin	**(30)%**	6.0%	
Net Cash	**24.1**	36.9	

See commentary following and in the strategic and operational review above together with the financial statements below for explanation of significant movements in the above Financial Key Performance Indicators.

Financial Review

Scope of financial results

The financial results included in this annual report cover the Group's consolidated activities for the 12 months ended 31 July 2022. The comparatives for the previous 12 months were for the Group's consolidated activities for the 12 months ended 31 July 2021.

Revenue

Group total revenue increased by 6% to £23.3m in the year. As outlined in the strategic and operational review, we saw growth in the US offset by a decline in the UK. In the US, Connect sites grew to 300 at the year-end (FY21: 286). The strengthening of the US Dollar compared to the Pound Sterling had a benefit to reported revenue in the year of £0.5m.

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 2022 and 2021, as appropriate), and is used an indication of the annual value of the recurring revenue for that month. Run Rate ARR is also used by management to monitor long-term revenue growth of the business.

Non-recurring revenue comprises activation fees charged to customers in respect of installations of hardware and services at locations, together with training and customer onboarding.

Recurring revenue increased 5% in the year driven by the reasons set out above. Run Rate ARR grew 11% to £21.9m (from £19.8m in 2021) driven primarily by our momentum with strategic customers looking to expand their flex capabilities. The net change in Group Connect/Platform sites was -3% to 458 at year end (2021: 474) as a result of large customer recontracts and churn in lower value single-site customers.

Gross margins

Overall gross margins decreased to 61% (2021: 65%) and recurring revenue margins decreased to 64% (2021: 69%) reflecting an increase in costs as the Group invested towards expanding its international operations and invests for future growth, particularly in the APAC region.

Administrative expenses

Excluding depreciation and amortisation charges, administrative expenses increased by £8m in the year, as we continued our strategic investment plan. This was driven primarily by increases in staff-related costs both from the full-year effect of increases in overall headcount implemented in FY21 but also by the impact of a 40% increase in average numbers of staff in FY22, a significant proportion of which was in development personnel. In addition, the Group spent an additional £0.5m on third party marketing activities in FY22.

Statutory loss for the year

The Group made a loss before tax for the year of £11.1m (2021: loss of £2.9m). The year-on-year change is primarily as a result of the investment in the Group to deliver the growth plans.

£'m	2022	2021
Turnover	**23.3**	22.0
Cost of sales	**(9.2)**	(7.8)
Gross profit	**14.1**	14.2
Administrative expenses	**(24.3)**	(16.5)
Share based payment expense	**(0.8)**	(0.6)
Operating loss	**(11.0)**	(2.8)
Net interest payable	**(0.1)**	(0.1)
Loss before taxation	**(11.1)**	(2.9)

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 Note 7 of the financial statements. In addition, the Group also measures and presents performance in relation to various other non-IFRS 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, forex translation costs, impairment charges and share based payment expense) is calculated as follows:

£'m	2022	2021
Operating loss	**(11.0)**	(2.8)
Add back:		
Depreciation & Amortisation	**3.1**	3.6
EBITDA	**(7.9)**	0.8
Less: Forex translation adjustments	**-**	(0.1)
Add back: Share based payment expense	**0.8**	0.6
Add back: Impairment charge	**0.1**	-
Adjusted EBITDA	**(7.0)**	1.3

The share-based payment expense, impairment charge and forex translation adjustments are excluded from Adjusted EBITDA as they are not considered relevant for assessment of underlying profitability.

Taxation

The Group incurred a tax credit in the year of £286,000 (2021: tax credit £74,000). This was made up of non-cash deferred tax movements arising from timing differences on the taxation related to capitalised development costs.

Cash

Net cash at year end was £24.1m (2021: £36.9m) and the Group remains debt-free. The most significant cash outflow during the year was on the Group's personnel as part of the investment in product and go-to-market capability. The Group also made additional inventory purchases during the second half of the year in order to provide certainty of supply into FY23. The Group's current cash reserves provide sufficient capital for the foreseeable future and will enable it to fund the Group's 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 execute the planned expansion and upgrading of its digital infrastructure in the UK and Europe, North America and APAC in order to provide additional capacity, resilience and improved service to customers.

Capitalised Software Development Costs

The Group continues to invest in software development resulting in ongoing enhancements to its software platforms. During the year it expanded its new Platform which will, in time, replace its existing platforms, Connect and Operate. The Group continues to increase its onshore software development capacity following a strategic decision in FY20 to bring the majority of the Group's development work back to the UK. 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 £4.1m in respect of software development (2021: £2.5m).

In implementing its accelerated product development strategy the Group anticipates capitalising software costs at a similar rate to FY22 in the next few years.

Dividend policy

It remains the Group's intention in the short to medium-term 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 2022 and does not anticipate recommending a dividend within the next year but may do so in future years.

Sarah Harvey

Chief Financial Officer

31 October 2022

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. In the last 15 months the Group has renewed its long term contracts with its three largest customers and is in the process of renewing contracts with other large customers. 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 owners and 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, into new geographical markets, and into the broader corporate real estate market which will, in time, reduce this risk. During FY22, despite the residual impact of the Covid-19 pandemic and general economic uncertainty the Group continued to win new customers. The recent establishment of mainland European and Asia Pacific operations together with the expansion of its North American sales operations to take advantage of the increasing market opportunity will further reduce this risk in time.
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 mainland Europe and the Asia Pacific region. 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 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. This is already evident by the recent contract wins in Europe and continued growth in Australia. The Group is operates its mainland European business primarily from its existing UK base which mitigates this risk. Following the employment of a CEO for its Asia Pacific region at the end of FY21, that region is now fully staffed and operational. During FY22 we appointed a CEO for the UK & European region and that appointment is already having an impact. The Group's US operation has been established for a number of years and is operationally self sufficient.

Principal Risks & Uncertainties continued

Risk & uncertainty	Potential Impact	Mitigation
Volatility or slowdown in the flexible workspace and corporate real estate markets	The Group is focussed on providing mission critical software to the flexible workspace segment of the corporate real estate market. The specialist flexible workspace market was negatively impacted initially by the Covid-19 pandemic as customers moved to work from home and took steps to reduce costs. In some cases this resulted in a rationalisation of operator estates. There remains some uncertainty about the impact of hybrid working on the use of offices going forward. A significant change in the attractiveness of offices as the primary working environment or 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. If anything, there is evidence to suggest that the Covid-19 pandemic accelerated this structural shift. The interest that the Group was experiencing prior to the Covid-19 pandemic from traditional landlords and the broader corporate real estate market continues to increase as property owners implement solutions to support the increase in hybrid working. The Group's expansion into geographical markets where it does not currently have a significant presence, will, in time mitigate the risk of an overall market slowdown.
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. During FY22 the Group made some significant appointments in order to expand its management capacity. These steps followed the appointment of a CEO for North America and Asia Pacific during FY22 and comprised the appointment of a CEO, UK & Europe, a Chief People Officer and a new CFO which in turn allowed the previous incumbent to move into a newly created full time COO role. These appointments significantly mitigate this risk at a senior level and continued steps are being taken to mitigate this risk at lower levels of the business.
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 Board's Remuneration Committee has recently agreed changes to the Group's Long-Term Incentive Plans in order to ensure that this remains fit for purpose and suitable for an increasingly international workforce. Those incentives are in the process of being rolled out.

Principal Risks & Uncertainties continued

Risk & uncertainty	Potential Impact	Mitigation
The Group is reliant on the technical robustness of the Group's software platforms and its private network	The success of the Group is largely dependent on its technical capabilities and it relies to a significant degree on the efficient and uninterrupted operation of its software, computer and communications systems and those of its third-party suppliers, including the internet. Any malfunctioning of the Group's technology and systems or those of key third-party suppliers, or any security breaches, computer malware or other cyber-attacks could result in a lack of confidence in the Group's products, with a consequential adverse effect on the Group's business and financial results.	The Group's 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. It has recently installed and rolled out additional monitoring capability to improve this further. 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.
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 primary contact for data protection matters is a member of key management and is responsible for maintaining the Group's ISO accreditations and ensuring continued compliance with data protection legislation. The Group has recently appointed a third party data protection advisor who acts as an outsourced Data Protection Officer to ensure independence. The Group regularly reviews its processes and procedures with respect to data protection, particularly as it expands internationally. See comments above regarding technology infrastructure and software processes. 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 continues to review and consider its long term strategy for the management of its foreign exchange exposure.

Principal Risks & Uncertainties continued

Risk & uncertainty	Potential Impact	Mitigation
Inflation driven cost increases are unable to be passed onto customers	In the event that the Group is unable to pass on inflation driven cost increases to customers profits and therefore future cash balances may be negatively affected.	The Group's cost of sales are mostly fixed and aligned to its long term customer contracts and prices will therefore be increased at recontract in the event that there is any increase to the Group's costs at the time of recontracting. Where possible the Group attempts to include annual inflation driven increases in contracts. The Group reviews its prices annually on 1 November. The Group's largest overhead cost relates to its people. At 1 August 2022 it implemented a transitionary 3% payrise to most personnel whilst it moved its pay year to align to the calendar year and commenced a formal pay benchmarking exercise to ensure that any future payrises were linked to market dynamics. Given the Group's personnel growth plans management has the flexibility to manage the impact of any future pay inflation to mitigate the risk to Group profits.
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, particularly in relation to its core Connect and Platform products. These include for example, the technical skills and expertise required to develop its software, which make it difficult to replicate this capability. The Group's continued 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. The Group continues to expand its UK based software development team to complement its offshore software development centre. Following the launch of the essensys Platform it continues to invest in new product and software development with the aim providing efficiencies to the Group and greater capabilities and functionality to customers.
Failure to deliver new products on time and to specification	The Group's continued success is in part dependent on the development and delivery of new products and services, some of which come at significant cost and time. In the event that any new product or service is not delivered on time, to specification and to the requisite quality the Group's customers are likely to be disappointed, revenue growth delayed and additional development costs incurred.	The Group regularly assesses customer new product functionality requirements and builds those into its future development roadmap. Clear timelines are for development are communicated within the business. The Group's software development activities conform to its ISO9001 (Quality Assurance) and the Group maintains a Quality Assurance function within its Software Development department to ensure that any software release meets required standards.

Approval

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

Mark Furness
Chief Executive Officer

31 October 2022

Corporate Governance Report

Corporate Governance Report

Is this section →

Board of Directors

Jon Lee
Independent Non-Executive Chairman
Aged 57

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 48

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 Operating Officer
Aged 53

Alan joined the Group in September 2017 originally as CFO/COO. 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. Prior to his appointment at the Group, he was Chief Commercial Officer of IWG plc's UK business. Alan moved into a full time Chief Operating Officer role on the appointment of Sarah Harvey as CFO in May 2022.

Sarah Harvey
Chief Financial Officer
Aged 47

Sarah joined the Group in May 2022. Sarah is a chartered accountant with over 20 years' experience, from professional services advising on all aspects of financial and capital markets due diligence to in-house finance leadership roles. She spent the five years prior to joining the Group in a number of senior roles within Telefonica UK (now Virgin Media O2), including as Operations Finance Director, Commercial Finance Director and Chief Financial Officer of giffgaff where she oversaw significant revenue and profit growth. Prior to that Sarah spent 18 years with pwc.

Board of Directors continued

Charles Butler

Independent Non-Executive Director

Aged 49

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 51

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 39

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.£5.0bn of fixed assets and c.£850m turnover in 2022. 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. Alex is a published author and editor of over 30 books and reports on real estate and serves on numerous industry committees, in addition to being an Independent Commissioner of the UK Geospatial Commission, who are shaping the UK's Geospatial Strategy.

Board and committee meeting attendance

During the financial year there were 11 scheduled Board meetings. The table below sets out the attendance history for each Director at Board, and where relevant, Committee meetings held during the financial year.

	Board	Audit Committee	Remuneration Committee
Jon Lee	11/11	4/4	3/3
Mark Furness	11/11	-	-
Alan Pepper	11/11	-	-
Sarah Harvey	2/11	-	-
Charles Butler	11/11	4/4	-
Elizabeth Sandler	11/11	-	3/3
Alex Notay	11/11	4/4	3/3

Sarah Harvey joined the Group on 16 May 2022. She has attended all the Board meetings since her appointment (2).

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 2022. 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 18 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 16 May 2019 the Company changed its name to essensys plc and immediately re-registered as a public limited company with the name essensys plc on 17 May 2019.

The Company's shares have been admitted to trading on the Alternative Investment Market of the London Stock Exchange since 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 segment of the real estate 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
Sarah Harvey (appointed 16 May 2022)
Jon Lee
Alex Notay
Alan Pepper
Elizabeth Sandler

Director indemnification and insurance

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

Results and dividends

The loss for the period, after taxation, amounted to £10.8m (FY21: loss of £2.9m).

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

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 ageing 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 57 to 96 have been prepared on the going concern basis. Following the share placing on 27 July 2021 which raised £31.8m (after costs) and after making appropriate enquiries, the Directors consider that the Company and the Group have 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 2022. 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 (2021: 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 44.

Directors Interests

As at 31 July 2022 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	0.07
Mark Furness	19,700,000	30.60
Jon Lee	128,635	0.20
Sarah Harvey	19,101	0.03
Alexandra Notay	2,632	0.00
Alan Pepper	424,766	0.66
Elizabeth Sandler	19,933	0.03

Substantial shareholders

As at 31 July 2022 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	19,700,000	30.60
Canaccord Genuity Group Inc	8,659,378	13.45
Amati Global Investors Limited	4,102,000	6.37
Schroders plc	3,492,346	5.42
Tellworth UK Smaller Companies Fund	2,466,516	3.83
Liontrust Asset Management	2,153,934	3.35

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 37 to 41.

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 UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit and loss of the Group 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 they have been prepared in accordance with UK adopted international accounting standards 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 Group and Company’s transactions and disclose them with reasonable accuracy at any time the financial position of the Group and 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 12 to 29.

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 is 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 1 December 2022.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 1 December 2022 at the Company’s registered office. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts. Shareholders wishing to cast their vote are advised to submit their votes on each resolution via proxy in advance of the meeting.

Approval

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

Sarah Harvey
Chief Financial Officer

31 October 2022

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 2022.

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 12 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 26.

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.

The Company's Annual General Meeting (AGM) is scheduled to take place on 1 December 2022. The AGM can be an excellent opportunity for shareholders to engage with the board and ask questions. The results of the AGM are published on the Company's website. All 2021 resolutions were passed comfortably.

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 providing further information on consideration of various stakeholders can be found on page 19.

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 an effective risk management framework.

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. During the year, the Board completed a holistic review of its Risk Management processes, supported by the Audit Committee and RSM Risk Assurance Services LLP ("RSM") external risk management specialists. This review assessed the Groups' risk maturity baseline ahead of a redesign and maturation of the Group's risk management frameworks. The processes embedded a refreshed risk identification and management process throughout the business. In tandem with these updates to the risk register process, the approach to key risk reporting was enhanced, providing a more consolidated view of the risk profile across the Group. The Board oversaw the rollout of the new risk governance procedures.

Within this 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.

Whilst a review of risk-related matters is a regular item on the Board's annual calendar of agenda items, risks and opportunities are continually considered when the Board is making decisions about the business and strategy of the Group. The principal risks and uncertainties affecting the Group and the mitigation actions or factors are set out on page 26.

As part of the overall review of the internal controls and risk management process, the Audit Committee also reviewed the Group's internal audit processes and approved continuing to secure internal audit review services from RSM. The services and scope of RSM's work are governed by a formal Internal Audit Charter supported by a three year strategic internal audit plan. The Internal Audit Plan focuses on progressing internal controls recommendations proposed by the External Auditor and reviewing the assurance steps underpinning these controls. The Internal Audit Plan is tailored to the Group's strategic priorities and risk profile.

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 considers that it has an appropriate balance and is currently comprised of three 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), Sarah Harvey (Chief Financial Officer) and Alan Pepper (Chief Operating 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 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 does not consider it currently necessary to establish a Nomination Committee and as a result all matters relating to succession planning and Board composition will be managed by the full Board, or directly by the Chairman, as appropriate.

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 2022, eleven Board meetings took place, which were attended by all Directors appointed at the time of each meeting. Four Audit Committee meetings took place during the period, attended by all appointed Committee members. There were three Remuneration Committee meetings during the period which were attended by all appointed Committee members.

When considering future Board appointments, prospective Non-Executive Directors will be requested to confirm they can make the required time commitment before accepting an appointment to the Board.

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 remains 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 page 21.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to participate in other Group 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.

The Executive Directors are subject to the Company's performance and development review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered. The Directors are 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. During the year the Board has appointed Korn Ferry to act as remuneration advisors and RSM Risk Assurance Services LLP to advise on internal audit and risk management matters.

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 reviewed periodically to ensure that it remains 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;
- the Board's approach to monitoring of performance monitoring;
- information flows between the Board and senior management;
- the format, conduct and effectiveness of meetings, and of the materials supporting those meeting;
- 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. The feedback received provided a useful insight into areas that the Board was doing well, together with areas where the work of the Board could be developed. Areas for further discussion were identified, and a follow up review was led by the Chairman to further develop the performance of the Board for the year ahead. The Company Secretary remains available to provide advice on governance matters and board effectiveness.

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 routine reviews of Board effectiveness and succession planning matters.

Performance review of the Executive Directors is undertaken by the Remuneration Committee who make recommendations to the Board on matters relating to the performance and remuneration of the Executive Directors. The Non-Executive Directors 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 all that the Group does supports these high standards. The Group promotes a healthy, transparent and communicative culture through consistent messaging and regular employee engagement activities. The Group conducts employee surveys and has established an Employee Consultation Group to obtain employee feedback. Feedback from employee surveys and the Employee Consultation Group are reported to the Board.

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. Any fundamental breach of the Companies Policies, including those within the Employee Handbook would be reported to the Board.

essensys is accredited to ISO 9001 (Quality Management System) and ISO 27001 (Information Security Management System). The Group has a robust operational risk management process which involves a broad range of Group personnel thus ensuring that all employees understand its importance.

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 and Remuneration Committees. Each committee reports to the Board and has written terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference for each committee are regularly reviewed 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 42 and 44 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 is reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman (see Principle 7). The governance structures are expected to evolve in parallel with the Company's objectives, strategy and business model.

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.

At essensys' 2021 AGM, all resolutions were passed comfortably, with over 80% 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. The Audit Committee also receives reports from RSM, the appointed Internal Auditor, and monitors progress on delivery of controls improvements and internal assurance on their operation. A report by the Chairman of the Audit Committee is included on page 42.

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. When considering such matters, the Committee is mindful of the broader context of remuneration across the Group, in the Company's sector and in terms of market trends and investor expectations. A report by the Chairman of the Remuneration Committee is included on page 44.

Jon Lee
Non-Executive Chairman
31 October 2022

Audit Committee Report

As the Chair of the Audit Committee of the Company ("Committee"), I present my Committee Report for the year ended 31 July 2022, 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 a company listed on the Main Market).

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 FY21 and FY22 audits.

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, areas of judgement and key audit matters with the potential to have a material impact on the financial statements, including the Group's revenue recognition policy, impairment of goodwill and the capitalisation of development costs;
- reviewed the going concern assessment, including the modelled stress-testing scenarios;
- reviewed and approved the interim and year end results and accounts; and
- reviewed and approved the non-audit services tendered by the Company – primarily an initial internal audit review, risk management and SOC2 review work.

In addition, the Committee considered the audit process conducted by BDO LLP, the Group's external auditors, considering the auditors independence and tenure, and seeking feedback from management on the quality of engagement with the auditor and from the auditor regarding engagement with management. The Committee concluded that BDO LLP continue to deliver the necessary degree of audit scrutiny. Accordingly, the Committee recommended to the Board that BDO LLP be put forward to shareholders for re-appointment for the next financial year.

A key area of activity for the Committee during the year was supporting and steering the holistic review of the Risk Management Framework throughout the group, resulting in significant positive changes to many aspects of risk management throughout the Group. More information regarding this process and the changes made, can be found in section 4 of the Statement of Corporate Governance on page 37 above.

During the year the Committee continued to instruct RSM Risk Assurance Services LLP ("RSM") to undertake internal audit review services on its behalf. A number of improvements to the Group's financial control environment have been substantially implemented and internal audit work continues based on an agreed three year Internal Audit plan. It is the Committee's intention to continue to instruct RSM on a recurring basis to undertake internal audit review work on its behalf.

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;
- monitor progress in development of the Group's internal controls environment, to appropriately keep pace with the Group's growth;
- monitor the performance and value for money of RSM in delivering internal audit review services;
- assess the effectiveness of the updated risk management framework during its first full year in operation; 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 September 2021, facilitated by the Company Secretary through a briefing and completion of a questionnaire to elicit views on the effectiveness of the Committee. This assessment found that the Committee operates effectively. Examples of areas positively reported included a focus on the right issues and activities throughout the year with a clear plan of work and terms of reference that support the Board's objectives and the benefit of continued focus on systems and controls, particularly in the context of international expansion.

Financial Reporting

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 FY23 together with appropriate sensitivities 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.

Charles Butler
Chair of the Audit Committee
31 October 2022

Remuneration Committee Report

As the Chair of Remuneration Committee of the Company ("Committee"), I present my Remuneration Committee Report for the year ended 31 July 2022, 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 December 2022.

Committee Meetings, Attendance and Activities

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. During the year the Committee met three times.

Committee Objectives and Responsibilities

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

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

Remuneration Committee activities in 2022

In addition to the responsibilities of the Committee outlined above, the Committee also undertook the following activities during the year:

- Completed its review of the structure of executive remuneration and commenced the implementation of a new a new long term incentive policy.
- Established a new bonus framework comprised of financial and non-financial strategic objectives.
- Reviewed the impact of the significant reduction of the Group's share price on executive incentives and agreed to extend the vesting period of certain performance shares issued by the Group by a further two years. No changes were made to the award exercise prices originally established. In considering this issue the Committee took into account the need for alignment of the executive team with shareholder interests as well as staff retention whilst nevertheless ensuring that performance targets remained stretching.
- Approval of the remuneration arrangements for the appointment of the new CEO for UK & Europe, Chief People Office and Chief Financial Officer.

Remuneration policy

The Remuneration Committee determines the Company's policy on the structure of remuneration of the Company's Executive Directors and if required, senior management. 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 long-term interests of shareholders;
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management of appropriate calibre, from and increasingly international talent pool;
- 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 their interests with shareholders and comply with corporate governance best practice.

Directors remuneration

Annual salaries and NED fees

Salaries have historically been reviewed annually with effect from 1 August taking into account inflation, salaries paid to other employees within the Group, salaries of equivalent roles in comparable companies, as well as Group and personal performance. The Group is moving to a salary review date of 1 January for the business, including its directors, from 1 January 2023. Salaries of Executive Directors are determined by the Remuneration Committee with advice, as appropriate, from the Committee's Remuneration Advisers. The Board as a whole decides the remuneration of the Chairman and Non-Executive Directors.

Following the remuneration review noted above base salaries and fees for directors effective from 1 August 2022 are as follows:

Name	Salaries/fees from 1 August 2022 £'000	Salaries/fees from 1 August 2021 £'000
Mark Furness	**253**	253
Alan Pepper	**247**	247
Sarah Harvey	**220**	-
Jon Lee	**80**	80
Charles Butler	**55**	55
Elizabeth Sandler	**55**	55
Alexandra Notay	**50**	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.

Pension

Executive Directors receive a pension contribution of 10% of base salary.

Performance Bonus (audited)

The Group operates a performance bonus scheme that is applicable to the whole business including the Executive Directors and the Group's senior management.

Performance conditions are in line with the Group's strategy and are assessed based on the achievement of stretching revenue targets (75% weighting) supported by an EBITDA underpin and performance against non-financial strategic objectives (25% weighting). The maximum bonus opportunity is 60% of base salary for the executive directors, with threshold revenue performance resulting in 20% of the maximum bonus being payable.

For the financial year ended 31 July 2022, as a result of the Group not achieving its revenue targets no bonuses are payable to the Executive Directors or the Group's senior management in respect of the recurring revenue targets. Bonuses are payable, however, in respect of the achievement of an element of non-financial strategic objectives. The details of amounts payable to Executive Directors are set out below. These should be noted in the context of no bonuses having been payable in either of the previous two years. The relatively low payment recognises the Committee's continued commitment to setting stretching performance goals in line with our growth strategy.

Whilst entitled to a bonus payment for the year ended 31 July 2022 as noted above, Mark Furness has waived his entitlement to that bonus.

The bonus framework established for FY22 will continue through FY23. Clawback and malus provisions are incorporated into the bonus plan rules.

Long Term Incentives (audited)

The Company operates a Long-Term Incentive Plan ("LTIP") and a Company Share Option Plan ("CSOP"). The Company has also established a Non-Executive Director Plan (together "the Share Plans") although, as has been the case for some time, there is no current intention to make awards under this plan.

There were no grants of share options to Directors during the year however subsequent to year end the Committee approved the extension of the vesting period for certain performance share options issued to the Executive Directors and the Group's senior management to 28 May 2024.
The issue of new performance share options to certain members of executive management was also approved, with performance conditions as summarised below. Mark Furness has waived his entitlement to the performance share option grant and, in order to minimise dilution of existing shareholders' positions, has indicated that he will waive any entitlement to option grants for the foreseeable future.

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

Name	Date of Grant	Number of options	Exercise Price (p)	Vesting Date	Lapse Date	Performance Conditions
Mark Furness	28 May 2019	397,351	0.25	28 May 2024	28 May 2029	Yes
Alan Pepper	28 May 2019	182,119	0.25	28 May 2024	28 May 2029	Yes
Alan Pepper	28 May 2019	145,698	151.00	28 May 2024	28 May 2029	No
Alan Pepper	15 September 2022	68,211	0.25	15 November 2023	15 September 2032	Yes
Alan Pepper	15 September 2022	136,425	0.25	15 November 2024	15 September 2032	Yes
Sarah Harvey	15 September 2022	366,667	0.25	15 September 2025	15 September 2032	Yes
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

Mark Furness and Alan Pepper's 0.25p exercise price awards issued on 28 May 2019 are subject to a performance condition requiring achievement of absolute total shareholder return ("TSR") (growth in share price plus dividends) over the vesting period. The baseline share price for the TSR performance condition is 151p, the placing price at the IPO.

Alan Pepper and Sarah Harvey's 0.25p exercise price awards issued on 15 September 2022 are subject to achievement of performance conditions based 75% upon Annual Recurring Revenue (ARR) and 25% upon absolute Total Shareholder Return (TSR). Annual Recurring Revenue is the Group's most important long term financial KPI at the current time and the achievement of the stretching targets set out below will, the Committee believes, create significant long-term value. The achievement of stretching Total Shareholder Return targets will ensure that value we create through strong ARR performance is reflected directly in the returns to shareholders.

The performance targets remain as set out in the Group's Annual Report for the year ended 31 July 2021 and repeated below:

Measure	Weighting	Threshold performance (25% of maximum)	Maximum performance
Annual Recurring Revenues	75%	15% compound annual growth	35% compound annual growth
Total Shareholder Return	25%	15% compound annual growth	35% compound annual growth

There will be no vesting below threshold performance. From the threshold performance level, awards will vest on a straight-line basis to the maximum performance level.

Clawback and malus provisions are incorporated within the LTIP rules.

In 2021 the Committee reviewed the operation of the policy for long term incentives in light of the ambitious business strategy and previous fundraising. After careful consideration the Committee determined that there should be an annual grant LTIP policy in respect of the Executive Directors and the Group's senior management with the original intention that there would be annual grants to the CEO and the (then) CFO of 150% and 125% of salary respectively. In light of the significant changes to the Group's share price performance recently the Committee will be undertaking a further review of the Group's incentive arrangements in the first half of FY23.

Further details of employee share schemes are set out in note 27 to the financial statements.

Shareholding guidelines

A formal shareholding requirement of 100% of base salary was introduced at the end of FY22 with the aim that this would be achieved in time through the exercise of share options. Mark Furness exceeds this minimum requirement. Given the reduction in the Group's share price, Alan Pepper no longer meets this requirement through direct shareholdings but will do so when share options are taken into account. Sarah Harvey is expected to achieve this requirement through the exercise of share options in the future.

Directors remuneration – current year (audited)

The remuneration for the Directors for the year ended 31 July 2022 was as follows:

Remuneration Committee Report continued

Name	Base Salary and Fees £'000	Benefits £'000	Bonuses £'000	Pension £'000	2022 Total £'000	2021 Total £'000
Mark Furness	253	3	-	25	**281**	273
Alan Pepper	247	4	25	25	**301**	260
Sarah Harvey	47	-	-	5	**52**	-
Jon Lee	80	-	-	-	**80**	80
Charles Butler	55	-	-	-	**55**	55
Elizabeth Sandler	55	-	-	-	**55**	55
Alexandra Notay	50	-	-	-	**50**	50
TOTAL	787	7	25	55	**874**	719

As noted above Mark Furness is entitled to a bonus in respect of the year ended 31 July 2022 as a result of meeting certain strategic objectives set by the Committee. He has nevertheless waived this entitlement in respect of this year. The amount waived was £25,000.

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 2022 are noted above. The Board does not intend to make any further grants of share options to current NEDs.

Committee Effectiveness

The Committee performed a self-assessment of its effectiveness during September 2021. The assessment findings were reviewed during the year with no significant actions required.

Elizabeth Sandler

Chair of the Remuneration Committee

31 October 2022

Financial Statements

Is this section ⟶

Independent Auditors Report to the Shareholders of essensys plc

Independent auditor's report to the members of essensys plc

Opinion on the financial statements

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of essensys plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2022 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 their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

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

- Evaluating the key 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 and validation, including vouching to new sales contracts signed after the year end date and the sales pipeline.
- Considering the Group's historical budgeting accuracy by assessing actual performance against budget and understanding the changes in circumstances leading to the revenue and costs included in the Group's forecasts.
- Reviewing the stress test analysis prepared by the Directors to see what circumstances would cause the Group to run out of cash and considering the probability of this with reference to subsequent actual numbers and the Group's current cash position.
- Performing 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.
- Considering the appropriateness of the related disclosures by comparing them with the key assumptions and sensitivities considered by the Directors in their forecasts.

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

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

Overview

Coverage	97% (2021: 99%) of Group loss before tax 97% (2021: 100%) of Group revenue 97% (2021: 99%) of Group total assets		
Key audit matters		**2022**	**2021**
	Revenue recognition	✔	✔
	Capitalisation of development costs	✔	✔
Materiality	Group financial statements as a whole £465k (2021: £384k) based on 2% (2021: 1.75%) of revenue		

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All audit procedures, including work performed over significant components, was carried out by the Group audit engagement team as the finance function is controlled by group management based in the UK. Full scope audits were performed over the three significant components being essensys plc, essensys (UK) Limited and essensys Inc. Desktop review procedures were performed by the Group engagement team over non-significant components with specific substantive testing performed over administrative expenses in these entities to ensure sufficient coverage of this financial statement area from a Group perspective.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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.

Independent Auditors Report to the Shareholders of essensys plc continued

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition *Revenue is disclosed in Note 6 of the consolidated financial statements and the relevant accounting policies in Note 4.*	The Group has reported revenues of £23.3m (2021: £22.0m) with deferred revenue at 31 July 2022 of £0.8m (2021: £0.3m). The amounts reported in revenue represent information of significant interest to many users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement. The key audit matter is the existence of revenue which we considered to be most significant in: • the one-off and fixed revenue streams, particularly for new customers and sites; • revenue cut-off around the year end; • the apportionment of revenue in the year based on contract price allocation and performance obligations completed; and • the related amounts deferred at year end for all contracts in progress.	For each material revenue stream, we considered management's processes for determining revenue to be recognised and assessed whether it was in accordance with the Group's accounting policies and applicable accounting standards. This included testing the separate performance obligations included in a sample of contracts to determine whether revenue was being recognised appropriately, including obtaining evidence of the satisfaction of performance obligations. Our audit procedures performed over all material revenue streams, included: • For a sample of customers, including new customers, we tested fixed revenue transactions in the year, agreeing the revenue earned to contracts, including any contract modifications, and customer invoices. • For a sample of customers, we tested variable revenue through agreeing details to the contract, usage reports, customer invoices and cash receipts. • In our testing of fixed and variable revenue we: (1) checked the proper identification of performance obligations; (2) checked the proper and consistent allocation of the contract price to the performance obligations satisfied over time and at a point in time; (3) verified delivery of service; (4) checked consistent application of the revenue recognition policy; and (5) checked appropriate period of revenue recognition with reference to contractual documents. • We performed a search for revenue recorded through journal entries that were considered unusual, being where the remainder of the journal impacted account codes outside of our expectation of trade receivables, deferred and accrued income, or posted outside of normal business processes. We verified any unusual items to supporting documentation to establish whether a sale had occurred in the financial year to support the revenue recognised. • For one-off revenue, 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 check the revenue has been recognised at the correct point in time. For this sample we also tested revenue to signed contracts and customer invoice. • 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 tested a sample of revenue items posted for a defined period either side of year end to check that 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 current reporting period and whether any provision had been made for this. **Key observations** Based on procedures performed, we consider revenue to be appropriately recognised in accordance with the Group's accounting policies.

Independent Auditors Report to the Shareholders of essensys plc continued

Key audit matter		How the scope of our audit addressed the key audit matter
Capitalisation of development costs *Capitalised development costs are disclosed in Note 14 of the consolidated financial statements and relevant accounting policies in Notes 4 and 5.*	The Group capitalised internal labour costs in respect of development projects amounting to £4.1m (2021: £2.5m). 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" and hence we treated this as a key audit matter.	Our audit procedures included: • We assessed the nature of the projects against which internal labour costs had been capitalised and evaluated the appropriateness of their classification as capitalised costs, having regard to the requirements of applicable accounting standards. This included assessing whether major projects are technically feasible and commercially viable by reference to existing orders and future forecasts given the core technology. The future forecasts used in the assessments were agreed to the forecast information used in management's going concern assessment. • 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, we tested the details to employment contracts to verify their salary cost used in the calculation and verify their job description was in line with the work being performed. • We tested the costs being capitalised by agreeing a sample to the underlying timecards, checking that the detail on 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 consider that the costs capitalised as development expenditure were appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 level, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022	**2021**	**2022**	**2021**
Materiality	£465k	£384k	£325k	£268k
Basis for determining materiality	2% of revenue	1.75% revenue	70% of Group materiality	70% of Group materiality
Rationale for the benchmark applied	In order to arrive at this judgement, we considered the financial measures which we believed to be most relevant to the users of the financial statements in assessing the performance of the Group and revenue was considered the most appropriate metric.		The Parent Company is not generating significant revenues and is primarily a holding company for its subsidiaries, and as such an asset based benchmark was determined to be appropriate. Due to the significance of the balance sheet, using an asset based benchmark would exceed group materiality and we have therefore restricted the Parent Company materiality to a proportion of Group materiality.	
Performance materiality	£325k 70% of Group materiality	£268k 70% of Group materiality	£277k 70% of Parent materiality	£188k 70% of Parent materiality
Basis for determining performance materiality	On the basis of our risk assessments, together with our assessment of the Group's overall control environment and history of misstatements, our judgement was that performance materiality should be set at 70% of Group materiality		On the basis of our risk assessments, together with our assessment of the Parent Company's overall control environment and history of misstatements, our judgement was that performance materiality should be set at 70% of Parent Company materiality	

Component materiality

We set materiality for each component of the Group based on a percentage of between 45% and 70% (2021: 50% - 70%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £211k to £325k (2021: (£197k to £268k). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £23,250 (2021: £19,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the Parent Company. We determined the most significant laws and regulations to be the reporting framework (UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006), the Companies Act 2006 and relevant tax compliance legislation including employment taxes and US state taxes;
- We understood how the Group and Parent Company are complying with those legal and regulatory frameworks by making enquiries of management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and review of any correspondence with authorities and advisors in each jurisdiction;
- We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it is considered there was a susceptibility of fraud and also through our own assessment using our knowledge of the industry;
- Following this, our audit planning identified fraud risks in relation to management override of controls, capitalisation of internal development costs and revenue recognition. We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls. Our procedures over the capitalisation of internal development costs and revenue recognition are key audit matters and our procedures over these areas have been outlined above;
- In response to the risk of management override of control, our procedures included journals transaction testing, with a focus on testing a sample of material or unusual transactions based on our knowledge of the business and challenging the assumptions made by management in their significant accounting estimates; and
- The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the 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.

Julian Frost

(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

31 October 2022

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 2022

	Notes	2022 £000	2021 £000 As restated
Turnover	6	**23,298**	21,982
Cost of sales		**(9,190)**	(7,750)
GROSS PROFIT		**14,108**	14,232
Administrative expenses		**(24,399)**	(16,515)
Other operating income		**-**	42
Share based payment expense		**(741)**	(560)
OPERATING LOSS	7	**(11,032)**	(2,801)
Interest receivable and similar income	10	**94**	-
Interest payable and similar charges	11	**(147)**	(127)
LOSS BEFORE TAXATION		**(11,085)**	(2,928)
Taxation	12	**286**	74
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(10,799)**	(2,854)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Currency translation differences		**583**	(200)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**583**	(200)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(10,216)**	(3,054)
Basic and Diluted loss per share	13	**(16.8p)**	(5.3p)

The notes on pages 61 to 90 form part of these financial statements.

Consolidated Statement of Financial Position

Registered Number: 11780413

as at 31 July 2022

	Notes	2022 £000	2021 £000 As restated
ASSETS			
Non-current assets			
Intangible assets	14	**8,922**	6,198
Property, plant and equipment	15	**2,819**	1,471
Right of use assets	16	**2,482**	2,160
		14,223	9,829
CURRENT ASSETS			
Inventories	18	**2,546**	184
Trade and other receivables	19	**6,434**	5,279
Cash at bank and in hand		**24,122**	36,903
		33,102	42,366
TOTAL ASSETS		**47,325**	52,195
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
Called up share capital	20	**161**	161
Share premium	21	**51,660**	51,660
Share based payment reserve		**2,811**	2,045
Merger reserve		**28**	28
Retained earnings		**(18,700)**	(8,484)
TOTAL EQUITY		**35,960**	45,410
LIABILITIES			
Non-current liabilities			
Lease liabilities	23	**1,659**	992
Deferred tax	24	**-**	294
		1,659	1,286
Current liabilities			
Trade and other payables	22	**7,422**	4,229
Contract liabilities	6E	**815**	323
Lease liabilities	23	**1,469**	943
Current taxes		**-**	4
		9,706	5,499
TOTAL LIABILITIES		**11,365**	6,785
TOTAL EQUITY AND LIABILITIES		**47,325**	52,195

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2022.

Sarah Harvey

Director

The notes on pages 61 to 90 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2022

	Share capital £000	Share premium £000	Share based payment Reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
1 August 2021 (as restated)	161	51,660	2,045	28	(8,484)	45,410
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(10,799)	(10,799)
Currency translation differences	-	-	25	-	583	608
Total comprehensive loss for the year	-	-	25	-	(10,216)	(10,191)
Transactions with shareholders						
Share based payment charge	-	-	741	-	-	741
31 July 2022	**161**	**51,660**	**2,811**	**28**	**(18,700)**	**35,960**

Consolidated Statement of Changes in Equity

for the year ended 31 July 2021

	Share capital £000	Share premium £000	Share based payment Reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
1 August 2020	132	19,881	1,490	28	(5,435)	16,096
Comprehensive loss for the year						
Loss for the year (as restated – see note 24)	-	-	-	-	(2,854)	(2,854)
Currency translation differences	-	-	(5)	-	(195)	(200)
Total comprehensive loss for the year	-	-	(5)	-	(3,049)	(3,054)
Transactions with shareholders						
New shares issued	29	33,150	-	-	-	33,179
Cost incurred in issuing new shares	-	(1,371)	-	-	-	(1,371)
Share based payment charge	-	-	560	-	-	560
31 July 2021 (as restated)	**161**	**51,660**	**2,045**	**28**	**(8,484)**	**45,410**

The notes on pages 61 to 90 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 July 2022

	Notes	2022 £000	2021 £000
Cash (used by)/generated from operations	**31 A**	**(6,789)**	**1,808**
Corporation tax paid		**(11)**	(36)
Foreign exchange		**-**	122
Net cash generated (used by)/from operating activities		**(6,800)**	1,894
Cash flows from investing activities			
Purchases of intangible assets	14	**(4,087)**	(2,493)
Purchases of property plant and equipment	15	**(1,541)**	(786)
Interest received		**94**	-
Net cash used in investing activities		**(5,534)**	(3,279)
Cash flows from financing activities			
Proceeds from the issuance of new shares		**-**	33,179
Costs of issuing new shares		**-**	(1,371)
Repayment of lease principal	23	**(893)**	(1,863)
Interest paid on lease liabilities	23	**(147)**	(127)
Net cash (used in)/generated from financing activities		**(1,040)**	29,818
Net increase in cash and cash equivalents		**(13,374)**	28,433
Cash and cash equivalents at beginning of year		**36,903**	8,496
Effects of foreign exchange rate changes		**593**	(26)
Cash and cash equivalents at end of year		**24,122**	36,903
Cash and cash equivalents comprise:			
Cash at bank and in hand		**24,122**	36,903

The notes on pages 61 to 90 form part of these financial statements.

Notes to the financial statements

for the year ended 31 July 2022

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 critical digital infrastructure and business processes, primarily of operators of flexible workspace within the real estate industry. These activities are carried out by the Group's wholly owned subsidiaries.

The Company's principal activity is to provide funding and 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 2022 were authorised for issue by the Board of Directors and the Statements of Financial Position was signed on the Board's behalf by Sarah Harvey on 31 October 2022.

The Group's financial statements have been prepared in accordance with UK adopted international accounting Standards and as applied in accordance with the provisions of the Companies Act 2006.

The financial statements of the Company have been prepared in a 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 12 to 29. The financial position of the Group is described in the Financial Review on pages 23 to 25.

Going concern

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

As at 31 July 2022 the Group had net assets of £36.0m (2021: £45.4m), including cash of £24.1m (2021: £36.9m) as set out in the Consolidated Statement of Financial Position, with no external debt. In the year ended 31 July 2022 the Group generated a loss before tax of £11.1m (2021: loss of £2.9m). The group used net cash before financing in the year of £12.3m (2021: 1.4m) after investment in software development of £4.1m.

During the year, Group revenue increased by 6.0% with recurring revenue increasing by 5.4% primarily as a result of a strengthening of the US dollar, which increased the reported revenue from its US subsidiary which is an increasing proportion of the Group's business. The Group generated an operating loss of £10.1m (2021: £2.8m) as it continued to expand its operations internationally. 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 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 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 18 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 2020 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 was 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 primarily 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 lease liabilities. Interest on 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 off 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.

Internally developed products in the course of construction are carried at cost, less any recognised impairment loss. Amortisation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

(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 loss' 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 subsidiaries 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 of work in progress, which are items and third party services that have been purchased and allocated to satisfy specific customer contracts where title has not yet passed, and finished goods, which are items purchased to secure sufficient resources, with a global shortage of silicon, to satisfy expected future 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 'GU'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.

In the event that the terms of equity-settled share-based payments are modified these are valued at the date of modification and, where this results in an increase to fair value, the charge is recognised in the statement of comprehensive income over the remaining vesting period, or recognised immediately where the vesting period has already passed.

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 £741,000 (2021: £560,000).

The charge related to options in the Group granted at IPO, a modification to the terms of certain of those options granted at IPO and new options granted during the year ended 31 July 2022 is based on valuations undertaken using a Black Scholes or Monte Carlo Simulation option pricing models, depending on the type of option. Judgements were required when assessing the valuation in relation to 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 modification to the terms of certain options granted at IPO resulted in an increased fair value for which a charge was recognised immediately as the original vesting period had passed. 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 service.

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 segment of the real estate industry. The Group has two revenue segments and three 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:

	2022 £000	2021 £000
Analysis of turnover by country of destination:		
United Kingdom and Europe	**9,797**	10,610
North America	**13,233**	11,334
Asia Pacific region	**268**	-
Rest of World	**-**	38
Total Income	**23,298**	21,982

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:

	2022 £000	2021 £000
Connect	**21,479**	19,934
Operate	**1,819**	2,048
Total Income	**23,298**	21,982

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 the Group's Operate product. The revenue is recognised over a period of time.

Notes to the financial statements continued

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:

	2022 £000	2021 £000
Revenue recognised at a point in time	3,158	2,868
Revenue recognised over time	20,140	19,114
Total Income	23,298	21,982

6D Revenue from customers greater than 10%

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

	2022 £000	2021 £000
Customer 1	5,422	4,319
Customer 2	-	2,302

6E Contract assets and liabilities

Contract asset movements were as follows:

	2022 £000	2021 £000
At 1 August	345	420
Transfers in the period from contract assets to trade receivables	(85)	(159)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	558	75
Capital asset contract contributions capitalised	37	32
Capital asset contract contributions released as contract obligations are fulfilled	(28)	(19)
Capitalised commission cost released as contract obligations fulfilled	(111)	(297)
Commission costs capitalised on contracts	171	293
At 31 July	887	345

Contract liability movements were as follows:

	2022 £000	2021 £000
At 1 August	323	550
Amounts included in contract liabilities that were recognised as revenue during the period	(323)	(550)
Cash received and receivables in advance of performance and not recognised as revenue during the period	815	323
At 31 July	815	323

Contract assets are included within 'trade and other receivables' and contract liabilities is shown separately 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. Capital asset contract contributions represents costs incurred by the Group in the form of customer incentives spread over the life of the customer contract. 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 loss

	2022 £000	2021 £000
This is arrived at after charging/(crediting):		
Amortisation of intangible assets	**1,241**	1,308
Depreciation of tangible fixed assets	**617**	969
Depreciation of right of use assets	**1,268**	1,205
Impairment of goodwill	**122**	-
Fees payable to the Group's auditor (see below)	**260**	197
Loss on disposal of tangible fixed assets	**36**	-
Amortisation of loan arrangement fee	**-**	202
Exchange differences	**-**	(122)
Research & Development expense	**3,006**	1,345
Staff costs (note 8)	**19,384**	11,643
Share based payment charges	**741**	560
Increase to expected credit loss provision	**54**	45
Analysis of fees paid to the Group's auditor:		
Annual financial statements – parent company	**60**	36
Annual financial statements – subsidiary companies	**94**	82
Audit Fee	**154**	118
Assurance services	**35**	35
Other services	**71**	44
Non audit services	**106**	79
Total fee	**260**	197

8 Employees

Staff costs (including directors) consist of:

	2022 £000	2021 £000
Wages and salaries	**13,898**	8,663
Social security costs	**1,546**	1,003
Cost of defined contribution scheme	**426**	284
Other	**3,514**	1,693
	19,384	11,643

Other staff costs comprise the cost of recruitment, other employee benefits, redundancy and temporary staff.

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

	2022 No.	2021 No.
Executive	**9**	6
Sales & Marketing	**26**	20
Finance & Administration	**26**	14
Support	**38**	32
Development	**52**	33
Provisioning	**6**	7
	157	112

9 Key management remuneration

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

	2022 £000	2021 £000
Salaries and fees	**2,658**	1,687
Social security costs	**275**	187
Short term non-monetary benefits	**23**	17
Company contributions to money purchase pension schemes	**129**	110
Share based payment expense	**409**	408
	3,494	2,409

Full details of directors' remuneration are included within the Remuneration Committee Report on page 44.

10 Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from bank deposits	**94**	-
	94	-

11 Interest payable and similar charges

	2022 £000	2021 £000
Lease liabilities	**147**	127
	147	127

12 Taxation on loss on ordinary activities

	2022 £000	2021 £000
Current tax		
UK corporation tax	-	-
Recovery of irrecoverable tax on loans to participators	-	-
Adjustment in respect of previous periods	-	-
Foreign tax on income for the year	8	41
Total current tax	8	41
Deferred tax		
Origination and reversal of timing differences	(260)	(244)
Adjustments in respect of prior periods	(34)	129
Total deferred tax	(294)	(115)
Taxation on profit on ordinary activities	(286)	(74)

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:

	2022 £000	2021 £000 As restated
Loss on ordinary activities before tax	(11,085)	(2,928)
Tax using the Group's domestic tax rates (19%)	(2,106)	(556)
Effects of:		
Fixed asset differences	199	239
Expenses not deductible for tax purposes	351	19
Income not taxable for tax purposes	(14)	-
Adjust closing deferred tax to average rate	(36)	19
Timing differences not recognised	(24)	(85)
Deferred tax not recognised	1,344	290
Total tax charge for period	(286)	(74)

Prior year adjustment

The accounts have been restated to incorporate the correct accounting treatment under *IAS 12 – Income Taxes* for the offset of deferred tax assets against deferred tax liabilities where the balances are relating to the same tax authority. The impact of the adjustment was to reduce the deferred taxation liability in the financial year 2021 by £485,000 and increase distributable reserves by the same amount.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2022 (on 10 June 2021). This included an increase to the main rate to increase the rate to 25% from 1 April 2023.

The deferred tax arises primarily from timing differences on the taxation related to capitalised development costs.

Notes to the financial statements continued

13 Earnings per share

	2022	2021 As restated
Basic weighted average number of shares	**64,385,219**	53,713,487
Fully diluted weighted average number of shares	**64,385,219**	53,713,487

	2022 £000	2021 £000
Loss for the year attributable to owners of the group	**(10,799)**	(2,854)
Basic and diluted loss per share (pence)	**(16.8p)**	(5.3p)

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

Share options held at the year-ended 31 July 2022 are anti-dilutive and so have not been included in the diluted earnings per share calculation.

14 Intangible assets

Group	Assets in the course Of construction £000	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost						
At 1 August 2021	1,412	335	7,832	280	1,263	11,122
Additions	215	-	3,872	-	-	4,087
Transfers	(1,412)	-	1,412	-	-	-
At 31 July 2022	**215**	**335**	**13,116**	**280**	**1,263**	**15,209**
Amortisation						
At 1 August 2021	-	335	4,309	280	-	4,924
Charge for year	-	-	1,241	-	-	1,241
Impairment	-	-	-	-	122	122
At 31 July 2022	**-**	**335**	**5,550**	**280**	**122**	**6,287**
Net book value						
At 31 July 2022	**215**	**-**	**7,566**	**-**	**1,141**	**8,922**
At 31 July 2021	1,412	-	3,523	-	1,263	6,198

The goodwill relates to the acquisition of Hubcreate Limited on 18 February 2016. The goodwill all relates to 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. 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 post-tax discount rate used in all periods is 12% derived from a WACC calculation and benchmarked against similar organisations within the sector. Management do not anticipate this CGU providing long term future cash flows for the group. As such the latest projection shows a 11% decline in revenue year on year which is consistent with the decline in revenue during FY22. Using a discount rate of 12% resulted in an impairment of £122,000 and as such an the impairment charge has been booked in this period.

Notes to the financial statements continued

Group	Assets in the course Of construction £000	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost						
At 1 August 2020	-	335	6,751	280	1,263	8,629
Additions	1,412	-	1,081	-	-	2,493
At 31 July 2021	**1,412**	**335**	**7,832**	**280**	**1,263**	**11,122**
Amortisation						
At 1 August 2020	-	293	3,043	280	-	3,616
Charge for year	-	42	1,266	-	-	1,308
At 31 July 2021	**-**	**335**	**4,309**	**280**	**-**	**4,924**
Net book value						
At 31 July 2021	**1,412**	**-**	**3,523**	**-**	**1,263**	**6,198**
At 31 July 2020	-	42	3,708	-	1,263	5,013

15 Property, plant and equipment

Group	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 August 2021	382	8,387	130	8,899
Additions	34	1,504	3	1,541
Disposals	(188)	-	(33)	(221)
Transfers (note 16)	-	180	584	764
Exchange adjustments	14	534	2	550
At 31 July 2022	**242**	**10,605**	**686**	**11,533**
Depreciation				
At 1 August 2021	322	7,020	86	7,428
Charge for year	29	564	24	617
Disposals	(152)	-	(33)	(185)
Transfers (note 16)	-	129	318	447
Exchange adjustments	8	396	3	407
At 31 July 2022	**207**	**8,109**	**398**	**8,714**
Net book value				
At 31 July 2022	**34**	**2,492**	**288**	**2,819**
At 31 July 2021	60	1,367	44	1,471

Notes to the financial statements continued

	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 August 2020	247	6,601	132	6,980
Additions	3	783	-	786
Transfers (note 16)	142	1,185	-	1,327
Exchange adjustments	(10)	(182)	(2)	(194)
At 31 July 2021	**382**	**8,387**	**130**	**8,899**
Depreciation				
At 1 August 2020	154	5,053	78	5,285
Charge for year	33	926	10	969
Transfers (note 16)	142	1,185	-	1,327
Exchange adjustments	(7)	(144)	(2)	(153)
At 31 July 2021	**322**	**7,020**	**86**	**7,428**
Net book value				
At 31 July 2021	**60**	**1,367**	**44**	**1,471**
At 31 July 2020	94	1,547	54	1,695

Transfers represent right of use assets which reached their contract term and where legal title transferred to the Group.

16 Right of use assets

Group	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 August 2021	5,482	-	342	584	6,408
Additions	1,062	-	-	-	1,062
Lease remeasurement	1,136	-	-	-	1,136
Disposal	(872)	-	-	-	(872)
Transfers (note 15)	-	-	(180)	(584)	(764)
Exchange adjustments	241	-	-	-	241
At 31 July 2022	**7,049**	**-**	**162**	**-**	**7,211**
Depreciation					
At 1 August 2021	3,693	-	278	277	4,248
Charge for year	1,214	-	13	41	1,268
Disposal	(462)	-	-	-	(462)
Transfers (note 15)	-	-	(129)	(318)	(447)
Exchange adjustments	122	-	-	-	122
At 31 July 2022	**4,567**	**-**	**162**	**-**	**4,729**
Net book value					
At 31 July 2022	**2,482**	**-**	**-**	**-**	**2,482**
At 31 July 2021	1,789	-	64	307	2,160

Notes to the financial statements continued

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 August 2020	4,204	142	1,527	584	6,457
Lease remeasurement	1,237	-	-	-	1,237
Transfers (note 15)	-	(142)	(1,185)	-	(1,327)
Exchange adjustments	41	-	-	-	41
At 31 July 2021	**5,482**	**-**	**342**	**584**	**6,408**
Depreciation					
At 1 August 2020	2,609	134	1,440	219	4,402
Charge for year	1,116	8	23	58	1,205
Transfers (note 15)	-	(142)	(1,185)	-	(1,327)
Exchange adjustments	(32)	-	-	-	(32)
At 31 July 2021	**3,693**	**-**	**278**	**277**	**4,248**
Net book value					
At 31 July 2021	**1,789**	**-**	**64**	**307**	**2,160**
At 31 July 2020	1,595	8	87	365	2,055

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
essensys (Canada) Inc	Canada	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
essensys (Europe) BV	Netherlands	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
essensys (APAC Holdings) Ltd	United Kingdom	100%	Non-trading	Provider of software and technology platforms to the flexible workspace industry
essensys (Hong Kong) Ltd	Hong Kong	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
essensys (Singapore) Pte Ltd	Singapore	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
essensys (Australia) Pty Ltd	Australia	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 (UK) Ltd, essensys (APAC Holdings) Ltd, Hubcreate Limited, TVOC Limited and Spacebuddi Limited are as per the Company as given on the company information page.

The office of essensys Inc is 600 5th Avenue, Floor 2, New York City, NY 10020, United States of America.

The registered office of essensys (Canada) Inc is 550 Burrard Street, Vancouver, British Columbia, V6C 0A3

The registered office of essensys (Europe) BV is Herikerbergweg 88, Amsterdam, 1101CM.

The registered office of essensys (Hong Kong) Ltd Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The registered office of essensys (Singapore) Pte Ltd is 9 Raffles Place, #26-01, Republic Plaza, 048619, Singapore.

The registered office of essensys (Australia) Pty Ltd is Suite 902, 146 Arthur Street, North Sydney, NSW 2060, Australia.

18 Inventories

	2022 £000	2021 £000
Finished goods	**2,353**	-
Work in progress	**193**	184
	2,546	184

Work in progress are items and third-party services purchased to satisfy specific customer contracts, where title has not yet passed. Finished goods are items purchased to secure sufficient resources, with a global shortage of silicon, to satisfy expected future customer contracts.

19 Trade and other receivables

	2022 £000	2021 £000
Trade receivables (net)	**3,684**	3,462
Other receivables	**465**	409
Prepayments	**1,316**	1,063
Contract asset	**887**	345
Current taxes receivable	**82**	-
	6,434	5,279

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
2022	**1,762**	**256**	**429**	**1,871**	**4,318**	**(634)**	**3,684**
2021	2,103	334	217	1,388	4,042	(580)	3,462

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.

Notes to the financial statements continued

At 31 July 2022 the lifetime expected loss provision for trade receivables and contract assets is as follows:

31 July 2022	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%	5.4%	8.6%	31.2%	
Gross carrying amount	2,650	256	429	1,871	5,206
ECL	-	14	37	583	634

31 July 2021	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%	5.4%	10.6%	38.8%	
Gross carrying amount	2,448	334	217	1,388	4,387
ECL	-	18	23	539	580

Movements in the ECL are as follows:

	2022 £000	2021 £000
Opening ECL at 1 August	580	535
Increase during the year	423	220
Receivables written off as uncollectable	(369)	(175)
ECL charge for the year	54	45
At 31 July	634	580

20 Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
64,385,219 (2021 – 64,385,219) ordinary shares of 0.25p each (2021 – 0.25p)	161	161

On 26 July 2021 the Company issued 11,641,890 new ordinary shares of 0.25 pence each at a price of 285 pence per share by way of a share placing.

21 Share premium

	2022 £000	2021 £000
Share premium at start of period	51,660	19,881
Issue of new shares	-	33,150
Cost of issuing new shares recognised in equity	-	(1,371)
	51,660	51,660

22 Trade and other payables

	2022 £000	2021 £000
Amounts falling due within one year		
Trade payables	**4,487**	2,376
Other taxes and social security	**244**	282
Other creditors	**1,050**	439
Accruals	**1,641**	1,132
	7,422	4,229

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.

	2022 £000	2021 £000
Number of active leases	**15**	15

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 2022 and 2021 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 2021	1,841	29	20	45	1,935
Additions	1,061	-	-	-	1,061
Interest expense	145	1	-	1	147
Effect of modifying lease term	877	-	-	-	877
Lease payments	(944)	(30)	(20)	(46)	(1,040)
Foreign exchange movements	148	-	-	-	148
At 31 July 2022	**3,128**	**-**	**-**	**-**	**3,128**

Notes to the financial statements continued

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
At 1 August 2020	1,820	57	88	177	2,142
Additions	1,514	-	-	-	1,514
Interest expense	108	4	4	11	127
Effect of modifying lease term	79	-	-	-	79
Lease payments	(1,616)	(32)	(72)	(143)	(1,863)
Foreign exchange movements	(64)	-	-	-	(64)
At 31 July 2021	1,841	29	20	45	1,935

Lease maturity

	Leasehold property £000 2022	Fixtures and fittings £000 2022	Computer equipment £000 2022	Leasehold improvements £000 2022	Total £000 2022
Up to 3 months	**-**	**-**	**-**	**-**	**-**
3 to 12 months	**135**	**-**	**-**	**-**	**135**
1-2 years	**389**	**-**	**-**	**-**	**389**
2-5 years	**2,604**	**-**	**-**	**-**	**2,604**
	3,218	**-**	**-**	**-**	**3,218**

	Leasehold property £000 2021	Fixtures and fittings £000 2021	Computer equipment £000 2021	Leasehold improvements £000 2021	Total £000 2021
Up to 3 months	4	-	-	45	49
3 to 12 months	126	29	20	-	175
1-2 years	252	-	-	-	252
2-5 years	1,459	-	-	-	1,459
More than 5 years					
	1,841	29	20	45	1,935

Analysis by current and non-current

	Leasehold property £000 2022	Fixtures and fittings £000 2022	Computer equipment £000 2022	Leasehold improvements £000 2022	Total £000 2022
Due within a year	**1,469**	**-**	**-**	**-**	**1,469**
Due in more than one year	**1,659**	**-**	**-**	**-**	**1,659**
	3,128	**-**	**-**	**-**	**3,128**

	Leasehold property £000 2021	Fixtures and fittings £000 2021	Computer equipment £000 2021	Leasehold improvements £000 2021	Total £000 2021
Due within a year	849	29	20	45	943
Due in more than one year	992	-	-	-	992
	1,841	29	20	45	1,935

24 Deferred taxation

	2022 £000	2021 £000 As restated
Brought forward	**294**	409
(Credited)/charged to the income statement	**(294)**	(115)
Carried forward	**-**	294

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Fixed asset timing differences	-	294
	-	294

Prior year adjustment

The accounts have been restated to incorporate the correct accounting treatment under *IAS 12 – Income Taxes* for the offset of deferred tax assets against deferred tax liabilities where the balances are relating to the same tax authority. The impact of the adjustment was to reduce the deferred taxation liability in the financial year 2021 by £485,000 and increase distributable reserves by the same amount. The prior year adjustment did not have an impact on the brought forward position as at 1 August 2022.

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 2021. However, on 17 March 2021 the rate reduction due to come in effect on 1 April 2021 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.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 10 June 2021). This included an increase to the main rate to increase the rate to 25% from 1 April 2023. The UK government has proposed the abolishment of the increase to the tax rate, but at the signing date of these financial statements the reversal has not yet been substantively enacted and so the rate has not been adjusted.

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

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

Financial instruments by category

	2022 £000	2021 £000
Financial assets at amortised cost		
Cash and cash equivalents	**24,122**	36,903
Trade and other receivables	**4,707**	3,946
Total financial assets at amortised cost	**28,829**	40,849
Financial liabilities		
Trade and other payables	**7,178**	3,947
Lease liabilities	**3,128**	1,935
Total financial liabilities	**10,306**	5,882

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.

Notes to the financial statements continued

(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, Europe, North America and the Asia Pacific region, 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.

	2022 £000	2021 £000
Financial assets	21,541	35,683
Financial liabilities	3,368	2,443

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

	2022 US$000	2021 US$000
Financial assets	7,249	6,891
Financial liabilities	3,661	2,118

	2022 CA$000	2021 CA$000
Financial assets	93	317
Financial liabilities	6	6

	2022 €000	2021 €000
Financial assets	658	191
Financial liabilities	336	109

	2022 HK$000	2021 HK$000
Financial assets	1,962	-
Financial liabilities	1,064	-

	2022 SG$000	2021 SG$000
Financial assets	1,024	-
Financial liabilities	829	-

Notes to the financial statements continued

	2022 AU$000	2021 AU$000
Financial assets	**545**	-
Financial liabilities	**379**	-

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:

	2022 $000	2021 $000
Financial assets	**(541)**	(450)
Financial liabilities	**(273)**	(138)

(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 2022 there are no loans outstanding, (2021 - £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.

The Group has no borrowings at 31 July 2022 (2021: £nil).

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

	2022 £000	2021 £000
Less than one year	**7,178**	3,947
	7,178	3,947

26 Pension commitments

The group operates defined contribution 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.

	2022 £000	2021 £000
Pension charge	**426**	284
Pension liability	**78**	38

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 (£) 2022	Number 2022	Weighted average exercise price (£) 2021	Number 2021
Outstanding at the beginning of the year	**1.08**	**3,378,829**	1.02	2,966,241
Granted during the year	**0.25**	**89,219**	1.56	576,479
Forfeited during the year	**1.60**	**(110,545)**	1.52	(163,891)
Exercised during the year	**-**	**-**	-	-
Outstanding at the end of the year	**1.04**	**3,357,503**	1.08	3,378,829

The weighted average exercise price of options outstanding at the end of the year was 103.93p (2021: 108.48p) and their weighted average contractual life was 7.1 years (2021: 8 years).

During the year the equity-settled share-based schemes under which options were granted immediately prior to IPO vested at the end of their 3 year vesting period. Given the volatility in the share price during the year the Remuneration Committee agreed to extend the vesting period for the performance share element of the scheme by a further two years. This modification gave rise to an increase in the fair value of the Performance Share Plan options, for which a charge was taken immediately as the original vesting period had passed.

Of the total number of options outstanding at the end of the year and following the modification to the options granted prior to IPO, no options had vested or were exercisable.

Market Value Options were valued using the Black Scholes option pricing model. Performance Share options granted and modifications made to pre-existing 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:

	2022	2021
Risk free investment	**1.06%**	0.22% - 0.73%
Expected life	**3**	2.6
Expected volatility	**57.8%**	42.8%

The volatility used for the share option grants during the current year was from a median of peers, including that actually experienced by the group during the period from the IPO that actually experienced during the period from the IPO. 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 £741,000 in the year (2021: £560,000), all of which related to options in the Company issued immediately prior to the IPO or subsequent thereto.

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 and essensys, Inc, the Group's principal trading subsidiaries, 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.

Directors Loans

There were no directors loans during the years ended 31 July 2022 and 31 July 2021.

29 Capital commitments and contingent liabilities

The Group had no capital commitments or contingent liabilities at 31 July 2022 (2021: £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

	2022 £000	2021 £000
Cash flows from operating activities		
Loss for the financial year before taxation	(11,085)	(2,928)
Adjustments for non-cash/non-operating items:		
Amortisation of intangible assets	1,268	1,308
Depreciation of property plant and equipment	617	969
Amortisation of loan arrangement fee	-	203
Depreciation of right of use assets	1,269	1,205
Impairment of goodwill	122	-
Loss on disposal of fixed assets	36	-
Share based payment expense	741	560
Losses on foreign exchange transactions	-	(122)
Finance income	(94)	-
Finance expense	147	127
Other	50	-
	(6,957)	1,322
Changes in working capital:		
(Increase)/decrease in inventories	(2,362)	139
Increase in trade and other debtors	(1,155)	(93)
Decrease in trade and other creditors	3,685	440
Cash (used by)/from operations	(6,789)	1,808

31 B Movement in net debt

	Cash and cash equivalents £000	Leases £000	Total £000
As at 1 August 2020	8,496	(2,142)	6,354
Lease additions	-	(1,514)	(1,514)
Effect of modifying lease term	-	(79)	(79)
Cashflow	28,433	1,863	30,296
Interest charges	-	(127)	(127)
Exchange movements	(26)	64	38
As at 31 July 2021	36,903	(1,935)	34,968
Lease additions	-	(1,061)	(1,061)
Effect of modifying lease term	-	(877)	(877)
Cashflow	(13,374)	1,040	(12,334)
Interest charge	-	(147)	(147)
Exchange movements	593	(148)	445
As at 31 July 2022	**24,122**	**(3,128)**	**20,944**

	Cash and cash equivalents £000	Leases £000	Total £000
Balances as at 31 July 2022			
Current assets	**24,122**	**-**	**-**
Current liabilities	**-**	**(1,469)**	**(1,469)**
Non-current liabilities	**-**	**(1,659)**	**(1,659)**
	24,122	**(3,128)**	**20,944**

	Cash and cash equivalents £000	Leases £000	Total £000
Balances as at 31 July 2021			
Current assets	36,903	-	36,903
Current liabilities	-	(943)	(943)
Non-current liabilities	-	(992)	(992)
	36,903	(1,935)	34,968

Company Statement of Financial Position

Registered Number: 11780413

as at 31 July 2022

	Notes	2022 £000	2021 £000
ASSETS			
Non-current assets			
Property, plant and equipment	C3	**81**	11
Investments	C4	**2,139**	97
Trade and other receivables	C5	**17,210**	12,826
Total non-current assets		**19,430**	12,934
Current assets			
Trade and other receivables	C5	**733**	281
Cash at bank and in hand	C6	**20,099**	32,613
Total current assets		**20,832**	32,894
TOTAL ASSETS		**40,262**	45,828
EQUITY AND LIABILITIES			
Equity			
Issued share capital	20	**161**	161
Share premium	21	**51,660**	51,660
Share based payment reserve	C7	**1,539**	917
Retained earnings		**(13,993)**	(7,325)
Total Equity		**39,367**	45,413
Liabilities			
Current liabilities			
Trade and other payables	C8	**895**	415
Total current liabilities		**895**	415
Total liabilities		**895**	415
TOTAL EQUITY AND LIABILITIES		**40,262**	45,828

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 £6,668,000 (2021 £2,993,000).

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2022.

Sarah Harvey

Director

The notes on pages 94 to 96 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2022

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
31 July 2021	161	51,660	917	(7,325)	45,413
Comprehensive loss for the period					
Loss for the year	-	-	-	(6,668)	(6,668)
Transactions with shareholders					
Share based payment charge	-	-	622	-	622
31 July 2022	**161**	**51,660**	**1,539**	**(13,993)**	**39,367**

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
31 July 2020	132	19,881	483	(4,332)	16,164
Comprehensive loss for the period					
Loss for the year	-	-	-	(2,993)	(2,993)
Transactions with shareholders					
Shares issued	29	33,150	-	-	33,179
Cost of issuing new shares	-	(1,371)	-	-	(1,371)
Share based payment charge	-	-	434	-	434
31 July 2021	161	51,660	917	(7,325)	45,413

The notes on pages 94 to 96 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 July 2022

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
Loss for the financial period		**(6,668)**	(2,993)
Adjustments for non cash/non operating items:			
Depreciation of property plant and equipment		**13**	3
Impairment of loans to subsidiary undertakings		**1,200**	-
Share option charges in relation to options granted		**622**	434
Gains and losses on foreign exchange transactions		**-**	4
Finance income		**(421)**	(320)
		(5,254)	(2,872)
(Increase)/decrease in trade and other debtors		**(452)**	(222)
Increase/(decrease) in trade and other creditors		**480**	133
Cash from operations		**(5,266)**	(2,961)
Corporation tax paid		**-**	-
Foreign exchange		**-**	(4)
Net cash used in operating activities		**(5,226)**	(2,965)
Cash flows from investing activities			
Purchases of property plant and equipment	C3	**(83)**	(13)
Loan issued to subsidiary undertakings		**(7,626)**	(550)
Proceeds from loans repaid from subsidiary undertaking		**-**	4,013
Interest received		**421**	320
Net cash used in investing activities		**(7,288)**	3,770
Cash flows from financing activities			
Proceeds from the issuance of new shares		**-**	33,179
Costs of issuing new share capital		**-**	(1,371)
Net cash generated from financing activities		**-**	31,808
Net increase/(decrease) in cash and cash equivalents		**(12,514)**	32,613
Cash and cash equivalents at beginning of period		**32,613**	-
Cash and cash equivalents at end of the period		**20,099**	32,613
Cash and cash equivalents comprise:			
Cash at bank and in hand		**20,099**	32,613

The notes on pages 94 to 96 form part of these financial statements.

Notes to the company financial statements

for the year ended 31 July 2022

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 £1,972,147 (2021 £669,739) 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.

	2022 £000	2021 £000
Short term timing differences	-	-
Losses and other deductions	1,972	670
Unrecognised deferred taxation asset	1,972	670

C3 Property, plant and equipment

	Computer equipment £000
Cost	
At 1 August 2021	14
Additions	83
At 31 July 2022	**97**
Depreciation	
At 1 August 2021	3
Provision for year	13
At 31 July 2022	**16**
Net book value	
At 31 July 2022	**81**
At 31 July 2021	**11**
Cost	
At 1 August 2020	1
Additions	13
At 31 July 2021	**14**
Depreciation	
At 1 August 2020	-
Provision for year	3
At 31 July 2021	**3**
Net book value	
At 31 July 2021	**11**

Notes to the company financial statements continued

C4 Fixed asset investments

	Investments £000
At 1 August 2021	97
Investment in subsidiary undertakings	2,042
At 31 July 2021 and 31 July 2022	2,139

The essensys group undertook an internal restructure that resulted in a change of control of essensys Inc. The voting rights of essensys Inc were transferred from essensys (UK) Ltd to essensys plc, valued at £2,042,000. The transaction was cashless as the payment of the voting rights in essensys Inc was made by a reduction in the loan outstanding from essensys (UK) Ltd to essensys plc of the same amount. The loan in place between essensys (UK) Ltd and essensys Inc was also assigned to essensys plc via a cashless transaction.

Subsidiaries

The subsidiary undertakings of the company as at 31 July 2022 and 31 July 2021 are listed in note 17 of the Group's financial statements.

essensys plc provided an initial loan to essensys (Hong Kong) Ltd on 20 October 2021 of £500,000. A further loan of £500,000 was provided on 25 April 2022. The loans are unsecured, bear an annual interest rate of 4.5%, of which the interest is charged on a monthly basis and are repayable on demand but not expected to be recovered within one year.

essensys (UK) Ltd assigned to essensys plc its rights in relation to a loan repayable of £2,793,000 from essensys Inc on the 18 November 2021 in a cashless transaction as the loan repayable by essensys (UK) Ltd to essensys plc was reduced by the same amount. The company also extended a net increase on its loan to essensys (UK) Ltd by £2,315,000 in the year.

essensys plc granted a further increase in the loan to essensys Inc of £1,311,000 on 13 July 2022 to allow essensys Inc to secure addition inventory from its local suppliers to be held by essensys Inc and distributed to other group members when fulfilling customer orders.

The company provided two £500,000 loans to essensys (Europe) BV on 18 November 2021 and 27 May 2022, respectively, under the same terms of the initial loan of £250,000 made in the year to 31 July 2021.

essensys plc provided an initial loan to essensys (Australia) Pty Ltd on 14 December 2021 of £500,000. 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.

Essensys plc provided an initial loan to essensys (Singapore) Pte Ltd on 12 January 2022 of £500,000. A further two loans of £500,000 were provided on 4 May 2022 and 18 July 2022, respectively. 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.

The company made loans in the year to 31 July 2021 of £300,000 to essensys (Canada) Inc and £250,000 to essensys (Europe) BV. Both the loans are unsecured, bear an annual interest rate of 4.5%, of which the interest is charged on a monthly basis and are repayable on demand but not expected to be recovered within one year.

C5 Trade and other receivables

	2022 £000	2021 £000
Current:		
Other debtors	**46**	16
Prepayments and accrued income	**256**	184
Amounts owing from group undertaking	**431**	81
Total	**733**	281
Non-current:		
Loan to subsidiary undertaking	**17,210**	12,826

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.

Loans to subsidiary undertakings is net of a £1,200,000 impairment as a result of risk of repayment.

C6 Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**20,099**	32,613
	20,099	32,613

C7 Share based payment reserve

The accounting policy of the share-based payments is noted on page 68. Note 27 also details the calculations of the share-based payments relevant to the company and the wider group.

C8 Trade and other payables

	2022 £000	2021 £000
Trade payables	**252**	254
Other creditors	**126**	70
Accruals	**518**	91
	895	415

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 Operating Officer)* Sarah Harvey *(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 & Broker	Singer Capital Markets 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 29 NOVEMBER 2022.

The Annual General Meeting (AGM) of the members of the Company will be held at the offices of Aldgate Tower, 7th Floor, 2 Leman Street, London, United Kingdom on 1 December 2022 at 9:30 a.m.

We do not, at the time of writing, expect the UK Government to impose any restrictions on travel or public gatherings that would prohibit attendance, however, the Company encourages shareholders to consider submitting their voting instructions in advance by appointing the Chair of the Meeting as their proxy, rather than a named person who, if circumstances change, may not be able to attend the meeting. This will ensure that votes are registered in accordance with shareholders' wishes regardless of any restrictions or disruption around the AGM. Instructions are set out in this Notice of Meeting and the proxy form.

To improve the shareholder engagement experience, especially for smaller and retail shareholders, the Company provided a results roadshow presentation on 20 October 2022 through the Investor Meet Company platform, which was available to all shareholders to attend. In addition to the physical Annual General Meeting, the proceedings of this year's AGM will be broadcast via the Investor Meet Company platform. Shareholders are encouraged to register for the video conference at https://www.investormeetcompany.com/essensys-plc/register-investor. Although the broadcast will not be an interactive forum, shareholders are invited to submit questions to the Board on matters to be discussed at the AGM by email in advance. For further information about how to contact us with your questions please see Note 3 on page 102. Any changes to the AGM arrangements contained in this Notice will be announced via RNS and will be available at: https://essensys.tech/investors/regulatory-news/.

A Form of Proxy for use at the AGM has been made available to all shareholders. 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.

A copy of the Notice and our Annual Report and Accounts for the year to 31 July 2022 are also available on our website at https://essensys.tech/investors/company-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 1 November 2022 (being the latest practicable date prior to the publication of this document). No shares are held in treasury.

Resolutions 1 to 12 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 13 and 14 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 2022 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 45 to 47 of the Company's Annual Report and Accounts, for the financial period ended 31 July 2022. This is an advisory vote and no entitlement to remuneration is conditional upon the resolution being passed.

Resolution 3 to 9 – Mark Furness, Jonathan Lee, Alan Pepper, Charles Butler, Alexandra Notay and Elizabeth Sandler are retiring and offering themselves for re-election by shareholders, and to elect Sarah Harvey as a Director of the Company. The Company has decided to follow the QCA's good governance recommendation to adopt annual re-election of directors. Brief biographies of all Directors can be found in the Annual Report and Accounts for the year ended 31 July 2022 and on the company's website https://essensys.tech/investors/the-board/.

Resolutions 10 and 11 – 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. BDO LLP has indicated its willingness to continue in office and Resolution 10 proposes to make this appointment. Resolution 11 is to authorise the Board to agree the auditor's remuneration.

Resolution 12 – 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 £53,600.69, which is equivalent to no more than 33.3% of the Company's issued share capital; and

(b) under a rights issue only, up to a further maximum aggregate nominal amount of £53,600.69, which is equivalent to no more than 33.3% of the Company's issued share capital.

The authority shall expire at the conclusion of the next AGM of the Company in 2023, or 15 months after approval, whichever is the sooner.

Resolution 13 – 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 £16,096.30 otherwise than on a pro-rata basis. This represents 10% of the Company's issued Share capital on the date of this document. 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 2023, or 15 months after approval, whichever is the sooner.

Resolution 14 – 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 6,438,521 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 2023, 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 offices of Aldgate Tower, 7th Floor, 2 Leman Street, London, United Kingdom on 1 December 2022 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 to 12 are proposed as ordinary resolutions and resolutions 13 and 14 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 2022 together with the report of the auditor thereon.
2. To approve the report on Directors' remuneration for the year ended 31 July 2022.
3. To re-elect Mark Furness as a Director.
4. To re-elect Jonathan Lee as a Director.
5. To re-elect Alan Pepper as a Director.
6. To re-elect Charles Butler as a Director.
7. To re-elect Alexandra Notay as a Director.
8. To re-elect Elizabeth Sandler as a Director.
9. To elect Sarah Harvey as a Director.
10. 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.
11. To authorise the Directors to determine the fees payable to the auditor.
12. 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 £107,201.38 comprising:

    (a) an aggregate nominal amount of £53,600.69 (whether in connection with the same offer or issue as under (b) below or otherwise); and

    (b) an aggregate nominal amount of £53,600.69 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 2023, 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:

13. 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 561 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 £16,096.30.

    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 2023, 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.

14. 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 6,438,521 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.

7 November 2022

Registered office:

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

By order of the Board

Sarah Harvey
Chief Financial Officer

Shareholder Information - Notes to Notice of Annual General Meeting:

The following notes explain your general rights as a shareholder and your right to attend and vote at the Annual General Meeting (AGM) or to appoint someone else to vote on your behalf.

Shareholders viewing the meeting via the Investor Meet Company platform are advised to submit proxy votes in advance of the meeting as it will not be possible to submit votes online during the meeting.

Any changes to the proposed format of the Annual General Meeting will be announced via RNS and outlined on the Company's website (https://essensys.tech/investors/regulatory-news/).

1. Only those Members registered in the Register of Members of the Company as at 6.30 p.m. on 29 November 2022 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Any member of the Company entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote instead of that member.

2. Shareholders wishing to attend the meeting in person are asked to notify the Company of their proposed attendance by 29 November 2022 via email with the subject "AGM" to company.secretary@essensys.tech to assist in the smooth running of the meeting.

3. 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 9.30 a.m. on 29 November 2022. 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 via the Investor Meet Company platform at https://www.investormeetcompany.com/essensys-plc/register-investor. We will endeavour to respond to all questions asked via email. Where appropriate, responses will be prepared and delivered by the Board at the AGM via the Investor Meet Company webcast. The Company reserves the right to respond only to questions put by shareholders whose names are on the Company's register of members at 6.30 p.m. on 29 November 2022.

4. 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.

5. Further copies of the form of proxy may be downloaded from our website (https://essensys.tech/investors/company-documents/) or obtained from Company's registrars, Equiniti, 0371 384 2030 (or, if calling from overseas, on +44 121 415 7047).

6. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company, but members are strongly encouraged to appoint the Chairman of the meeting as their proxy, rather than a named person who may not be able to attend the meeting.

7. A proxy may demand, or join in demanding, a poll.

8. 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.

9. Completion and return of a Form of Proxy (whether in hard copy, via CREST or online) does not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the AGM in person, the proxy appointment will automatically be terminated. Shareholders are encouraged to appoint the Chairman as their proxy.

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 29 November 2022 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 29 November 2022, 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 option is provided on the Form of Proxy to enable you to instruct your proxy to abstain on any particular resolution. 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. 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 15 below); or (c) register the appointment of a proxy electronically at www.sharevote.co.uk, in each case so that it is received no later than 9:30 a.m. on 29 November 2022. 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 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 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. Therefore proxy form should be lodged not later than 9.30 a.m. on 29 November 2022.

15. 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.

16. 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 (see Note 14 above for contact details). Note that the cut-off times for receipt of proxy appointments also apply 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.

17. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. Shareholders are encouraged to appoint the Chairman as their proxy.

18. 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.

19. 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.

20. 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 9:30 a.m. on 29 November 2022.

21. 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.

22. As at 1 November 2022, being the last practicable date prior to the publication of this Notice, the Company's issued share capital consisted of 64,385,219 ordinary shares, carrying one vote each. The total voting rights in the Company as at the last business day prior to publication are 64,385,219.

23. Except as provided above, members who have general queries about the AGM should contact 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).

24. 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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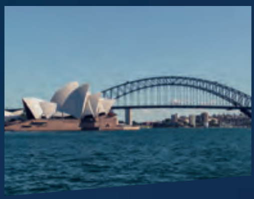
London
Aldgate Tower
2 Leman Street
London
E1 8FA

New York
600 5th Ave, 2nd Fl
New York
New York
10020

Hong Kong
The Hong Kong Club
1 Jackson Road
Central
16th Floor
Hong Kong SAR



Sydney
Brookfield Place
10 Carrington St
12th Floor
Sydney NSW 2000

Singapore
CapitaSpring
88 Market St
21st Floor
Singapore 048948

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