essensys annual report for the year ended 31 July 2023

Annual Report
for the year ended
31 July 2023

essensys

Annual Report

for the year ended 31 July 2023

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.

Overview

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Highlights

On track to return to profit and cash generation

- Reorganisation of global operations to align cost base with current revenues and near-term growth opportunities largely complete
- Headcount reduced to 122 (previously 180) following completion of reorganisation
- £8m annualised operational cost reduction achieved

Focus on larger, strategic customers

- Strong SaaS metrics performance from strategic customer[1] cohort
- Strategic customers now account for 77% of Group revenue (FY22: 72%)
- Strategic customer Net Revenue Retention is 108% (FY22: 105%), total customer Net Revenue Retention 98% (FY22: 101%)
- Zero strategic customer churn
- 21 new customers signed in the period, of which 15 live in FY23

Financial summary

£'m unless otherwise stated	FY23	FY22	Change
Revenue	**25.3**	23.3	+9%
Recurring revenue[2]	**20.9**	20.1	+4%
Run Rate Annual Recurring Revenue[2]	**20.0**	21.9	-9%
Revenue at constant currency	**24.0**	23.3	+3%
Recurring revenue[2]	**19.9**	20.1	-1%
Run Rate Annual Recurring Revenue[2]	**20.7**	21.9	-5%
Statutory loss before tax	**(15.5)**	(11.1)	
Adjusted EBITDA[2]	**(6.3)**	(7.0)	
Loss per share (pence)	**(24.4p)**	(16.8p)	
Proposed final dividend per share (pence)	**Nil**	Nil	
Net Cash	**7.9**	24.1	

[1] A strategic customer is typically a global landlord or a large specialist flexible workspace operator who has the potential to deliver $1m of Annual Recurring Revenue

[2] See pages 23- 24 for definitions

Resilient financial performance

- Group total revenues up 9% driven by new site activity, 94% of new sites with strategic customers
- Adjusted EBITDA[2] loss improved by 10% year on year and 7% ahead of market expectations
- Strong US performance, our primary growth market and 62% of Group revenue (up 20%; 10% at constant currency)
- UK & Europe revenues down 11%, reflecting ongoing strategic customer portfolio rebalancing and expected churn of low value customers
- Recurring revenues[2] 83% of total revenue (FY22 86%)
- ARR[2] £20.0m, down -9%, reflecting churn of non-strategic customers, lower occupancy-based marketplace revenues and foreign exchange movement
- Group remains debt-free with cash balance of £7.9m. Additional £2m unsecured loan facility provided by Mark Furness, the Group CEO and largest shareholder, which is a related party transaction under the AIM Rules for Companies and is described further below.

Current trading and outlook

- Sales pipeline remains strong with strategic customers' expansion plans and new customer opportunities underpinning future growth
- ARR contracted but not yet live as of 31 July £1.1m
- Extended sales cycles and delays to capital deployment continue to reflect macroeconomic uncertainty
- On track to return to run-rate positive Adjusted EBITDA in FY24 and net cash generation in FY25
- Future growth and margin expansion is expected to be supported by improving customer mix and upsell of new products and product modules
- The Group remains confident in the longer-term structural growth opportunity

Overview

Vision

Our vision is to power the world's largest community of flexible, tech driven spaces. We design and develop software and technology that helps large landlords and workspace providers manage the complexity of operating large multi-tenant portfolios.

Our ambition is to be the dominant global technology provider for the flexible workspace segment of the commercial real estate market as it evolves rapidly to support the new world of hybrid working.

Specifically, we help our customers to:

- Automate manual processes
- Simplify operations
- 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

Our business

essensys is the leading global provider of software and technology for flexible, digitally-enabled buildings, spaces and portfolios. Our solutions automate and simplify the management of next generation, flexible multi-tenant real estate. The real estate industry is evolving to meet the new world of hybrid working which requires agile, move-in ready spaces and the delivery of on-demand digital services. The office sector is becoming an increasingly digital landscape driven by end-user demand and delivering digitally enabled spaces is key to success.

Our technologies have 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, allowing them to respond to changing occupier demands, provide seamless occupier experiences, and realise smart building and ESG ambitions.

The problem we solve

The world of work has changed dramatically in the last few years. Companies of all sizes are reassessing their office requirements and are looking for workspace solutions that help them attract and retain talent, provide greater flexibility and drive productivity. This evolution has driven the growth of the flexible workspace industry and has led the world's largest office landlords to completely rethink their customer propositions. These landlords are now looking to deliver premium tenant experiences with traditional leased space increasingly being complimented with high-quality in-building amenities and access to shared spaces and services including meeting rooms, coworking areas, event spaces and short-term occupancy options.

Delivering these types of solutions is operationally complex and that operational complexity increases with scale. As a result, whilst it may be achievable for a landlord to provide these services in a single building, creating a network of connected spaces across a portfolio for the benefit of all tenants is both operationally and economically challenging. Our software and technology are specifically designed to remove this operational complexity, increase efficiency and reduce costs.

essensys at a glance continued

Our products

Our platforms are "mission critical" to our customers. They use our software and technology to manage and run their flexible workspaces, which has been designed to deliver a full suite of capabilities for real estate operators to run flexible workspaces ranging from the provision of digital infrastructure, through space management and space operations to occupier experience.

Our suite of products:

essensys Platform: Software that automates and simplifies the management of occupiers, spaces and services

essensys Cloud: Smart building connectivity delivered across our secure, private network

Operate: Contract management, billing and invoicing software

Our soon-to-be launched dynamic access control hardware and software solution designed for hybrid and flexible real-estate.

Customers

The Group specifically targets customers which it considers to be strategic. These are large multi-site landlords and flexible workspace providers that will see the most attractive return-on-investment from our software and technology due to their scale. These strategic customers represent a significant and highly efficient growth opportunity, with each customer providing the potential to deliver at least $1m of ARR as penetration of our products increase across their portfolios.

Our customers range from global property groups to regional real-estate operators and international flexible workspace providers. We serve customer locations across the world including Australia, France, Sweden, and Canada as well as in our primary growth market in the US and the first market we entered, the UK. These customers are supported from our London headquarters and our regional offices in New York and Sydney.

The Group works with many of the world's leading commercial real-estate brands including:

INDUSTRIOUS   JLL   Hines   TISHMAN SPEYER

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 service activation and onboarding ("Non-recurring revenue") which is recognised when the customer site is activated. Recurring revenue accounted for 83% of revenue in FY23 (FY22: 86%).

The Group's costs of sales are aligned to its revenue. These costs are primarily associated with hosting our software platforms on AWS (Amazon Web Services) and the infrastructure for essensys Cloud, which includes data centres and telecoms carrier sourced fibre network connectivity. Additional costs are incurred during the initial service set-up, including hardware and third-party install charges.

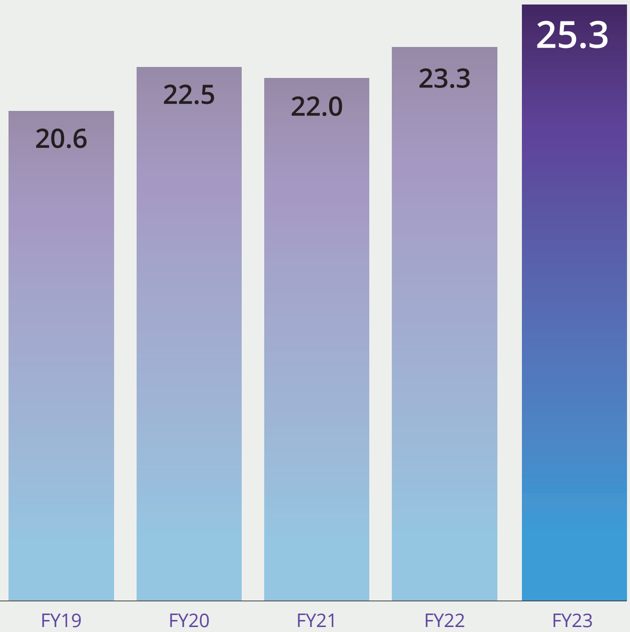
The Group's restructured, lower overhead cost base fully supports our strategy of acquisition of, and expansion with, strategic customers. This focus on scaling with our customers means that we expect expansion in operating margins as our revenues continue to grow.

£25.3m

Revenue for the year ended 2023

Financial track record

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



essensys at a glance continued

Our journey

Since our founding in 2006 we have been solely focused on helping the commercial real-estate industry to deliver flexible, digitally enabled workspaces. Growth in our business has primarily been organic with the UK being our sole addressable market until 2016 when we entered the US. The US is a significant driver of our growth, and now accounts for 62% of Group revenue.

Today we have operations across three regions: UK and Europe, North America and APAC. Our London headquarters are supported by teams in New York and Sydney.

At the end of FY23 the Group employed 152 personnel directly (FY22: 180), primarily in the UK and US but with personnel also based in Australia and France.

Chairman's statement

In the 2023 financial year our primary goals of delivering our upgraded core product, essensys Platform and taking actions to accelerate our return to profitability and cash generation have been achieved.

Jon Lee
Independent Non-Executive Chairman

It is a credit to all our people at essensys that we have been able to accelerate these programmes – and deliver Adjusted EBITDA ahead of market expectations – while retaining our commitment to delivering quality products for high value customers.

In a challenging macro context, particularly for landlords, achieving revenue growth of 9% in FY23 shows the resilience of our model and the underlying demand for flexible workspace solutions.

Inevitably, we have had to take difficult decisions this year to manage our cost base. I would like to thank all of essensys' people, including those who left us in the last twelve months, for their diligence, persistence and integrity.

I would also like to thank Alan Pepper for five years of valued and important leadership as CFO and COO. Alan stepped down from his Board responsibilities and left essensys during the financial year after the conclusion of the reorganisation and resultant simplification of operational structures, which removed the need for the Chief Operating Officer ("COO") role.

As we look ahead to our 2024 financial year, we are on track to return to run-rate positive Adjusted EBITDA in FY24, with net cash generation expected to follow in FY25. We remain debt-free and have a net cash position of £7.9m at year end.

We now have a strong platform to drive sustainable growth. essensys remains extremely well placed to take advantage of the increasing demand for flexible workspace, notwithstanding the drag on spend in the current environment. We continue to see opportunities to grow with flexible workspace operators and traditional landlords, as they build their presence in the flexible workspace industry.

Jon Lee
Non-Executive Chairman

30 October 2023

Strategic Report

Is this section ⟶

Strategic and operational review

2023 has been a year of continued progress for our business.

Mark Furness
Chief Executive Officer

Our strategy to target only large landlords and flexible workspace providers is continuing to drive improvements in customer mix, product adoption and revenue quality. The performance of this strategic customer cohort underpins our confidence in our long-term growth plans, with this group delivering strong SaaS metrics whilst providing significant future expansion opportunities.

Our accelerated investment into new product development over the past three years is also beginning to deliver results. 75% of all customers have now migrated onto essensys Platform and we are also nearing the full launch of our smart access solution which converges hardware and software to provide a powerful answer to the challenges of delivering access control in a flexible, hybrid world.

Hybrid work is now embedded across companies of all sizes and has led to a complete rethink of how, when and why we use offices. This is driving significant change in the real-estate industry. Companies now want flexibility, agility and access to high quality amenities and services from their landlords and workspace providers. This is resulting in a period of significant change for the real-estate industry as it evolves to meet these changing demands. Office space requirements are very different in a hybrid world and landlords are increasingly adapting their offerings to meet this need by providing access to shared spaces, better amenities and additional in-building services. This change is also resulting in a flight to quality as companies reassess their office space requirements, and whilst this may involve their need for less permanent space, it is clear that businesses want to be in premium buildings that deliver high quality employee experiences. Delivering and managing these networks of multi-tenant spaces is operationally complex and that complexity increases significantly with scale, meaning large landlords and flexible workspace providers need to leverage technology, workflow automation and digital platforms to achieve their desired outcomes. Our products have been designed and developed to help our customers manage these complex operations efficiently at scale, automating and simplifying the onboarding, off-boarding and in-life management of occupiers, spaces and services. We expect this evolution of the real-estate industry to provide our business with a significant long term growth opportunity as our customers continue to expand their flexible space offerings to meet the current and future demands of their tenants.

This year, post-pandemic disruption has given way to a period of consistent macroeconomic uncertainty with many companies facing increasing capital costs, inflationary pressures and changes in customer demand. We are not immune to these challenges and in the year, we made a number of key decisions to help our business adapt and ensure we are well placed to deliver our long-term strategy. We completed a restructure of our global operations and implemented several cost-cutting measures to accelerate our path to profitability and cash generation. Whilst these decisions were difficult and resulted in us saying goodbye to a number of talented and committed colleagues, we exit the year with our business in a stronger position and remain well placed to meet the current and future needs of our customers.

Accelerated strategy to drive near-term profit and cash generation

Whilst our long-term ambition is unchanged, we have evolved our strategy to align our cost base and investments to our current revenues and near-term customer demand. This work is largely complete and has resulted in our global headcount reducing from 184 at its peak to 122. The reorganisation accelerates our pathway to profitability and is expected to deliver £8m annualised cost savings. We remain on track to return to run-rate positive Adjusted EBITDA in FY24 and net cash generation in FY25.

Following this reorganisation our go-to-market team is now a single function, we have centralised our global operations and simplified our management structure:

- All sales and marketing activities centralised under the leadership of new Chief Revenue Officer, Daniel Brown;
- Singapore and Hong Kong offices closed with our APAC business now supported by a regional sales team based in Sydney, Australia;
- Customer operations streamlined into global functional teams, delivering an improved customer experience, better cross business alignment and lower operating costs. This change resulted in the removal of the Group COO role; and
- Removal of the three regional CEO roles in North America, APAC and UK & Europe with James Lowery (previously CEO for UK & Europe) moving into the role of Chief Customer Officer.

Market opportunity and strategic focus

We remain confident in essensys’ market opportunity, notwithstanding challenging macro conditions which has led to elongated sales cycles and capital deployment delays.

The flexible workspace industry benefits from attractive long-term structural growth drivers, defined by the shift towards hybrid working and flexible workspaces.

We have a well-established and proven plan to **Land**, **Expand** and **Grow**, focusing on high value, strategic customers in the flexible workspace market with the potential to deliver at least $1m ARR. These customers typically 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.

Strategic and operational review continued

Land

We continue to win new strategic customers globally with each presenting significant future expansion opportunities. We signed 21 new customers in FY23. These are largely strategic customers who we expect to support the expansion of our business in FY24 and beyond.

New customers this year include large US landlords and significant operators in Australia and Europe. New customers won but not yet live also include large landlords in the UK, a positive sign for that market.

Expand

Our existing customer base, particularly in the US, is indicating continued growth over the coming years as customers look to increase the amount of flexible space they operate. Our strategic customers, who are aiming to scale their flex offerings across their portfolios globally, present a large long-term growth opportunity for essensys. Leading operators and landlords such as Industrious, Hines, Carr Workplaces, JLL and Tishman Speyer will leverage essensys' software and technology to help realise their expansion aims. An example of this is demonstrated by a recent press release by essensys' customer Hines, which announced '*Hines is investing in a new digital ecosystem that makes it easier to access buildings, amenities and experiences while generating more in-depth insights about building utilization and client satisfaction'* and referenced research *'showing that a good building experience can increase tenant retention by 20% and owners seeing 12% higher tenant demand for a diverse roster of amenities, this investment makes it easier and faster for people in Hines office buildings to get the most out of their experience in one place'*

Grow

Our core product, 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. An example of the success of this is the new booking module in essensys Platform, which has resulted in increased ARR yield per site and a more powerful platform for our customer. The ability to activate additional modules and functionality at the press of a button creates upsell opportunities for the Group and supports further growth with existing and future strategic customers in a cost-effective way, which is a core element of our sustainable growth plan.

We remain engaged at senior levels with large commercial real estate organisations, both existing and prospective customers, helping them to understand how essensys products can help their transition to more flexible, digital-first real-estate offerings. Whilst most of these landlords are in the early phase of flex adoption it is these strategic customers that will continue to provide the Group with significant long-term expansion opportunities.

Strategic customers

Our customer mix continues to improve with strategic customers now representing 41% of all core platform customers and 77% of Group revenue in FY23. This customer cohort delivers strong SaaS metrics as we embed and scale with them and are very sticky with zero customer churn in the year.

Our strategic customers had 108% net revenue retention compared with 98% for the full customer base and our top tier strategics (those already representing over $1m ARR) had 118% net revenue retention. In FY23 strategic customers represented 77% of our total revenue (FY22: 72%). As a result of this focus on higher value customers, we continue to expect a higher level of churn at the smaller, non-strategic end of our customer base – particularly in the UK – which offset our overall growth during FY23. These customers have largely been single site operators that do not offer an expansion opportunity and have high service costs and we expect their numbers to continue to reduce further in the year ahead.

Momentum with strategic customers remains strong and underpins a significant pipeline of opportunities with some exciting new large landlords and flexible workspace operators at advanced stages in the sales process, particularly in the US. This has offset extensions to sales cycles and capital deployment delays due to the current macro environment.

We continue to see strong demand from strategic customers; during the year we added 65 new sites with existing and new customers and entered FY24 with a healthy contracted pipeline of 35 sites representing £1.1m annual recurring revenue, the majority with strategic customers. Total active sites increased by 8 on FY22 closing at 466 (FY22: 458; H123 459).

Product development

essensys Platform

Our targeted investment in our products continues, primarily through the evolution of essensys Platform. The focus of our development efforts is tightly tied to the requirements of strategic customers, ensuring that our solutions solve the specific needs of large-scale landlords and flex operators. This year we have enhanced its core functionality and added new capability that is designed to embed essensys Platform further into the spaces, as we seek to help landlords connect their existing tenants digitally to the amenities and communal spaces in their buildings. We see this trend continuing as enterprises of all size adopt hybrid models and landlords respond by providing access to a wide variety of digitally connected spaces across their portfolios. 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. Strategic customers have continued to move to essensys Platform in the 2023 financial year, which presents a long-term opportunity for margin and revenue growth through greater automation and greater access to in-building services and amenities.

essensys Cloud

Last year we announced a decoupling of our global private network (essensys Cloud) from essensys Platform, which reduces our requirement for future data centre expansion and removes the requirement for essensys Platform and essensys Cloud to be bundled together, which in turn lowers barriers to entry for our customers, for example where they can use existing telecoms solutions. We expect this to deliver improvement in gross margins over time as the lower margin network element of our product suite becomes a lower proportion of overall revenues.

As a standalone product we have also been able to develop new functionality for essensys Cloud which we will be launching in the coming months. We expect to increase the value of this product to customers in future.

Our new dynamic access control solution

We're excited by the progress we've made with our dynamic access control hardware and software. Leveraging the ubiquity of smartphone wallets to create a seamless book-pay-access experience for occupiers, the solution converges access control, space booking and an IoT (Internet of Things) sensor gateway providing a powerful answer to the problem of managing real-time access and control of space in today's dynamic and hybrid world. We reached another major milestone in the development process recently when we received the final CE and FCC certification of the hardware components and as such, we now anticipate launch of this exciting new product before the end of the year.

Operate

Operate remains an important product for several of our strategic customers. Its core functionality helps customers to manage contracts, billing and customer invoices and now benefits from a new integration to essensys Platform.

Regional performance

US

We continue to see strong performance in North America, where total revenue increased by 20% and recurring revenue by 15%. The US continues to be our primary growth market providing a significant long-term opportunity and accounted for 62% of Group revenues in the year. We have a high-quality sales pipeline with new and existing strategic customers and many of these also provide further international expansion opportunities. We added 8 new strategic customers with further expansion potential.

Key customers continue to set out their near-term expansion plans, providing visibility of expected future site growth. Evidence of the structural shift to a more flexible way of working continues to grow with an increasing number of landlords using essensys to deliver flexible real estate solutions as they continue to repurpose traditional office space assets. Those engagements involve a number of recognisable global real estate operators which each individually provide the opportunity for significant long term account growth.

Some customers continue to optimise their portfolios. We believe this optimisation is necessary and will serve to strengthen our customers businesses and our relationship with them and so will continue to provide this flexibility for our largest partners.

UK & Europe

The strong US performance offset a continued decline in the UK which was largely driven by expected churn from our smaller, legacy customers, with 12 customers positioned at the low-value end of the customer base leaving during the period. UK and Europe revenues declined by 11%, with growth in Europe offset by the UK performance. This forms part of our planned and long-term focus on strategic customers with our value proposition as we align our product development efforts to the needs of large landlords and real estate operators.

Activity levels continue to be subdued in the UK and Europe, reflecting the challenging macro backdrop. Despite this, we saw positive activity, including a return to growth in new sites from one of our largest customers with 8 sites signed in Q4 FY23, of which 7 have already gone live. During the year we also upsold an existing large (27 site) Operate customer in France onto the essensys Platform with an initial pilot of 1 site already live and a second due to go live during the first half of FY24. We also expanded into Europe with one of our large US customers with 2 sites live and, since the year end, we have signed further new sites with the same customer, including our first sites in Belgium and the Netherlands. We also added our first 4 sites in Ireland in FY23.

As previously announced as expected, the UK experienced a higher level of site closures with the increased churn of our smaller non-strategic customers. We also saw continued site rationalisation with some large UK customers as they have exercised their option to close sites within their current contract. This contract mechanic allows them to close an agreed number of sites within the contract period and is primarily used if the customer is exiting that location.

APAC

We onboarded 9 new sites with new and existing strategic customers in Australia and Singapore in FY23, with additional sites due to go live over the coming quarter. Our recent reorganisation will see our APAC team primarily focused on sales and customer success with all associated operational support provided centrally from the Group. Our pipeline in the region remains strong and we have signed the first 5 sites with a multi-site operator that we believe will be a key strategic customer for APAC and serve as an eye-catching case study.

Current trading and outlook

Following our reorganisation, we have a strong operational base to capture demand for flexible workspace and drive profitable long-term growth. We continue to see evidence of structural growth drivers in our market, even in a challenging macro backdrop characterised by delays to sales cycles and capital deployment decisions. Our sales pipeline is growing, underlying customer occupancy appears to be stabilising and both our operator and landlord customers are reporting increased occupier demand for premium flexible space solutions. This is reflected in positive engagement with our large customers about the ability of our products to support their expansion plans. We entered FY24 with contracted new ARR of £1.1m and have continued to sign new deals through the first quarter of FY24.

essensys creates seamless in-building experiences for flexible operations by removing complexity and reducing costs through automation and simplification. With 30% of all office space expected to be flexible by 2030, compared to less than 2% today, the market opportunity remains sizeable. As we look ahead to our 2024 financial year, we are on track to return to run-rate positive Adjusted EBITDA in FY24, with net cash generation expected to follow in FY25. We remain debt-free and have a net cash position of £7.9m at year end.

essensys enters FY24 as a leaner, more efficient business and our momentum with strategic customers and new product developments supports our confidence of further progress in the year ahead.

Mark Furness
Chief Executive Officer
30 October 2023

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, considering 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. Following the appointment of a Chief People Officer in FY22, the Group has made good progress in regular communications and engagement with employees.

Annual appraisals are undertaken for all employees 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, including 'pulse' surveys and dialogue with people managers.

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. During FY23 the Group carried out an external review of all salary and job grades across the business which resulted in a number of salary increases to achieve alignment with market benchmarking.

A key focus in FY23 was wellbeing and mental health. A Wellbeing Month and a Wellness Day were launched in December 2022 and May 2023, respectively.

The Group operates a share option scheme for employees, the details of which can be found at note 28 to the financial statements. Following a review of incentives, the Group broadened the planned application of that share incentive plan in FY22 implemented this in FY23 with the award of share options to key talent and to encourage employee retention.

The Group updates employees regarding business activities on a regular basis, including newsletters, monthly 'town hall' updates and 'essensys engaged', a regular series of interviews and discussion panels on relevant topics, with a key focus on diversity and inclusion. A monthly product update was introduced, giving employees opportunities to increase their technical knowledge of the Group's products. A full company meeting was held during each key phase of the global reorganisation which took place during the second half of FY23, followed by an open-door policy for questions to the executive management team.

As part of its corporate and social responsibility programme, employees were given the opportunity to work with the community on education and homelessness charitable projects during FY23.

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 9 and 10 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 several 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 and assisting in its product development activities.

Amounts outstanding to suppliers are shown at note 23 to the financial statements.

Section 172 Statement continued

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 and announcement of results in August 2022, October 2022, December 2022, February 2023 and March 2023.

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 various other times of the year. Senior management also provide 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 7 December 2023.

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.

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. During FY23, a number of the Group's customers migrated onto the essensys Platform, which involved regular communication and feedback to ensure a smooth transition. Customers have constant access to training and support through the Group's learning management system.

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. The Group also engages a third party SOC2 audit each year.

When negotiating these contracts, where commercially appropriate, the Group considers customers' views and opinions and is open to communication with strategic customers about its financial performance. All customers can access relevant financial performance information on the Group's website.

Financial Key Performance Indicators

£'m unless otherwise stated	2023	2022	Change
Group Total Revenue	**25.3**	23.3	9%
North America	**15.8**	13.2	20%
UK & Europe	**8.7**	9.8	-11%
APAC	**0.8**	0.3	207%
Recurring Revenue	**20.9**	20.1	4%
North America	**12.6**	11.0	15%
UK & Europe	**7.8**	9.0	-13%
APAC	**0.5**	0.1	400%
Recurring Revenue %age of Total	**83%**	86%	-3ppt
Run Rate Annual Recurring Revenue	**20.0**	21.9	-9%
Non-recurring revenue	**4.4**	3.2	38%
Gross Profit	**14.9**	14.1	6%
Gross Profit percentage	**59%**	61%	-2ppt
Recurring Revenue margin %age	**63%**	64%	-1ppt
Statutory loss before tax	**(15.5)**	(11.1)	-40%
Adjusted EBITDA	**(6.3)**	(7.0)	10%
Adjusted EBITDA margin	**(25)%**	(30)%	5ppt
Exceptional restructuring costs	**(2.6)**	-	
Net Cash	**7.9**	24.1	

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 2023. The comparatives for the previous 12 months were for the Group's consolidated activities for the 12 months ended 31 July 2022.

Revenue

Group total revenue increased by 9% to £25.3m in the year. As outlined in the strategic and operational review, we continued to see growth in the US, driven by new site activity and our relationships with large strategic customers, offset by a decline in the UK primarily due to the expected churn in smaller single site customers and a reduction in usage revenue. The strengthening of the US Dollar in the first half of the year was a benefit to reported revenue in the year. This trend reversed during the second half of the year as the US Dollar weakened. The movement in foreign exchange rates in the full year had a net positive impact on reported revenue of £1.3m (FY22: £0.5m). APAC continued to grow revenues in its first full year of operations through new and existing customer relationships.

Recurring revenue comprises income invoiced for services that are repeatable and are consumed and delivered monthly over the term of a customer contract, including a fixed contracted fee and a variable usage-based fee. Recurring revenue increased by 4% in the year which reflected the benefit of the stronger US dollar during the year; at constant currency recurring revenue declined by 1%. The Group continued to experience portfolio rebalancing by large customers and churn of smaller customers, which partially offset the growth from new sites in the year. The Group also saw a continuing and expected decline in its traditional occupancy-based revenue, primarily relating to voice services, given the lower usage of desktop phones and bandwidth charges as more bandwidth is included in contracted fees.

Run Rate Annual Recurring Revenue (Run Rate ARR) is an annualisation of the underlying recurring revenue for the month identified (July 2023 and 2022, as appropriate) and is used as an indication of the annual value of the recurring revenue for that month. Run Rate ARR declined by 9% to £20.0m (from £21.9m in FY22). The weakening of the US dollar between July 2022 and July 2023 had a £0.8m impact on ARR and this, together with a decline in usage-based revenue, more than offset the net positive impact from new customer sites and new sites with existing customers.

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 and is a positive indicator for future recurring revenue for new sites. The 38% increase in non-recurring revenue in FY23 represented increased new site activity with new and existing customers, particularly in the US.

Gross profit

Overall gross profit increased by 6% to £14.9m, reflecting increased revenue. Gross margin declined to 59% (2021: 61%) and recurring revenue margins decreased to 63% (2021: 64%) reflecting the higher proportion of revenue from the US, the decline in the traditionally higher margin UK revenue, the overall decline in higher margin usage-based revenue and an increase in recurring costs due to the full year run rate of the operational running costs for APAC data centres.

Administrative expenses

Total administrative expenses increased by £5.3m in FY23. This increase was primarily due to a £2.6m one-off cost to achieve the Group reorganisation and a £2.8m increase in depreciation, amortisation and impairment explained below. Excluding these amounts and the non-cash charge for share options, administrative expenses were flat in the year, as the benefit of the global reorganisation in the second half of the year offset much of the impact of the higher run rate cost in the first half and the higher overall bad debt charge in the year.

Underlying staff-related costs increased by £0.5m with the final element of the Group reorganisation taking place at the end of the year which reduces the run rate going into the new financial year. Bad debt expense, net of the movement in the expected credit loss provision, increased by £0.6m, largely reflecting the impact of smaller customers going into administration or walking away from contracts following the Covid-19 pandemic which meant that despite ongoing efforts during the year, debts were not able to be recovered. Reductions in marketing and travel costs offset these increases during the year.

The Group reorganisation, which commenced in January 2023 as part of the strategy to return the Group to profitability and cash generation, was achieved at a cost of £2.6m, recognised as an exceptional cost in the year. The cost of reorganisation related primarily to termination payments to impacted employees and included a reduction in the executive team with the removal of regional CEO and Group COO roles and a reduction in all functional teams through centralising and simplifying operations to create more efficient ways of working. This reorganisation removed £8 million of annualised run rate cost from the business.

Depreciation increased by £0.9m in the year, reflecting the FY22 investment in data centre equipment and lease property, and amortisation increased by £1.2m, reflecting the increased size of the development team in FY22 and accelerated amortisation of part of the Connect platform because the migration of customers to essensys Platform is at an advanced stage. The Group incurred impairment charges of £0.8m in relation to its Operate platform and of its assets in the APAC region as part of the restructuring in the year. As previously reported, the Operate platform is not currently being sold to any new customers and therefore the annual impairment review considers the future benefit of the goodwill and remaining net book value of the capitalised software development for this platform. The Connect platform has evolved into the essensys Platform and while the core functionality remains consistent across both platforms, the impairment reflects the fact that new customers and sites will not be using Connect to generate future revenues and all existing customers are expected to have migrated to the essensys Platform by the end of FY24.

Statutory loss for the year

The Group made a loss before tax for the year of £15.5m (FY22: loss of £11.1m). The year-on-year increased loss is primarily driven by the one-off cost of the group reorganisation and higher level of impairment charges due to the changes in the key platforms.

£'m	2023	2022
Turnover	**25.3**	23.3
Cost of sales	**(10.4)**	(9.2)
Gross profit	**14.9**	14.1
Administrative expenses	**(26.8)**	(24.7)
Bad debt expense net of provision	**(1.0)**	(0.4)
Cost of Group reorganisation	**(2.6)**	-
Operating loss	**(15.5)**	(11.0)
Net interest receivable/(payable)	**-**	(0.1)
Loss before taxation	**(15.5)**	(11.1)

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 8 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 restructuring costs and non-cash impairment and share based payment) is calculated as follows:

£'m	2023	2022
Operating loss	**(15.5)**	(11.0)
Add back:		
Depreciation & amortisation	**5.2**	3.1
Impairment charge	**0.8**	0.1
EBITDA	**(9.5)**	(7.8)
Add back:		
Exceptional reorganisation costs	**2.6**	-
Share based payment expense	**0.6**	0.8
Adjusted EBITDA	**(6.3)**	(7.0)

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

Taxation

The Group incurred a tax charge in the year of £245,000 (FY22: tax credit £286,000). This was made up of foreign tax on income for the year.

Cash

Net cash at year end was £7.9m (FY22: £24.1m) and the Group remains debt-free. The most significant cash outflow during the year continued to be on the Group's personnel with the first half of FY23 seeing a normalised run rate from the investment in product and go-to-market capability during FY22. The Group also made payments for the inventory build which occurred in FY22 to provide certainty of supply and made the final payments on its data centre equipment in the APAC region. Net cash flow reduced each quarter from an outflow of £7.4m during the first quarter to an outflow of £1.5m in the final quarter. The final stage of the Group reorganisation took place after the year end and reduces run rate cost further from Q1 FY24. The Group's current cash reserves provide sufficient capital for the foreseeable future.

On 30 October 2023, the Group entered into an unsecured loan facility with Mark Furness, the Group's Chief Executive Officer and largest shareholder which provides the Group with up to £2 million of additional funding in the event that it is required, available for drawdown until 31 July 2025. Interest is charged at base rate plus 500bps p.a. on any amounts drawn under the facility. There has been no drawdown on this facility and none is expected.

Entry into the facility with a director and substantial shareholder in the Company constitutes a related party transaction under the AIM Rules for Companies. The independent directors of the Company (with the exception of Mark Furness who is involved in the transaction as a related party), consider having consulted with Singer Capital Markets Advisory LLP, the Company's nominated adviser, that entry into the facility is fair and reasonable insofar as shareholders are concerned.

Capital Expenditure

During the year the Group incurred capital expenditure of £0.6m which, as noted above, primarily comprised the final payments in relation to its data centre infrastructure in the APAC region which had commenced during FY22.

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 the essensys Platform which brings together the existing functionality of its Connect platform with new functionality. Customers continued to be migrated onto the essensys Platform through FY23. 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 £3.8m in respect of software development (FY22: £4.1m).

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 2023 and does not anticipate recommending a dividend within the next year but may do so in future years.

Sarah Harvey
Chief Financial Officer
30 October 2023

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 management framework of the Group has continued to evolve in FY23 as we develop an effective and embedded risk management culture and bring risk management processes in-house rather than relying on external support. The authority for delivering the risk management framework was delegated from the Board to the Audit Committee during the year to allow consideration of risks at a more granular level and the CFO is the executive responsible for overseeing the risk management framework. The Group has a risk management committee which reports to the executive management team before review by Audit Committee. This ensures accountability for risk is embedded into each functional area of the Group. The risk assessment matrix below sets out and categorises key risks and outlines the controls that are in place. The Board recognises that 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 and in turn on their growth. 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 has a robust account management process that ensures we understand the evolving needs of our strategic customers, maintain broad and senior level contacts, undertake regular business reviews to ensure alignment, and ensure early and focused engagement on the renewal (and growth) of accounts. The continued focus on strategic customers means that, although this risk will always be present, the broadening of our strategic customer base and maturity of our key relationships means that there will be less concentration on a small number of key customers over time.
Volatility or slowdown in the flexible workspace and corporate real estate markets	The Group remains focused on providing mission critical software to the flexible workspace segment of the corporate real estate market. 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.	Ways of working continue to evolve post-pandemic, but there are clear indicators that the office will continue to play a critical role in the knowledge worker sector, with many large institutions enforcing a return to office work in some form. These evolving ways of working, alongside continued macroeconomic uncertainty, are driving increased demand to the flexible workspace sector. The flight to quality also continues, with a bifurcation in the office market between the 'best and the rest'. Our focus on high quality multisite flexible workspaces owners and operators positions us well. We see an increasing number of leading landlords deliver high quality, connected, flexible space to capitalise on these trends, and a continued expansion of established, high-quality operators.

Principal Risks & Uncertainties continued

Risk & uncertainty	Potential Impact	Mitigation
Reliance on key individuals and management capacity	The Group's business, development and prospects have historically been dependent on a small number of key management personnel and the Group requires highly skilled employees to carry out its business and enable it to achieve its growth targets. 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.	The Directors believe the Group operates a progressive and competitive remuneration policy including the issue of share options which will play an important part in retaining and attracting key management personnel. The Group also undertook a reward benchmarking exercise during FY23 which resulted in upward adjustments to certain individuals' remuneration in addition to the annual pay review. During FY23 the Group announced a global reorganisation as part of its acceleration of return to profitability and cash generation. As part of that reorganisation the regional structure was changed to a centralised functional structure to create efficient and effective ways of working. This change also improved communication across the Group which mitigates the risk of reliance on key individuals. Changes within the employee base during FY23 also enabled more individuals to become familiar with areas such as product and development. Work continues to mitigate this risk throughout the business following the final stage of the global reorganisation, completed shortly after the FY23 year end.
Technical robustness and security of the Group's software platforms and private networks	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.
Digital Infrastructure and Cyber Security	A Malware or Ransomware attack on a vulnerable component of our infrastructure or applications could enable a 3rd party to access and potentially control access to our core infrastructure and deny our ability to provide service to our customers resulting in consequential adverse impact on the Group's reputation and business.	As noted above regarding technology, infrastructure and software processes, 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. For the most recent test, across both external and internal assessment scopes, the tester awarded an 'Excellent' grade and remarked that "essensys' infrastructure security exceeds Industry Best Practice".

Principal Risks & Uncertainties continued

Risk & uncertainty	Potential Impact	Mitigation
Inflationary and Exchange Rate Pressures	The Group has substantial operations in the USA. Profits are therefore exposed to variations in exchange rates thereby impacting reported profits. 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 relies on a partial natural hedge of GBP and USD costs and revenues being primarily in the same currency because the cost of sale of a relevant contract is generally in the local currency of the region the contract is sold in. The Group continues to review and consider its long-term strategy for the management of its foreign exchange exposure. The Group's cost of sales are generally fixed at the start of a relevant customer contract, normally for a 3 year term. Sales prices will therefore be increased at renewal dates in the event that there is any increase to the Group's costs at the time of recontracting; however, the Group includes a clause for annual inflationary increases in contracts as part of its standard terms and conditions to provide flexibility during a customer contract. The Group's largest overhead cost relates to its people. In the second half of FY23, the Group undertook a significant reorganisation of its workforce to centralise support functions and remove the regional management overhead. Significant reductions were also made in the development team following substantive completion of the codebase for the essensys Platform.
Technological Advances and Competition	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.	The Directors believe that significant barriers to entry exist in the markets in which the Group operates, particularly in relation to its core Platform product. 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 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. Following the launch and successful rollout 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.
Product Development (New Product and Proposition Launch)	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. Over FY23 the Group undertook prioritisation exercises to reflect internal or external changes which impacted the product roadmap. This included prioritisation of customers for migration to the essensys Platform and prioritisation of functionality to reflect feedback from our employees and customers. Clear timelines for development are communicated within the business, including any changes and reasons for those changes. 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

Principal Risks & Uncertainties continued

Risk & uncertainty	Potential Impact	Mitigation
Liquidity and going concern	The Group has experienced a decline in share price and has been consuming cash over recent years. In the event that the Group needed to raise additional funds it could be expensive or dilutive (in the case of equity).	essensys ensures sufficient liquidity is available to meet foreseeable needs. Customer contracts for the essensys Platform are generally for a 3-year term, which provides certainty of contracted future cash flows and the ability to take early action if necessary. Further to this and as described above, the Group undertook a global reorganisation during FY23 to return the business to profitability and cash generation. The lower headcount and operating cost base are designed to enable the Group to have sufficient liquidity to cover its cash needs for the foreseeable future and the Group has additional headroom through a £2m facility entered into since the year end. A detailed cashflow is produced and the Board reviews cash reports every month to ensure there is sufficient cash to continue to invest in the essensys Platform and future developments to meet the requirements of current and future essensys customers.
Legal and regulatory breach	The Group operates in the US, UK, Europe and Asia in regulated telecommunications markets. The Group also processes personal data as part of its business. A data breach, failure to comply with legislation or being able to respond to requests made under such legislation could result in reputational damage and potential financial liabilities.	The Group engages a specialist communications consultancy to advise on telecommunication regulations and obligations and to assist with compliance and registration in each market in which the group operates. 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 engages a third-party data protection advisor who acts as an outsourced Data Protection Officer to ensure independence while it continues to build its in-house experience. The Group regularly reviews its processes and procedures with respect to data protection, particularly as it expands internationally.

Approval

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

Mark Furness
Chief Executive Officer

30 October 2023

Corporate Governance Report

Is this section ⟶

Board of Directors

Jon Lee
Independent Non-Executive Chairman
Aged 58

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 49

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.

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.

Charles Butler
Independent Non-Executive Director
Aged 50

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.

Board of Directors continued

Elizabeth Sandler

Independent Non-Executive Director

Aged 52

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 40

Alex joined the Board in January 2020. She is an internationally recognised expert on housing, placemaking and ESG, with 18 years' strategic advisory and investment experience across four continents. Since 2016 she has been a Director at Thriving Investments (formerly 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 companies with c.£5.4bn of fixed assets and c.£850m turnover in 2023. Alexandra is an Independent Commissioner of the UK Geospatial Commission, where she chairs the Property workstream and the National Land Use Data Programme and member of the UK government's PropTech Steering Board.

Board and committee meeting attendance

During the financial year there were 13 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. During the reporting period, on three occasions the board delegated authority to a subcommittee of the Board to approve specific matters.

Board	Board	Audit Committee	Remuneration Committee
Jon Lee	13/13	5/5	4/4
Mark Furness	13/13	-	
Sarah Harvey	13/13	-	-
Alan Pepper[1]	7/13	-	-
Charles Butler	13/13	5/5	-
Elizabeth Sandler	13/13	-	4/4
Alex Notay[2]	13/13	5/5	3/4

[1] Alan Pepper resigned as a director on 28 February 2023. He attended all Board meetings prior to his resignation.

[2] Alex Notay was on maternity leave during part of the year

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 2023. An indication of likely future developments in the business and any research and development activities are set out in the Strategic Report.

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
- Jon Lee
- Alex Notay
- Alan Pepper (resigned 28 February 2023)
- 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 £15.7m (FY22: loss of £10.8m).

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 58 to 98 have been prepared on the going concern basis. Following the share placing on 27 July 2021 which raised £31.8m (after costs), the Group global reorganisation activity during FY23 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 2023. 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

The final stage of the Group's global reorganisation was completed following the year end, which involved 33 employees leaving the business and a cash payment of £1m (the full cost of the reorganisation having been recognised in FY23). The Group also entered into a financing facility and two of the dormant subsidiaries were dissolved. Further detail is provided in note 31 to the Consolidated Financial Statements.

Political and charitable donations

The Company made no political or charitable donations during the year (FY22: 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 2023 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	30.47
Jon Lee	128,635	0.20
Sarah Harvey	19,101	0.03
Alexandra Notay	2,632	0.00
Elizabeth Sandler	19,933	0.03

Substantial shareholders

As at 31 July 2023 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:

	As at 31 July 2023		As at the date of this report	
Name	Number of ordinary shares	Percentage of ordinary shares (%)	Number of ordinary shares	Percentage of ordinary shares (%)
Mark Furness	19,700,000	30.47	19,700,000	30.47
Canaccord Genuity Group Inc	8,606,860	13.31	8,556,860	13.23
Amati Global Investors Limited	4,002,000	6.19	3,945,743	6.10
Schroders plc	3,977,892	6.15	3,977,892	6.15
Liontrust Asset Management	2,330,749	3.61	2,330,749	3.60
GPIM	2,043,249	3.16	2,196,409	3.40
Mr William Currie	2,001,891	3.10	2,001,891	3.10

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 17.

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 7 December 2023.

Annual General Meeting

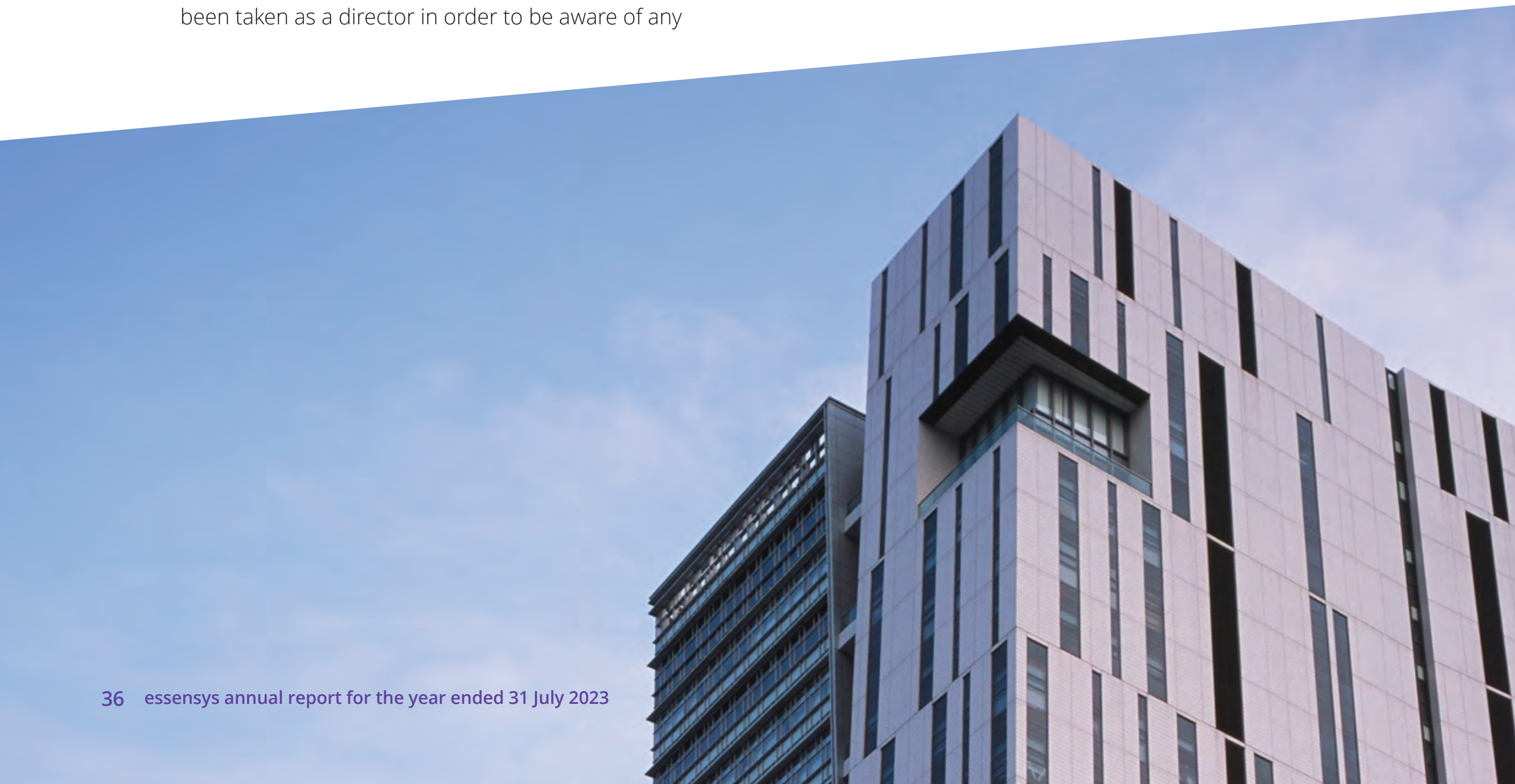
The Annual General Meeting of the Company will be held on Thursday 7 December 2023 at the Company's registered office. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts. Shareholders wishing to cast their vote are advised to submit 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

30 October 2023



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 2023.

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 7 December 2023. 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 2022 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 implemented new risk management review processes, supported by the Audit Committee and, in the first half of FY23, by RSM Risk Assurance Services LLP ("RSM") external risk management specialists who had supported the implementation of the risk management framework during FY22.

Under its risk management framework, the Board has carried out an 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. The Group engages internal audit review services from RSM, whose work is governed by a formal Internal Audit Charter supported by a three-year strategic internal audit plan. During the second half of FY23 the Audit Committee concluded that a period of progressing internal controls recommendations proposed by the External Auditor and reviewing the assurance steps underpinning these controls was appropriate before beginning a new internal audit cycle. 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 two Executive and four Non-Executive Directors. Jon Lee is the Company's independent Non-Executive Chairman and there are three other independent Non-Executive Directors, namely Charles Butler, Elizabeth Sandler and Alexandra Notay. Mark Furness (Chief Executive Officer) and Sarah Harvey (Chief Financial Officer) are the Company's Executive Directors. The Executive Directors work full time for the business.

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

The Board 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 2023, thirteen Board meetings took place, which were attended by all Directors appointed at the time of each meeting. Five Audit Committee meetings took place during the period, attended by all appointed Committee members. There were four Remuneration Committee meetings during the period, of which two were attended by all appointed Committee members and one was attended by two of the Committee members due to the third member being on maternity leave.

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 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 32.

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 took external advice from RSM Risk Assurance Services LLP 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 engages with various employee groups such as line managers. Feedback from employee surveys and other employee engagement activities are reported to the Board on an ad hoc basis.

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 CFO. 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 has 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' 2022 AGM, all resolutions were passed with over 90% support for each resolution. 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. Alexandra Notay and I are the other members of the Committee. 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 Alexandra Notay and I are the other members of the Committee. 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

30 October 2023

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 2023, 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 FY22 and FY23 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 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 auditor's 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 risk management framework throughout the group, resulting in new internal processes for risk management following the external support to create a risk management framework by RSM Risk Assurance Services LLP ("RSM") during FY22 and the first part of FY23. This has resulted in improved Board reporting on risk management.

During the first half of the year the Committee continued to instruct RSM to undertake internal audit review services on its behalf following a project which started in FY22 to consider specific areas. Several improvements to the Group's financial control environment have been substantially implemented and the Committee deemed it appropriate to focus on continuing implementation of the remaining identified improvements during the second half of the year rather than commencing new internal reviews. The Committee takes a risk-based approach to internal audit and expects to recommence work with RSM on further new internal audit cycles once processes have been fully implemented.

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;
- assess the effectiveness of the risk management framework; and
- review and authorise non-audit services to be tendered to 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 November 2022, 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 engagement with the external auditor, understanding of the risks of the Group's business and helpful and constructive feedback to the Group's executive directors.

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 FY24 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
30 October 2023

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 2023, 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 2023.

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 four 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 2023

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

- Approval of the remuneration arrangements for the appointment of the new Group Chief Revenue Officer.
- Approval of the termination arrangements for the Group COO and two regional CEOs as part of the Group reorganisation described in the Strategic Report on pages 12 to 17.

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 moved 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 Committee concluded that there should be no increase in remuneration for the members of the Executive Directors during FY23.

The Board collectively decides the remuneration of the Chairman and Non-Executive Directors, mindful of the time commitment and responsibilities of our roles and of current market rates for comparable organisations and appointments. The Non-executive director fees for the year commencing 1 August 2023 are set out below.

Following the remuneration review noted above base salaries and fees for directors effective from 1 August 2023 are as follows:

Name	Salaries / fees from 1 August 2023 £'000	Salaries / fees from 1 August 2022 £'000
Mark Furness	**253**	253
Sarah Harvey	**220**	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 2023, as a result of the Group not achieving its revenue targets or progressing its strategic objectives to target levels, no bonuses are payable to the Executive Directors or the Group's senior management. The Committee continues to set stretching targets in order to focus the executive management on business growth.

The existing bonus framework will continue through FY24. 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.

The Committee determined in 2021 that there should be an annual grant LTIP policy in respect of the Executive Directors and the Group's senior management with the intention that there would be annual grants to the CEO and CFO of 150% and 125% of salary respectively. In light of the significant changes to the Group's share price performance in FY22 the Committee determined in September 2022 that a grant of awards would be made but at a lower percentage of salary.

In September 2022 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 waived his entitlement to the performance share option grant in September 2022.

Considering the share price performance in FY23 the Committee determined in June 2023 that the principle of an annual grant should be maintained but removed the percentage of salary grant basis of calculation to allow flexibility.

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
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' 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.

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 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.

Further details of employee share schemes are set out in note 28 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. 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 2023 was as follows:

Name	Base Salary and Fees £'000	Compensation for loss of office £'000	Benefits £'000	Bonuses £'000	Pension £'000	2023 Total £'000	2022 Total £'000
Mark Furness	253	-	4	–	25	**282**	281
Sarah Harvey	220	-	5	–	22	**247**	52
Alan Pepper[1]	144	316	3	–	14	**477**	301
Jon Lee	80	-	-	–	-	**80**	80
Charles Butler	55	-	-	–	-	**55**	55
Elizabeth Sandler	55	-	-	–	-	**55**	55
Alexandra Notay	50	-	-	–	-	**50**	50
TOTAL	857	316	12	–	61	**1,246**	874

[1] Alan Pepper's remuneration is included for his period as an Executive Director until 28 February 2023.

Committee Effectiveness

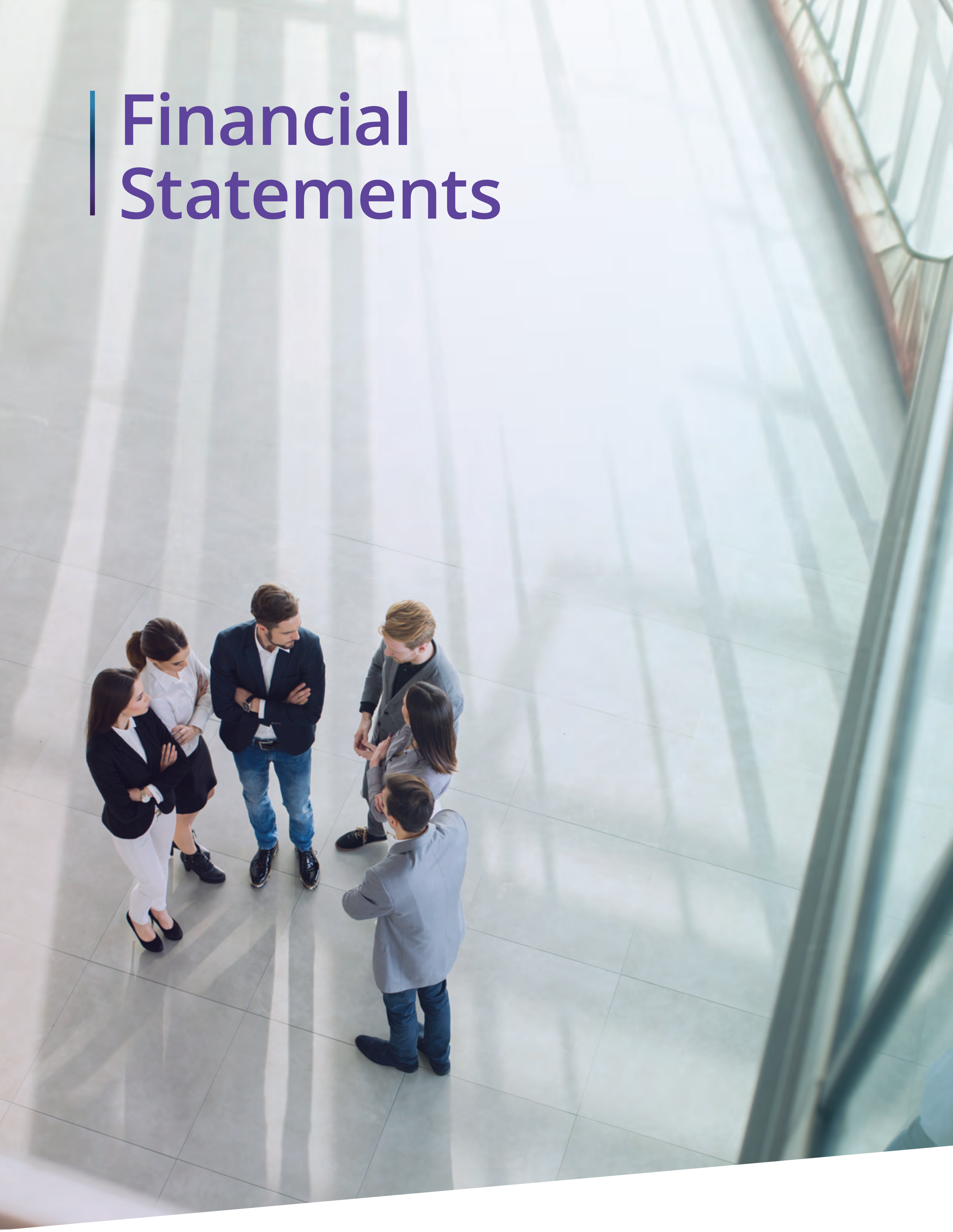
The Committee performed a self-assessment of its effectiveness during November 2022. The assessment findings were reviewed during the year with no significant actions required.

Elizabeth Sandler

Chair of the Remuneration Committee

30 October 2023

Financial Statements



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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 2023 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;
- the Parent Company 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; 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 2023 which comprise the consolidated statement of comprehensive loss, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and the 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 is set out in the key audit matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group 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	*93% (2022: 99%) of Group loss before tax* *92% (2022: 100%) of Group revenue* *93% (2022: 99%) of Group total assets*		
Key audit matters		**2023**	**2022**
	Revenue recognition	✔	✔
	Capitalisation of development costs	✔	✔
	Going concern	✔	✗
Materiality	*Group financial statements as a whole* £504k (2022: £465k) based on 2% (2022: 2%) 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 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 audit team over non-significant components with specific detailed testing performed over administrative expenses, including impairment charges 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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition
Revenue is disclosed in Note 6 of the consolidated financial statements and the relevant accounting policies in Note 4.</td><td>The Group has reported revenues of £25.3m (2022: £23.3m) with deferred revenue at 31 July 2023 of £0.6m (2022: £0.8m).
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:
• Point in time revenue (setup and installation) and over time fixed revenue recognised for new sites which went live in the final three months of the financial year;
• the accuracy of "go live" dates for setup, installation and fixed revenue streams as the point of recognition for setup and installation revenue and starting point of over-time revenue recognition. This includes the completeness of deferred revenue relating to sites which have not gone live as at the balance sheet date; and
• revenue journal postings.</td><td>For each material revenue stream, we considered management's processes for determining revenue to be recognised and assessed whether revenue was recognised 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 included:
• For a sample of customer sites, including new sites, we tested fixed revenue transactions in the year, agreeing the revenue recognised to signed customer contracts, including any contract modifications.
• In our testing of fixed 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 fixed, installation and setup 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.
• We selected a sample of sites that had gone live post year end and agreed invoices raised for them to check that, where invoices had been raised pre-year end, the related contract revenue had been correctly deferred at year end.
• We 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.</td></tr>
</table>

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 15 of the consolidated financial statements and the relevant accounting policies in Notes 4 and 5..*	The Group capitalised internal labour costs in respect of development projects amounting to £3.6m (2022: £4.1m). 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. The future forecasts used in the assessments were agreed to the forecast information used in the Directors' 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 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 are appropriately accounted for.

Key audit matter		How the scope of our audit addressed the key audit matter
Going concern *Disclosures relating to going concern are included in Note 3 of the consolidated financial statements*	The Group's consolidated financial statements have been prepared on a going concern basis. The Group is loss making and in previous years has raised capital to fund costs, investment in software development and group expansion. In the year to 31 July 2023, the Group made a loss before tax of £15.5m (2022: loss of £11.1m) and used cash of £16.0m (2022 £13.4m). The going concern assumption has been included as a key audit matter as the group relies on existing cash reserves and revenue growth generating sufficient cashflows to cover forecast expenditure.	Our audit procedures 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 downside scenario analysis prepared by the Directors to see what circumstances would cause the Group to run out of cash and considering the probability of this along with considering the reasonableness of assumed mitigating actions the Group would put into place in the event of a downside. We assessed this also 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. • Reviewing the supporting documentation and agreements in place for the legally binding £2m unsecured loan facility that the Group entered into with the Group's Chief Executive Officer and largest shareholder after the year end. We assessed the adequacy of this facility to provide additional headroom in the Group's going concern assessment. • Considering the appropriateness of the related disclosures by comparing them with the key assumptions and sensitivities considered by the Directors in their forecasts. **Key observations** Our key observations are set out in the Conclusions relating to going concern section of our report.

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	
	2023	2022	2023	2022
Materiality	£504k	£465k	£378k	£325k
Basis for determining materiality	2% of revenue	2% of revenue	75% 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	£325k 70% of Group materiality	£264k 70% of Parent materiality	£277k 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

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 36% and 75% (2022: 45% and 70%) of materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £179k to £378k (2022: £211k to £325k). In the audit of each component, we further applied performance materiality levels of 70% (2022: 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 £25k (2022: £23k). 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, those responsible for legal and compliance procedures, the Audit Committee and those charged with governance; and

- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations, we considered the significant laws and regulations to be UK adopted international accounting standards, the Companies Act 2006, UK tax legislation, US tax legislations and AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law and the health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry of management, the Audit Committee and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - o Detecting and responding to the risks of fraud; and
  - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, capitalisation of internal development costs and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in the capitalisation of internal development costs as set out in the key audit matters section of our report; and
- Audit procedures in response to the risk of fraud in revenue recognition as outlined in the key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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

30 October 2023

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 2023

	Notes	2023 £000	2022 £000
Turnover	6	**25,254**	23,298
Cost of sales		**(10,347)**	(9,190)
GROSS PROFIT		**14,907**	14,108
Administrative expenses		**(26,176)**	(23, 976)
Expected credit loss provision		**(1,037)**	(423)
Share based payment expense		**(597)**	(741)
Restructuring expenses	7	**(2,610)**	-
OPERATING LOSS	8	**(15,513)**	(11,032)
Interest receivable and similar income	11	**216**	94
Interest payable and similar charges	12	**(164)**	(147)
LOSS BEFORE TAXATION		**(15,461)**	(11,085)
Taxation	13	**(245)**	286
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(15,706)**	(10,799)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(246)**	583
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(246)**	583
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(15,952)**	(10,216)
Basic and Diluted loss per share	14	**(24.4p)**	(16.8p)

The notes on pages 62 to 92 form part of these financial statements.

Consolidated Statement of Financial Position

Registered Number: 11780413

as at 31 July 2023

	Notes	2023 £000	2022 £000
ASSETS			
Non-current assets			
Intangible assets	15	**10,059**	8,922
Property, plant and equipment	16	**1,577**	2,819
Right of use assets	17	**1,140**	2,482
		12,776	14,223
CURRENT ASSETS			
Inventories	19	**2,260**	2,546
Trade and other receivables	20	**4,617**	6,434
Cash at bank and in hand		**7,862**	24,122
		14,739	33,102
TOTAL ASSETS		**27,515**	47,325
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
Called up share capital	21	**162**	161
Share premium	22	**51,660**	51,660
Share based payment reserve		**3,382**	2,811
Merger reserve		**28**	28
Retained earnings		**(34,652)**	(18,700)
TOTAL EQUITY		**20,580**	35,960
LIABILITIES			
Non-current liabilities			
Lease liabilities	24	**307**	1,659
		307	1,659
Current liabilities			
Trade and other payables	23	**4,762**	7,422
Contract liabilities	6E	**420**	815
Lease liabilities	24	**1,264**	1,469
Current taxes		**182**	-
		6,628	9,706
TOTAL LIABILITIES		**6,935**	11,365
TOTAL EQUITY AND LIABILITIES		**27,515**	47,325

The financial statements were approved by the Board of Directors and authorised for issue on 30 October 2023.

Sarah Harvey

Director

The notes on pages 62 to 92 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2023

	Share capital £000	Share premium £000	Share based payment Reserve £000	Merger Reserve £000	Retained earnings £000	Total equity £000
1 August 2022	161	51,660	2,811	28	(18,700)	35,960
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(15,706)	(15,706)
Currency translation differences	-	-	(26)	-	(246)	(272)
Total comprehensive loss for the year	-	-	(26)	-	(15,952)	(15,978)
Transactions with shareholders						
Share based payment charge	-	-	597	-	-	597
Issue of new shares	1	-	-	-	-	1
31 July 2023	**162**	**51,660**	**3,382**	**28**	**(34,652)**	**20,580**

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	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**

The notes on pages 62 to 92 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Cash used by operations	32 A	(9,745)	(6,789)
Corporation tax paid		(63)	(11)
Foreign exchange		(31)	-
Net used by operating activities		(9,839)	(6,800)
Cash flows from investing activities			
Purchases of intangible assets	15	(3,843)	(4,087)
Purchases of property plant and equipment	16	(630)	(1,541)
Proceeds from the disposal of fixed assets		120	-
Interest received		216	94
Net cash used in investing activities		(4,137)	(5,534)
Cash flows from financing activities			
Proceeds from the issuance of new shares	20	1	-
Repayment of lease principal	24	(1,842)	(893)
Interest paid on lease liabilities	24	(164)	(147)
Net cash used in financing activities		(2,005)	(1,040)
Net decrease in cash and cash equivalents		(15,981)	(13,374)
Cash and cash equivalents at beginning of year		24,122	36,903
Effects of foreign exchange rate changes		(279)	593
Cash and cash equivalents at end of year		7,862	24,122
Cash and cash equivalents comprise:			
Cash at bank and in hand		7,862	24,122

The notes on pages 62 to 92 form part of these financial statements.

Notes to the financial statements

for the year ended 31 July 2023

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 2023 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 30 October 2023.

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 17. The financial position of the Group is described in the Financial Review on pages 22 to 25.

Going concern

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

As at 31 July 2023 the Group had net assets of £20.7m (2022: £36.0m), including cash of £7.9m (2022: £24.1m) as set out in the Consolidated Statement of Financial Position, with no external debt. In the year ended 31 July 2023 the Group generated a loss before tax of £15.5m (2022: loss of £11.1m). The group used net cash before financing in the year of £16.3m (2022: £12.3m) after investment in software development of £4.1m. Following the year end the Group entered into an agreement with Mark Furness, the Group's Chief Executive Officer and largest shareholder, to provide a loan of up to £2 million in the event that the Group has a requirement for additional liquidity.

During the year, Group revenue increased by 9.0% from £23.3m to £25.3m, with recurring revenue increasing by 3.8% 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 £15.6m (2022: £10.1m). The Group has long term contracts with a number of customers and suppliers across different geographical areas and industries.

The Directors have prepared a detailed budget and forecast of the Group's expected performance over a period covering at least the next twelve months from the date of the approval of these financial statements. As well as modelling the realisation of the sales pipeline, these forecasts also cover a number of scenarios and sensitivities in order for the Board to satisfy itself that the Group remains within its current available cash and committed 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 without recourse to the committed facility for a period in excess of twelve months, in the event that revenue growth is delayed (i.e. new sales bookings are not achieved). 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 in its sensitivity modelling. 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 result, 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 mostly made up of items purchased in the previous financial year 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 21.

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.

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 15 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 each cash generating unit (CGU) 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 on any impairment required to either goodwill or intangible assets but are judgemental in nature. See note 15 for details of the key assumptions made.

Valuation of Share Options

During the year the Group incurred a share-based payment charge of £597,000 (2022: £741,000).

The charge related to options in the Group granted at IPO, options granted in previous financial years, new share options granted in this financial year and a modification to the terms of certain of those options granted in this financial year.
New options granted during the year ended 31 July 2023 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 in the year 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 28 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 streams 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:

	2023 £000	2022 £000
Analysis of turnover by country of destination:		
United Kingdom and Europe	**8,673**	9,797
North America	**15,747**	13,233
Asia Pacific region	**834**	268
Total Income	**25,254**	23,298

6B Revenue analysis by revenue streams

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

	2023 £000	2022 £000
Essensys Platform and Connect	**23,543**	21,479
Operate	**1,711**	1,819
Total Income	**25,254**	23,298

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.

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:

	2023 £000	2022 £000
Revenue recognised at a point in time	**4,341**	3,158
Revenue recognised over time	**20,913**	20,140
Total Income	**25,254**	23,298

6D Revenue from customers greater than 10%

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

	2023 £000	2022 £000
Customer 1	**6,865**	5,422

6E Contract assets and liabilities

Contract asset movements were as follows:

	2023 £000	2022 £000
At 1 August	**887**	345
Transfers in the period from contract assets to trade receivables	**(544)**	(85)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**175**	558
Capital asset contract contributions capitalised	**57**	37
Capital asset contract contributions released as contract obligations are fulfilled	**(58)**	(28)
Capitalised commission cost released as contract obligations fulfilled	**(210)**	(111)
Commission costs capitalised on contracts	**161**	171
At 31 July	**468**	887

Contract liability movements were as follows:

	2023 £000	2022 £000
At 1 August	**815**	323
Amounts included in contract liabilities that were recognised as revenue during the period	**(815)**	(323)
Cash received and receivables in advance of performance and not recognised as revenue during the period	**420**	815
At 31 July	**420**	815

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 Restructuring costs

Restructuring costs were as follows:

	2023 £000	2022 £000
Restructuring costs	**2,610**	-

During the year the Group announced a global reorganisation which positions it for sustainable growth, profitability and a return to cash generation. This included the simplification of global operations and moves the Group from a regional to a functional structure. The restructuring costs in FY23 reflect the total expected cost of the reorganisation, which was completed after the year end as disclosed in note 31; there are not expected to be any significant further costs incurred. The cost relates to termination of employment, being redundancy costs and payment in lieu of notice in certain cases, and any other costs to achieve the reorganisation including the cost to exit the Singapore office and the cost of external legal advice specific to the reorganisation. In addition to the restructuring costs, the Group recognised impairment costs for tangible fixed assets and right of use assets in Hong Kong and Singapore which are described separately within the impairment charge in notes 16 and 17 below.

8 Operating loss

	2023 £000	2022 £000
This is arrived at after charging/(crediting):		
Amortisation of intangible assets	**2,081**	1,241
Depreciation of tangible fixed assets	**1,405**	617
Depreciation of right of use assets	**1,349**	1,268
Impairment of right of use assets	**274**	-
Impairment of goodwill	**275**	122
Accelerated amortisation of other intangible assets	**350**	-
Impairment of tangible fixed assets	**313**	-
Fees payable to the Group's auditor (see below)	**315**	260
(Profit)/loss on disposal of tangible fixed assets	**(5)**	36
Exchange differences	**31**	-
Research & Development expense	**3,428**	3,006
Staff costs (note 9)	**19,858**	19,384
Share based payment charges	**597**	741
Analysis of fees paid to the Group's auditor :		
Annual financial statements – parent company	**75**	60
Annual financial statements – subsidiary companies	**133**	94
Audit Fee	**208**	154
Assurance services	**41**	35
Other services	**66**	71
Non audit services	**107**	106
Total fee	**315**	260

9 Employees

Staff costs (including directors) consist of:

	2023 £000	2022 £000
Wages and salaries	**14,898**	13,898
Social security costs	**1,740**	1,546
Cost of defined contribution scheme	**603**	426
Other	**2,617**	3,514
	19,858	19,384

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:

	2023 No.	2022 No.
Executive	**9**	9
Sales & Marketing	**28**	26
Finance & Administration	**22**	26
Support	**47**	38
Development	**58**	52
Provisioning	**7**	6
	171	157

10 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.

	2023 £000	2022 £000
Salaries and fees	**2,949**	2,658
Social security costs	**268**	275
Short term non-monetary benefits	**56**	23
Company contributions to money purchase pension schemes	**131**	129
Share based payment expense	**569**	409
	3,973	3,494

Full details of directors' remuneration are included within the Remuneration Committee Report on page 33.

11 Interest receivable and similar income

	2023 £000	2022 £000
Interest receivable from bank deposits	**216**	94
	216	94

12 Interest payable and similar charges

	2023 £000	2022 £000
Lease liabilities	**164**	147
	164	147

13 Taxation on loss on ordinary activities

	2023 £000	2022 £000
Current tax		
UK corporation tax	**-**	-
Adjustment in respect of previous periods	**-**	-
Foreign tax on income for the year	**245**	8
Total current tax	**245**	8
Deferred tax		
Origination and reversal of timing differences	**-**	(260)
Adjustments in respect of prior periods	**-**	(34)
Total deferred tax	**-**	(294)
Taxation on loss on ordinary activities	**245**	(286)

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:

	2023 £000	2022 £000
Loss on ordinary activities before tax	**(15,473)**	(11,085)
Tax using the Group's domestic tax rates (21% (2022:19%))	**(3,249)**	(2,106)
Effects of:		
Fixed asset differences	**53**	199
Expenses not deductible for tax purposes	**175**	351
Income not taxable for tax purposes	**-**	(14)
Difference in current tax and deferred tax rates	**(473)**	(36)
Timing differences not recognised	**-**	(24)
Other permanent differences	**669**	-
Deferred tax not recognised	**3,070**	1,344
Total tax charge for period	**245**	(286)

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 change being affective from 1 April 2023 has resulted in a blended tax rate of 21% for this financial year.

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

14 Earnings per share

	2023	2022
Basic weighted average number of shares	**64,407,222**	64,385,219
Fully diluted weighted average number of shares	**64,407,222**	64,385,219

	2023 £000	2022 £000
Loss for the year attributable to owners of the group	**(15,706)**	(10,799)
Basic and diluted loss per share (pence)	**(24.4p)**	(16.8p)

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 2023 are anti-dilutive and so have not been included in the diluted earnings per share calculation.

15 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 2022	215	335	13,116	280	1,263	15,209
Additions	407	-	3,436	-	-	3,843
Transfers	-	-	-	-	-	-
At 31 July 2023	**622**	**335**	**16,552**	**280**	**1,263**	**19,052**
Amortisation						
At 1 August 2022	-	335	5,550	280	122	6,287
Charge for year	-	-	2,431	-	-	2,431
Impairment	-	-	-	-	275	275
At 31 July 2023	**-**	**335**	**7,981**	**280**	**397**	**8,993**
Net book value						
At 31 July 2023	**622**	**-**	**8,571**	**-**	**866**	**10,059**
At 31 July 2022	215	-	7,566	-	1,141	8,922

The goodwill relates to the acquisition of Hubcreate Limited on 18 February 2016. The goodwill all relates to the Operate cash generating unit (CGU).

The Group estimates the recoverable amount of the Operate 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 14% 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 an average 8% decline in revenue year on year which is consistent with the decline in revenue during the financial year ended 31 July 2023. Using a discount rate of 14% (2022: 12%) resulted in an additional impairment of £275,000 and as such an impairment charge has been booked in this period (2022: 122,000).

Capitalised internal software development costs relates to both the essensys CGUs – Operate, and essensys Platform and Connect. The amounts specific to each CGU can be separately determined.

The Group estimates the recoverable amount of the essensys Platform and Connect CGU using a value in use model by projecting pre-tax cash flows for the next 5 years including a terminal value calculation after the fifth year. 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 14% derived from a WACC calculation and benchmarked against similar organisations within the sector. Using a discount rate of 14% resulted in no impairment of the CGU; however as more customers move from Connect to essensys Platform as a result of its strategic benefits to their business, management foresee that Connect will ultimately become obsolete and as such have increased the rate of amortisation by £350,000 of those assets directly attributed to the product. Management expects a similar amount in the financial year-ended 31 July 2024 by which point all assets directly attributed to the Connect product will be fully amortised.

The asset in course of construction capitalised this year is the cost to date for development of the software for the Group's in-development dynamic access control solution. It is expected that the asset will be complete before the end of the next financial year.

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

16 Property, plant and equipment

Group	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 August 2022	242	10,605	686	11,533
Additions	-	566	64	630
Disposals	-	(313)	-	(313)
Exchange adjustments	(2)	(264)	-	(266)
At 31 July 2023	**240**	**10,594**	**750**	**11,584**
Depreciation				
At 1 August 2022	207	8,109	398	8,714
Charge for year	10	1,101	294	1,405
Impairment	-	313	-	313
Disposals	-	(198)	-	(198)
Exchange adjustments	(2)	(225)	-	(227)
At 31 July 2023	**215**	**9,100**	**692**	**10,007**
Net book value				
At 31 July 2023	**25**	**1,494**	**58**	**1,577**
At 31 July 2022	35	2,496	288	2,819

	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 17)	-	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 17)	-	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	**35**	**2,496**	**288**	**2,819**
At 31 July 2021	60	1,367	44	1,471

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

As a result of the reorganisation that has centralised the Group's APAC operations in Sydney, Australia and the evolution of the 'capital light' strategy, Management have reviewed the carrying value of the computer hardware within the APAC region and have impaired those assets where the carrying value was in excess of their recoverable value resulting in an impairment of £313,000 and as such the impairment charge has been booked in this period.

17 Right of use assets

Group	Leasehold property £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 August 2022	7,049	162	-	7,211
Additions	198	-	-	198
Lease remeasurement	95	-	-	95
Exchange adjustments	(128)	-	-	(128)
At 31 July 2023	**7,214**	**162**	**-**	**7,376**
Depreciation				
At 1 August 2022	4,567	162	-	4,729
Charge for year	1,349	-	-	1,349
Impairment	274	-	-	274
Exchange adjustments	(116)	-	-	(116)
At 31 July 2023	**6,074**	**162**	**-**	**6,236**
Net book value				
At 31 July 2023	**1,140**	**-**	**-**	**1,140**
At 31 July 2022	2,482	-	-	2,482

	Leasehold property £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 16)	-	(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 16)	-	(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

As a result of the reorganisation that has centralised the Group's APAC operations in Sydney, Australia and the evolution of the 'capital light' strategy, Management have reviewed the carrying value of the right of use assets within the APAC region and have impaired those assets where the carrying value was in excess of their recoverable value resulting in an impairment of £274,000 and as such the impairment charge has been booked in this period.

The transfers are assets that were classified as right of use assets where the lease term expired and the Group chose to purchase the assets at the end of the lease term, as they were still in active use within the Group. The assets are now listed within note 16.

18 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.

19 Inventories

	2023 £000	2022 £000
Finished goods	**2,021**	2,353
Work in progress	**239**	193
	2,260	2,546

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 in the prior financial year to secure sufficient resources, with a global shortage of silicon, to satisfy expected future customer contracts.

20 Trade and other receivables

	2023 £000	2022 £000
Trade receivables (net)	**3,053**	3,684
Other receivables	**268**	465
Prepayments	**828**	1,316
Contract assets (note 6E)	**468**	887
Current taxes receivable	**-**	82
	4,617	6,434

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
2023	**2,042**	**242**	**146**	**1,016**	**3,446**	**(393)**	**3,053**
2022	1,762	256	429	1,871	4,318	(634)	3,684

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge.

At 31 July 2023 the lifetime expected loss provision for trade receivables and contract assets is as follows:

31 July 2023	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%	6.8%	10.9%	35.5%	
Gross carrying amount	2,510	242	146	1,016	3,914
ECL	-	17	16	360	393

Notes to the financial statements continued

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

Movements in the ECL are as follows:

	2023 £000	2022 £000
Opening ECL at 1 August	**634**	580
ECL charge for the year	**1,037**	423
Receivables written off as uncollectable	**(1,278)**	(369)
At 31 July	**393**	634

21 Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
64,649,260 (2022 – 64,385,219) ordinary shares of 0.25p each (2022 – 0.25p)	**162**	161

264,041 shares were issued on 7th July 2023 as a result of vested share options being exercised.

22 Share premium

	2023 £000	2022 £000
Share premium at start of period	**51,660**	51,660
Issue of new shares	**-**	-
Cost of issuing new shares recognised in equity	**-**	-
	51,660	51,660

23 Trade and other payables

	2023 £000	2022 £000
Amounts falling due within one year		
Trade payables	**1,399**	4,487
Other taxes and social security	**528**	244
Other creditors	**511**	1,050
Accruals	**2,324**	1,641
	4,762	7,422

24 Lease liabilities

Nature of leasing activities

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

	2023	2022
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 2023 and 2022 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 2022	3,128	-	-	-	3,128
Additions	-	-	-	-	-
Interest expense	164	-	-	-	164
Effect of modifying lease term	292	-	-	-	292
Variable lease payment adjustment	28	-	-	-	28
Lease payments	(2,006)	-	-	-	(2,006)
Foreign exchange movements	(35)	-	-	-	(35)
At 31 July 2023	**1,571**	**-**	**-**	**-**	**1,571**

	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

Lease maturity

	Leasehold property £000 2023	Fixtures and fittings £000 2023	Computer equipment £000 2023	Leasehold improvements £000 2023	Total £000 2023
Up to 3 months	**207**	**-**	**-**	**-**	**207**
3 to 12 months	**704**	**-**	**-**	**-**	**704**
1-2 years	**660**	**-**	**-**	**-**	**660**
2-5 years	**-**	**-**	**-**	**-**	**-**
	1,571	**-**	**-**	**-**	**1,571**

	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
More than 5 years					
	3,128	-	-	-	3,128

Analysis by current and non-current

	Leasehold property £000 2023	Fixtures and fittings £000 2023	Computer equipment £000 2023	Leasehold improvements £000 2023	Total £000 2023
Due within a year	**1,264**	**-**	**-**	**-**	**1,264**
Due in more than one year	**307**	**-**	**-**	**-**	**307**
	1,571	**-**	**-**	**-**	**1,571**

	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

25 Deferred taxation

	2023 £000	2022 £000
Brought forward	**-**	294
(Credited)/charged to the income statement	**-**	(294)
Carried forward	**-**	-

Notes to the financial statements continued

The provision for deferred taxation is made up as follows:

	2023 £000	2022 £000
Fixed asset timing differences	-	-
	-	-

The Group has an unrecognised deferred taxation asset of £6,839,000 (2022: £3,043,000) in respect of tax losses and deductible temporary differences. The Group has not recognised the deferred tax asset due to the lack of certainty over recovery of the asset.

	2023 £000	2022 £000
Short term timing differences	487	415
Losses and other deductions	6,352	2,628
Unrecognised deferred taxation asset	6,839	3,043

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.

26 Financial instruments

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

- Credit risk
- Foreign exchange risk
- Liquidity risk

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

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

Principal financial instruments

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

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

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

Financial instruments by category

	2023 £000	2022 £000
Financial assets at amortised cost		
Cash and cash equivalents	**7,862**	24,122
Trade and other receivables	**3,495**	4,707
Total financial assets at amortised cost	**11,357**	28,829
Financial liabilities		
Trade and other payables	**4,233**	7,178
Lease liabilities	**1,571**	3,128
Total financial liabilities	**5,804**	10,306

Financial instruments not measured at fair value

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

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

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

The financial risks relate to the following financial instruments:

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

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

Risk management is carried out by the key management personnel. Key management personnel include all the directors of the Company and the senior management and directors of essensys (UK) Limited, the Group's principal trading subsidiary, who together have authority and responsibility for planning, directing, and controlling the activities of the Group. The key management personnel identify and evaluate financial risks and provide principals for overall risk management.

(a) Credit Risk

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

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises because the Group operates in the United Kingdom, 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.

	2023 £000	2022 £000
Financial assets	**5,026**	21,541
Financial liabilities	**2,733**	3,368

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

	2023 US$000	2022 US$000
Financial assets	**7,126**	7,249
Financial liabilities	**1,683**	3,661

	2023 CA$000	2022 CA$000
Financial assets	**25**	93
Financial liabilities	**13**	6

	2023 €000	2022 €000
Financial assets	**794**	658
Financial liabilities	**192**	336

	2023 HK$000	2022 HK$000
Financial assets	**683**	1,962
Financial liabilities	**442**	1,064

	2023 SG$000	2022 SG$000
Financial assets	**155**	1,024
Financial liabilities	**475**	829

	2023 AU$000	2022 AU$000
Financial assets	**470**	545
Financial liabilities	**266**	379

Notes to the financial statements continued

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:

	2023 $000	2022 $000
Financial assets	**(504)**	(541)
Financial liabilities	**(119)**	(273)

(ii) Interest rate risk

The Group's interest rate exposure arises mainly from the interest-bearing borrowings as disclosed in note 24. All the Group's facilities were floating rates excluding interest from leases, which exposed the group to cash flow risk. As at 31 July 2023 there are no loans outstanding, (2022 - £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 2023 (2022: £nil).

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

	2023 £000	2022 £000
Less than one year	**4,781**	7,178
	4,781	7,178

27 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.

	2023 £000	2022 £000
Pension charge	**603**	426
Pension liability	**100**	78

28 Share based payments

The Company operates five equity-settled share-based remuneration schemes for employees; two United Kingdom tax authority approved schemes (one EMI and one CSOP), an unapproved Performance Share Plan scheme, a share option plan for non-United Kingdom employees and an unapproved Non-Executive Director Plan. The UK plans includes employees from the Company and its main UK trading subsidiary essensys (UK) Ltd.

	Weighted average exercise price (£) 2023	Number 2023	Weighted average exercise price (£) 2022	Number 2022
Outstanding at the beginning of the year	**1.04**	**3,357,503**	1.08	3,378,829
Granted during the year	**0.0025**	**2,702,178**	0.25	89,219
Forfeited during the year	**0.4482**	**(375,157)**	1.60	(110,545)
Exercised during the year	**0.0025**	**(264,041)**	-	-
Outstanding at the end of the year	**0.6139**	**5,420,483**	1.04	3,357,503

The weighted average exercise price of options outstanding at the end of the year was 61.39p (2022: 103.93p) and their weighted average contractual life was 7.21 years (2022: 7.1 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:

	2023	2022
Risk free investment	**3.03%**	1.06%
Expected life	**3**	3
Expected volatility	**56.8%**	57.8%

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 3-year gilts at the time of the grant.

The Group recognised a total Share based payment expense of £597,000 in the year (2022: £741,000), all of which related to options in the Company issued immediately prior to the IPO or subsequent thereto.

29 Related party transactions

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

Key management personnel

Key management personnel include all 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 10.

Directors Loans

There were no directors loans during the years ended 31 July 2023 and 31 July 2022.

30 Capital commitments and contingent liabilities

The Group had no capital commitments or contingent liabilities at 31 July 2023 (2022: £nil)

31 Events after the reporting date

Following the financial year-end, the Group completed the reorganisation described in note 7. This involved the termination of employment for a further 31 employees at a one-off cost of £1.0 million. This amount was included in the £2.6 million restructuring cost recognised in FY23. No further significant restructuring cost is expected.

Following the year end two of the Group's dormant subsidiary companies, Hubcreate Limited and TVOC Limited, were formally dissolved and removed from the Companies House Register.

As at 31 July 2023 the Group had cash reserves of £7.9 million. On 30 October 2023 the Group entered into an unsecured loan agreement with Mark Furness, the Group's Chief Executive Officer and largest shareholder, to provide £2 million of additional funding in the event that the Group requires it. This loan facility has not been drawn and is effective to 31 July 2025.

32 Notes supporting statement of cash flows

32 A Cash from operations

	2023 £000	2022 £000
Cash flows from operating activities		
Loss for the financial year before taxation	**(15,461)**	(11,085)
Adjustments for non-cash/non-operating items:		
Amortisation of intangible assets	**2,081**	1,241
Depreciation of property, plant and equipment	**1,405**	617
Depreciation of right of use assets	**1,349**	1,269
Impairment of goodwill	**275**	122
Impairment of intangible assets	**350**	-
Impairment of property, plant and equipment	**313**	-
Impairment of right of use assets	**274**	-
(Profit)/loss on disposal of fixed assets	**(5)**	36
Share based payment expense	**597**	741
Losses on foreign exchange transactions	**31**	-
Finance income	**(216)**	(94)
Finance expense	**164**	147
Other	**51**	49
	(8,792)	(6,957)
Changes in working capital:		
Decrease/(increase) in inventories	**286**	(2,362)
Decrease/(increase) in trade and other debtors	**1,819**	(1,155)
(Decrease)/increase in trade and other creditors	**(3,058)**	3,685
Cash used by operations	**(9,745)**	(6,789)

32 B Movement in net debt

	Cash and cash equivalents £000	Leases £000	Total £000
As at 1 August 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 charges	-	(147)	(147)
Exchange movements	593	(148)	445
As at 31 July 2022	24,122	(3,128)	20,994
Lease additions	-	(292)	(292)
Effect of modifying lease term	-	(28)	(28)
Cashflow	(15,981)	2,006	(13,975)
Interest charge	-	(164)	(164)
Exchange movements	(279)	35	(244)
As at 31 July 2023	**7,862**	**(1,571)**	**6,291**

	Cash and cash equivalents £000	Leases £000	Total £000
Balances as at 31 July 2023			
Current assets	**7,862**	**-**	**7,862**
Current liabilities	**-**	**(1,264)**	**(1,264)**
Non-current liabilities	**-**	**(307)**	**(307)**
	7,862	**(1,571)**	**6,291**

	Cash and cash equivalents £000	Leases £000	Total £000
Balances as at 31 July 2022			
Current assets	24,122	-	24,122
Current liabilities	-	(1,469)	(1,469)
Non-current liabilities	-	(1,659)	(1,659)
	24,122	(3,128)	20,994

Company Statement of Financial Position

Registered Number: 11780413

as at 31 July 2023

	Notes	2023 £000	2022 £000
ASSETS			
Non-current assets			
Property, plant and equipment	C3	**92**	81
Investments	C4	**2,139**	2,139
Trade and other receivables	C5	**14,165**	17,210
Total non-current assets		**16,396**	19,430
Current assets			
Trade and other receivables	C5	**741**	733
Cash at bank and in hand	C6	**3,051**	20,099
Total current assets		**3,792**	20,832
TOTAL ASSETS		**20,188**	40,262
EQUITY AND LIABILITIES			
Equity			
Issued share capital	20	**162**	161
Share premium	21	**51,660**	51,660
Share based payment reserve	C7	**1,849**	1,539
Retained earnings		**(34,049)**	(13,993)
Total Equity		**19,622**	39,367
Liabilities			
Current liabilities			
Trade and other payables	C8	**566**	895
Total current liabilities		**566**	895
Total liabilities		**566**	895
TOTAL EQUITY AND LIABILITIES		**20,188**	40,262

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 £20,056,000 (2022: £6,668,000) including an impairment of loans to subsidiaries of £14.8 million (2022: £1.2 million).

The financial statements were approved by the Board of Directors and authorised for issue on 30 October 2023.

Sarah Harvey

Director

The notes on pages 96 to 98 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2023

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
31 July 2022	161	51,660	1,539	(13,993)	39,367
Comprehensive loss for the period					
Loss for the year	-	-	-	(20,056)	(20,056)
Transactions with shareholders					
Share based payment charge	-	-	310	-	310
Issue of new shares	1	-	-	-	1
31 July 2023	**162**	**51,660**	**1,849**	**(34,049)**	**19,622**

	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

The notes on pages 96 to 98 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Loss for the financial period		**(20,056)**	(6,668)
Adjustments for non cash/non operating items:			
Depreciation of property plant and equipment		**32**	13
Impairment of loans to subsidiary undertakings		**14,814**	1,200
Share option charges in relation to options granted		**310**	622
Finance income		**(1,065)**	(421)
Other		**(1)**	-
		(5,966)	(5,254)
Increase in trade and other debtors		**(8)**	(452)
(Decrease)/increase in trade and other creditors		**(329)**	480
Cash used by operations		**(6,303)**	(5,226)
Corporation tax paid		**-**	-
Net cash used in operating activities		**(6,303)**	(5,226)
Cash flows from investing activities			
Purchases of property plant and equipment	C3	**(43)**	(83)
Loan issued to subsidiary undertakings		**(11,768)**	(7,626)
Interest received		**1,065**	421
Net cash used in investing activities		**(10,746)**	(7,288)
Cash flows from financing activities			
Proceeds from the issuance of new shares		**1**	-
Net cash generated from financing activities		**1**	-
Net decrease in cash and cash equivalents		**(17,048)**	(12,514)
Cash and cash equivalents at beginning of period		**20,099**	32,613
Cash and cash equivalents at end of the period		**3,051**	20,099
Cash and cash equivalents comprise:			
Cash at bank and in hand		**3,051**	20,099

The notes on pages 96 to 98 form part of these financial statements.

Notes to the company financial statements

for the year ended 31 July 2023

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 £3,149,586 (2022 £1,972,147) 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.

	2023 £000	2022 £000
Short term timing differences	-	-
Losses and other deductions	3,150	1,972
Unrecognised deferred taxation asset	3,150	1,972

C3 Property, plant and equipment

	Computer equipment £000
Cost	
At 1 August 2022	97
Additions	43
At 31 July 2023	**140**
Depreciation	
At 1 August 2022	16
Provision for year	32
At 31 July 2023	**48**
Net book value	
At 31 July 2023	**92**
At 31 July 2022	**81**
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**

Notes to the company financial statements continued

C4 Fixed asset investments

	Investments £000
At 31 July 2022 and 31 July 2023	2,139

Subsidiaries

The subsidiary undertakings of the company as at 31 July 2023 and 31 July 2022 are listed in note 18 of the Group's financial statements.

C5 Trade and other receivables

	2023 £000	2022 £000
Current:		
Other debtors	**85**	46
Prepayments and accrued income	**291**	256
Amounts owing from group undertaking	**365**	431
Total	**741**	733
Non-current:		
Loans to subsidiary undertakings	**14,165**	17,210

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 lifetime ECL (2022: ECL based on a 12-month ECL), as there has been a significant increase in credit risk since its initial recognition.

Loans to subsidiary undertakings is net of a £16,014,000 impairment as a result of risk of repayment (2022: £1,200,000). The impairment charge in this financial year was £14,814,000 (2022: £1,200,000). Recoverability of loans repayable from subsidiary undertakings has been assessed on the basis of financial performance and the company's ability to fund relevant operations. Where a subsidiary is now self-funding or showing excellent growth statistics and so will be self-funding in the near to medium term then loans have not been impaired.

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. A further loan of £500,000 was provided on 20 September 2022 and a further loan of £50,000 was provided on 27 April 2023. 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. The value of these loans have been fully provided for as a result of the restructure undertaken in the year, as detailed in note 7.

During the year the company extended the loan to essensys (UK) Ltd by £9,143,000. In the previous financial 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. The loan has been impaired by a value of £9,238,000 as a result of the change in the ECL risk basis.

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 additional inventory from its local suppliers to be held by essensys Inc and distributed to other group members when fulfilling customer orders. No further loan increases have been made to essensys Inc. The loan has not been impaired.

During the year the company extended the loan previously made to essensys (Europe) BV by £447,000 on 20 February 2023. In the previous year 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. The loan has been impaired by a value of £1,383,000 as a result of the change in the ECL risk basis.

During the year the company extended the loan previously made to essensys (Australia) Pty Ltd twice, first on 3 November 2022, providing £200,000 and then another on 29th November 2022 providing £500,000. In the previous year essensys plc provided an initial loan to essensys (Australia) Pty Ltd on 14 December 2021 of £500,000. All elements of the loan are 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 loan has been impaired by a value of £1,107,000 as a result of the change in the ECL risk basis.

During the year the company extended the loan previously made to essensys (Singapore) Pte Ltd twice, first on 23 November 2022, providing £500,000 and then another on 1 February 2023 providing £250,000. In the previous 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 value of these loans have been fully provided for as a result of the restructure undertaken in the year, as detailed in note 7.

C6 Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	**3,051**	20,099
	3,051	20,099

C7 Share based payment reserve

The accounting policy of the share-based payments is noted on page 69. Note 28 also details the calculations of the share-based payments relevant to the company and the wider group.

C8 Trade and other payables

	2023 £000	2022 £000
Trade payables	**61**	252
Other creditors	**106**	126
Accruals	**399**	517
	566	895

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 29 above.

Transactions with related parties

Transactions with subsidiary undertakings are disclosed in note C4.

There are no other related party transactions.

Company Information

Registered office	Aldgate Tower 7th Floor 2 Leman Street London E1 8FA
Registered number	11780413
Directors	Jon Lee *(Independent Non-Executive Chairman)* Mark Furness (*Chief Executive Officer*) 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	Osborne Clarke LLP One London Wall London EC2Y 5EB
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 as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if you reside elsewhere, another appropriately authorised financial adviser.

If you have recently sold or transferred all of your shares in essensys plc, please send this notice and the accompanying documents as soon as possible to the purchaser or transferee or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares.

THE BOARD STRONGLY ENCOURAGES ALL SHAREHOLDERS TO VOTE ON THE RESOLUTIONS BY PROXY BEFORE THE DEADLINE OF 9:30 A.M. ON 5 DECEMBER 2023.

The Annual General Meeting (AGM) of the members of the Company will be held at the offices of essensys at Aldgate Tower, 7th Floor, 2 Leman Street, London, E1 8FA, United Kingdom on 7 December 2023 at 9:30 a.m.

In addition to the physical Annual General Meeting, the proceedings of this year's AGM will be broadcast via the Investor Meet Company platform. The Company provided a results roadshow presentation on 2 November 2023 through the Investor Meet Company platform, which was available to all shareholders to attend. The AGM broadcast will therefore be of the AGM proceedings only. 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 2 on page 106.

A Form of Proxy for use at the AGM has been made available to all shareholders. Shareholders can return their proxy vote by post 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 2023 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.

Definitions

CA 2006	the Companies Act 2006.
Company	essensys plc, Incorporated in England and Wales, company registration number 11780413.
Directors	the board of directors of the Company (or a duly constituted committee thereof).
Equity Securities	shall have the meaning given in section 560 of CA 2006.
Ordinary Shares	ordinary shares in the capital of the Company.

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 30 October 2023 (being the latest practicable date prior to the approval of this document). No shares are held in treasury.

Resolutions 1 to 11 are ordinary resolutions and require a simple majority to pass. Resolutions 12 and 13 are special resolutions and require a majority of at least 75% to pass.

Resolution 1 – Report and Accounts (Ordinary Resolution)
Section 437 of CA 2006 requires the Directors to lay copies of the Company's annual accounts and reports for the financial year ended 31 July 2023 before the shareholders at the AGM. This resolution addresses that requirement.

Resolution 2 – Director's Remuneration Report (Ordinary Resolution)
Although this vote is not binding, the Directors wish to give shareholders the opportunity to express their views in relation to directors' remuneration in an appropriate way. This resolution is intended to provide that opportunity.

Notice of Annual General Meeting continued

Resolutions 3 to 8 – Directors (Ordinary Resolution)
In accordance with the Company's Articles of Association certain Directors are required to retire at each Annual General Meeting and, if willing, put themselves forward for re-election by shareholders. The Directors retiring and seeking re-election at the meeting are Mark Furness, Jonathan Lee, Sarah Harvey, Charles Butler, Alexandra Notay and Elizabeth Sandler.

Biographical details of all Directors can be found in the Annual Report and on the Company's website at https://essensys.tech/investors/the-board/

Resolutions 9 and 10 – Reappointment of Auditor and Auditor's Remuneration (Ordinary Resolution)
On the recommendation of the Audit Committee, the Board proposes as Resolution 9 that BDO LLP be re-appointed as auditor of the Company. Resolution 10 proposes that the Board be authorised to determine the level of the auditor's remuneration. Please refer to the Audit Committee Report in the Annual Report for further information.

Resolution 11 – Authority to Allot (Ordinary Resolution)
This resolution deals with the Directors' authority to allot securities in accordance with section 551 of CA 2006 and complies with the Investment Association Share Capital Management Guidelines issued in February 2023.

If passed, the resolution will authorise the Directors to allot:

(i) Equity Securities up to a maximum nominal amount of £107,710.04 which represents approximately two thirds of the Company's issued ordinary shares (excluding treasury shares) as at 30 October 2023 (being the latest practicable date prior to approval of this document) (**ISC**) in relation to a pre-emptive offer, with authority for the Directors to deal pragmatically with legal, regulatory and logistical issues arising from a fully pre-emptive offer (e.g. fractions of shares and overseas securities laws). This maximum is reduced by the nominal amount of any Equity Securities allotted under the authority set out in paragraph 11.2 of the resolution; and

(ii) Equity Securities up to a maximum nominal amount of £53,855.02 otherwise which represents approximately one third of the Company's ISC. This amount will be reduced to the extent that Equity Securities allotted pursuant to paragraph 11.1 exceed £53,855.02 in nominal value.

The maximum nominal amount of securities which may be allotted under this resolution is therefore £107,710.04.

The authority granted by this resolution will expire on the earlier of the conclusion of next year's annual general meeting and the date which is 15 months after the resolution is passed.

The Directors have no present intention to exercise the authority conferred by this resolution.

Resolution 12 – Disapplication of Statutory Pre-Emption Rights (Special Resolutions)
Under CA 2006, the Directors require additional shareholder authority to issue Equity Securities for cash without first offering them to the whole shareholder base pro rata to their existing holdings. This resolution is seeking authority for the Directors to be able to allot Equity Securities up to £16,165.50 nominal value representing 10% of the ISC free of those pre-emption rights. This resolution is conditional on resolution 11 being passed.

The Directors have no present intention to exercise the authority conferred by this resolution.

Resolution 13 – Share Buybacks (Special Resolution)
This resolution seeks authority for the Company to make market purchases of its own ordinary shares as permitted by the CA 2006 and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 6,466,201 ordinary shares, representing 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 30 October 2023. The authority specifies the minimum and maximum prices that may be paid for any ordinary shares and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Company's next annual general meeting or, if earlier, on the date which is 15 months after the resolution is passed.

Although the directors do not currently have any intention of exercising the authority granted by this resolution, this resolution provides the flexibility to allow them to do so in the future. In considering whether to use this authority, the directors will take into account market conditions, appropriate gearing levels, the Company's share price, other investment opportunities and the overall financial position of the Company. The directors will only exercise the authority to purchase ordinary shares where they consider that such purchases will be in the best interests of shareholders generally and will result in an increase in earnings per ordinary share.

Notice of Annual General Meeting continued

Any shares purchased in the market under this authority may be either cancelled or held as treasury shares, which may then be cancelled, sold for cash or used to satisfy obligations under its employee share schemes. The Company's current intention is to cancel any repurchased shares but retains the flexibility to hold any repurchased shares as treasury shares, if it considers this to be in the best interests of the Company. No dividends are paid on shares while they are in treasury and no voting rights attach to treasury shares.

Notice is hereby given that the Annual General Meeting (**AGM**) of essensys plc (**Company**) will be held at Aldgate Tower, 7th Floor, 2 Leman Street, London, E1 8FA, United Kingdom on Thursday 7 December 2023 at 9.30 a.m. to consider and, if thought fit, to pass the resolutions set out below. Resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions.

Report and Accounts

1. To receive the Annual Report and Accounts of the Company for the financial year ended 31 July 2023 together with the Directors' reports and auditor's report on those accounts.

Remuneration Report

2. To receive the Directors' Remuneration Report for the financial year ended 31 July 2023 as set out in the Annual Report and Accounts.

Directors

3. To re-elect Mark Furness as a Director of the Company.

4. To re-elect Jonathan Lee as a Director of the Company.

5. To re-elect Sarah Harvey as a Director of the Company.

6. To re-elect Charles Butler as a Director of the Company.

7. To re-elect Alexandra Notay as a Director of the Company.

8. To re-elect Elizabeth Sandler as a Director of the Company.

Auditor

9. 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.

10. To authorise the Directors to determine the fees payable to the auditor.

Share Authorities

11. THAT, in accordance with section 551 of CA 2006, the Directors be generally and unconditionally authorised to allot Equity Securities:

    11.1. up to an aggregate nominal amount of £107,710.04 (such amount to be reduced by the nominal amount of any Equity Securities allotted pursuant the authority in paragraph 11.2 below) in connection with a fully pre-emptive offer:

    A. to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

    B. to holders of other Equity Securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    11.2. in any other case, up to an aggregate nominal amount of £53,855.02 (such amount to be reduced by the nominal amount of any Equity Securities allotted pursuant to the authority in paragraph 11.1 above in excess of £53,855.02), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next annual general meeting of the Company (or if earlier, the date which is 15 months from the date of the passing of the resolution) save that the Company may, before such expiry, make offers or agreements which would or might require Equity Securities to be allotted and the Directors may allot Equity Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors under section 551 of CA 2006, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of resolution 11, the Directors be authorised to allot Equity Securities for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

    12.1. the allotment of Equity Securities in connection with an offer of Equity Securities (but, in the case of the authority granted under paragraph 11.1, by way of a rights issue only):

        A. to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

        B. to holders of other Equity Securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    12.2. the allotment of Equity Securities or sale of treasury shares (otherwise than pursuant to paragraph 12.1 of this resolution) to any person up to an aggregate nominal amount of £16,165.50),

such authority to expire at the conclusion of the Company's next annual general meeting after the passing of this resolution or, if earlier, at the close of business on the date which is 15 months from the date of passing the resolution, save that the Company may, before such expiry make offers or agreements which would or might require Equity Securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors may allot Equity Securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

Share Buybacks

13. That the Company be and is generally and unconditionally authorised for the purposes of section 701(1) of the CA 2006 to make one or more market purchases (within the meaning of section 693(4) of CA 2006) on the London Stock Exchange of Ordinary Shares provided that:

    13.1. the maximum aggregate number of Ordinary Shares authorised to be purchased is 6,455,201 (being approximately 10% of the Company's issued ordinary share capital);

    13.2. the minimum price (excluding expenses) which may be paid for such Ordinary Shares is 0.25 pence per share;

    13.3. the maximum price (excluding expenses) which may be paid for an Ordinary Share is the higher of:

        A. 5% above the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased; and

        B. the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out;

Notice of Annual General Meeting continued

13.4. unless previously renewed, varied or revoked, the authority conferred shall expire on the earlier of the date which is 15 months from the date of the resolution being passed and the conclusion of the Company's next annual general meeting save that the Company may before the expiry of the authority granted hereby, enter into a contract to purchase Ordinary Shares which may be executed wholly or partly after the expiry of such authority.

30 October 2023

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 rights to attend and vote at the Annual General Meeting 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.

1. Shareholders wishing to attend the meeting in person are asked to notify the Company of their proposed attendance by no later than 9.30 a.m. on 5 December 2023 via email with the subject "AGM" to company.secretary@essensys.tech to assist in the smooth running of the meeting.

2. 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 5 December 2023. 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 5 December 2023.

3. A Shareholder entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the Shareholder's rights to attend, speak and vote at the meeting. A proxy need not be a Shareholder of the Company but must attend the meeting for the Shareholder's vote to be counted. If a Shareholder appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the Shareholder.

   Completion of a form of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction will not preclude a Shareholder attending and voting in person at the meeting if he/ she wishes to do so.

4. Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained below. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures, and to the address, described in CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK and International 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 constitutes the appointment of a proxy or 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 the issuer's agent (RA19) by the latest time(s) for receipt of proxy appointments specified in the Notice of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent 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 provider(s) 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(s), to procure that his CREST sponsor or voting service provider(s) take(s)) 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 provider(s) 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.

5. If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the meeting either in person or by proxy, but if more than one joint holder is present at the meeting either in person or by proxy, the one whose name stands first in the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof. In any event, the names of all joint holders should be stated on the form of proxy.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of CA 2006, the Company specifies that in order to have the right to attend and vote at the General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at the close of business on 5 December 2023, or, in the event of any adjournment, at the close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
7. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that they do not do so in relation to the same shares.
8. Any Shareholder attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. Any person to whom this Notice of Annual General Meeting is sent (or who is notified when this Notice of Annual General Meeting is available to view on the Company's website) who is a person nominated under section 146 of CA 2006 to enjoy information rights (a "**Nominated Person**") may have a right, under an agreement between him/her and the Shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the Shareholder as to the exercise of voting rights. The statement of the above rights of the Shareholders in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by Shareholders of the Company.
10. Under section 527 of CA 2006, Shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of CA 2006 (in each case) that the Shareholders propose to raise at the relevant annual general meeting. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of CA 2006. Where the Company is required to place a statement on a website under section 527 of CA 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of CA 2006 to publish on a website.
11. As at 30 October 2023 (being the last practicable date prior to the approval of this Notice) the Company's issued share capital consists of 64,662,015 Ordinary Shares, carrying one vote each. The total voting rights in the Company as at that date are 64,662,015.
12. You may not use any electronic address (within the meaning of section 333(4) of CA 2006) provided in this Notice of Annual General Meeting (or in any related documents) to communicate with the Company for any purposes other than those expressly stated.

Notice of Annual General Meeting continued

13. A copy of this Notice, and other information required by section 311A of CA 2006, can be found at www.essensys.tech.
14. If you need help with voting online, or require a hard copy form of proxy, please contact the Company's Registrar, Equiniti Limited on +44 (0)371 384 2030 (or, if calling from overseas, please ensure the country code is used). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. A request can be made in writing to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Submission of a proxy vote shall not preclude a Shareholder from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.

Designed and
printed by:

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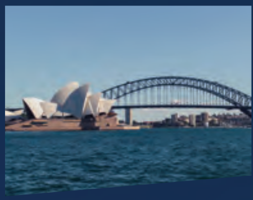

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