

ESSENSYS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

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ESSENSYS LIMITED

COMPANY INFORMATION

Directors	B J Clark M Furness M J Guest J Pluthero I B Sadler S Hay P Bradd T F Theobalds
Company secretary	2020CA Limited
Registered number	05959557
Registered office	1 Triton Square Regents Place London NW1 3DX
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

ESSENSYS LIMITED

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ESSENSYS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2014

The directors present their report and the financial statements for the year ended 31 July 2014.

Principal activities

The principal activity of the company in the year under review was the provision of fully managed cloud based IT products and services. The provision, management and monitoring of these products and services being fully automated by our proprietary orchestration software Bluefin™ and our self-service user interface JEFF™.

Financial key performance indicators

The company's key financial performance indicators are set out below:

	2014	As restated 2013
	£'000	£'000
Turnover	10,310	5,203
Gross profit	5,449	2,728
EBITDA	2,175	420

The company achieved a 98% growth in revenues and a 418% increase in EBITDA performance in the year.

Principal risk and uncertainties

Liquidity risk

The company seeks to minimise financial risk by ensuring sufficient liquidity is available to enable us to invest and grow the business profitably. Management continuously monitors the level of liquidity within the business.

Interest risk

The group is exposed to interest rate fluctuations on its borrowings which include bank debt and finance leases. Interest is payable on a monthly basis. Management do not consider this to be a significant risk to the business.

Credit risk

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

Future development

The principal uncertainties associated with achieving the company's anticipated growth are that it must maintain its current high level of customer satisfaction. We expect that the market for cloud based IT products and services to continue to grow strongly.

ESSENSYS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2014**

Directors

The directors who served during the year were:

B J Clark
M Furness
M J Guest
J Pluthero
I B Sadler

Further, the following directors were appointed on 22 January 2015:

S Hay
P Bradd
T F Theobalds

Political and charitable contributions

The company made charitable donations of £19,710 (2013 - £5,320) during the year.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Provision of information to auditor

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

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
Director **MARK FURNES**

Date: 14TH APRIL 2015

ESSENSYS LIMITED

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ESSENSYS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENSYS LIMITED

We have audited the financial statements of Essensys Limited for the year ended 31 July 2014 which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net debt, the statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year 31 July 2014 for which the financial statements are prepared is consistent with the financial statements.

Other matter - comparative information

Comparative information in these financial statements is derived from the financial statements for the previous accounting period, which have not been audited.

ESSENSYS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSENSYS LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Julian Frost (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: *14 April 2015*

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

ESSENSYS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2014**

	Note	2014 £	Unaudited As restated 2013 £
TURNOVER		10,310,652	5,203,481
Cost of sales		(4,861,505)	(2,474,929)
		<hr/>	<hr/>
GROSS PROFIT		5,449,147	2,728,552
Administrative expenses		(3,916,495)	(2,666,620)
Other operating income		46,850	39,117
		<hr/>	<hr/>
OPERATING PROFIT	3	1,579,502	101,049
Interest payable and similar charges	6	(52,790)	(35,886)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,526,712	65,163
Tax on profit on ordinary activities	7	(42,783)	(5,096)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	16	1,483,929	60,067
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

ESSENSYS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2014**

	Note	2014 £	Unaudited As restated 2013 £
PROFIT FOR THE FINANCIAL YEAR		1,483,929	60,067
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		1,483,929	60,067
Prior year adjustment	18	(677,785)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS		806,144	

The notes on pages 10 to 23 form part of these financial statements.

ESSENSYS LIMITED
REGISTERED NUMBER: 05959557

BALANCE SHEET
AS AT 31 JULY 2014

			2014		Unaudited As restated 2013
	Note	£	£	£	£
FIXED ASSETS					
Intangible assets	8		227,116		-
Tangible assets	9		1,692,446		970,197
Investments	10		-		-
			<u>1,919,562</u>		<u>970,197</u>
CURRENT ASSETS					
Debtors	11	2,136,244		1,585,681	
Cash at bank and in hand		651,267		24,770	
		<u>2,787,511</u>		<u>1,610,451</u>	
CREDITORS: amounts falling due within one year	12	<u>(2,377,023)</u>		<u>(1,662,550)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>410,488</u>		<u>(52,099)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,330,050</u>		<u>918,098</u>
CREDITORS: amounts falling due after more than one year	13		(377,145)		(491,905)
PROVISIONS FOR LIABILITIES					
Deferred tax	14		(74,873)		(32,090)
NET ASSETS			<u><u>1,878,032</u></u>		<u><u>394,103</u></u>
CAPITAL AND RESERVES					
Called up share capital	15		274		274
Share premium account	16		125,226		125,226
Profit and loss account	16		1,752,532		268,603
SHAREHOLDERS' FUNDS	17		<u><u>1,878,032</u></u>		<u><u>394,103</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



 Director **MARK FURNESS**
 Date: **14TH APRIL 2015**

The notes on pages 10 to 23 form part of these financial statements.

ESSENSYS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2014**

	Note	2014 £	Unaudited 2013 £
Net cash flow from operating activities	19	2,276,851	285,800
Returns on investments and servicing of finance	20	(52,790)	(35,886)
Capital expenditure and financial investment	20	(1,544,881)	(470,424)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		679,180	(220,510)
Financing	20	(52,683)	25,546
INCREASE/(DECREASE) IN CASH IN THE YEAR		626,497	(194,964)

**Reconciliation of net cash flow to movement in net debt
for the year ended 31 July 2014**

	2014 £	Unaudited 2013 £
Increase/(Decrease) in cash in the year	626,497	(194,964)
Cash outflow from decrease in debt and lease financing	52,683	(25,546)
MOVEMENT IN NET DEBT IN THE YEAR	679,180	(220,510)
Net debt at 1 August 2013 (as restated)	(727,864)	(507,354)
NET DEBT AT 31 JULY 2014	(48,684)	(727,864)

The notes on pages 10 to 23 form part of these financial statements.

ESSENSYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover represents services receivable 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 balance sheet date have not been billed to the clients, have been recognised as turnover.

1.3 Tangible fixed assets and depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is shorter.

Leasehold improvements	-	20% on cost
Fixtures and fittings	-	25% on cost
Computer equipment	-	25% on cost

1.4 Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

1.5 Impairment of investments

Fixed asset investments are reviewed on an annual basis for any indicators of impairment. Where there are indicators of impairment, the need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

1.6 Hire purchase and leasing commitments

Assets obtained under hire purchase contracts and finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

ESSENSYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

1. ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Research and 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.

1.10 Pensions

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

2. TURNOVER

The whole of the turnover is attributable to the principal activity.

All turnover arose within the United Kingdom.

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

3. OPERATING PROFIT

The operating profit is stated after charging:

	2014 £	Unaudited As restated 2013 £
Depreciation of tangible fixed assets: - owned by the company	589,216	318,489
Auditor's remuneration	23,000	-
Operating lease rentals: - plant and machinery	36,312	17,488
Amortisation of intangible fixed assets	6,300	-
	<u>589,216</u>	<u>318,489</u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2014 £	Unaudited 2013 £
Wages and salaries	1,803,254	1,333,775
Social security costs	274,892	145,589
Other pension costs	38,478	31,980
	<u>2,116,624</u>	<u>1,511,344</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	Unaudited 2013 No.
	27	22
	<u>27</u>	<u>22</u>

5. DIRECTORS' REMUNERATION

	2014 £	Unaudited 2013 £
Remuneration	572,664	423,183
	<u>572,664</u>	<u>423,183</u>
Company pension contributions to defined contribution pension schemes	15,113	9,476
	<u>15,113</u>	<u>9,476</u>

The highest paid director received remuneration of £165,520 (2013 - £120,558).

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

6. INTEREST PAYABLE

	2014 £	Unaudited 2013 £
On bank loans and overdrafts	19,046	10,885
On finance leases and hire purchase contracts	33,744	25,001
	<u>52,790</u>	<u>35,886</u>

7. TAXATION

	2014 £	Unaudited As restated 2013 £
Analysis of tax charge in the year		
Deferred tax		
Origination and reversal of timing differences	45,573	5,096
Effect of increased tax rate on opening liability	(2,790)	-
	<u>42,783</u>	<u>5,096</u>
Total deferred tax (see note 14)	<u>42,783</u>	<u>5,096</u>
Tax on profit on ordinary activities	<u>42,783</u>	<u>5,096</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 22.33% (2013 - 20%). The differences are explained below:

	2014 £	Unaudited As restated 2013 £
Profit on ordinary activities before tax	<u>1,526,712</u>	<u>65,163</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.33% (2013 - 20%)	340,938	13,032
Effects of:		
Expenses not deductible for tax purposes	44,764	20,729
Capital allowances for year in excess of depreciation	(48,504)	(3,544)
Adjustments to losses	(58,387)	-
Additional deduction for R&D expenditure	(203,472)	(148,413)
Utilisation of tax losses and other deductions	(75,339)	118,196
	<u>-</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

8. INTANGIBLE FIXED ASSETS

	Internal software development £	Goodwill £	Total £
Cost			
At 1 August 2013 (unaudited)	-	200,000	200,000
Additions	233,416	-	233,416
At 31 July 2014	233,416	200,000	433,416
Amortisation			
At 1 August 2013 (as previously stated) (unaudited)	-	45,000	45,000
Prior year adjustment	-	155,000	155,000
At 1 August 2013 (as restated) (unaudited)	-	200,000	200,000
Charge for the year	6,300	-	6,300
At 31 July 2014	6,300	200,000	206,300
Net book value			
At 31 July 2014	227,116	-	227,116
At 31 July 2013 (as restated) (unaudited)	-	-	-

ESSENSYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Leasehold improvements £	Total £
Cost				
At 1 August 2013 (as previously stated) (unaudited)	49,860	1,089,293	38,088	1,177,241
Prior year adjustment	-	511,711	-	511,711
At 1 August 2013 (as restated) (unaudited)	49,860	1,601,004	38,088	1,688,952
Additions	51,163	1,200,022	60,280	1,311,465
At 31 July 2014	101,023	2,801,026	98,368	3,000,417
Depreciation				
At 1 August 2013 (as previously stated) (unaudited)	45,058	494,333	19,585	558,976
Prior year adjustment	-	159,779	-	159,779
At 1 August 2013 (as restated) (unaudited)	45,058	654,112	19,585	718,755
Charge for the year	7,760	555,058	26,398	589,216
At 31 July 2014	52,818	1,209,170	45,983	1,307,971
Net book value				
At 31 July 2014	48,205	1,591,856	52,385	1,692,446
At 31 July 2013 (as restated) (unaudited)	4,802	946,892	18,503	970,197

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

10. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2013 (as restated) (unaudited) and 31 July 2014	100
Impairment	
At 1 August 2013 (as restated) (unaudited) and 31 July 2014	100
Net book value	
At 31 July 2014	-
At 31 July 2013 (as restated) (unaudited)	-

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country	Class of shares	Holding	Nature of business
TVOC Limited	England and Wales	Ordinary	100%	Virtual office provider

TVOC Limited is a wholly owned subsidiary incorporated in the United Kingdom.

11. DEBTORS

	2014 £	Unaudited As restated 2013 £
Due after more than one year		
Other debtors	625,956	225,559
Due within one year		
Trade debtors	605,376	613,628
Amounts owed by group undertakings	5,646	5,646
Other debtors	156,334	89,559
Prepayments and accrued income	742,932	651,289
	<u>2,136,244</u>	<u>1,585,681</u>

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

**12. CREDITORS:
Amounts falling due within one year**

	2014 £	Unaudited As restated 2013 £
Bank loans and overdrafts	152,444	102,445
Hire purchase contracts	170,360	158,284
Trade creditors	1,088,438	657,644
Other taxation and social security	351,352	276,188
Other creditors	125,660	27,636
Accruals and deferred income	488,769	440,353
	<u>2,377,023</u>	<u>1,662,550</u>

**13. CREDITORS:
Amounts falling due after more than one year**

	2014 £	Unaudited As restated 2013 £
Bank loans	287,394	231,504
Hire purchase contracts	89,751	260,401
	<u>377,145</u>	<u>491,905</u>

Maturity of debt

Loan maturity analysis

Included within the above are amounts falling due as follows:

	2014 £	Unaudited As restated 2013 £
Between one and two years		
Bank loans	115,581	102,445
Between two and five years		
Bank loans	171,813	119,259
Over five years		
Bank loans	-	9,800

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

13. CREDITORS:

Amounts falling due after more than one year (continued)

Amounts falling due in more than five years:

	2014	Unaudited As restated
	£	2013
		£
Repayable by instalments	-	9,800

There are two bank loans which are repayable in monthly instalments over a 10 year term. Interest on these loans is charged at 3% and 3.85% above base rate per annum respectively.

Finance lease and hire purchase contract analysis

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2014	Unaudited As restated
	£	2013
		£
Between one and two years	85,410	170,360
Between two and five years	4,341	90,041

14. DEFERRED TAXATION

	2014	Unaudited 2013
	£	£
At beginning of year	32,090	26,994
Charge for year (P&L)	42,783	5,096
At end of year	74,873	32,090

The provision for deferred taxation is made up as follows:

	2014	Unaudited 2013
	£	£
Accelerated capital allowances	74,873	32,090

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014**

15. CALLED UP SHARE CAPITAL

	2014 £	Unaudited 2013 £
Allotted, issued and fully paid		
27,368 (2013 - 27,368) ordinary shares of £0.01 each	274	274

16. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 August 2013 (as previously stated) (unaudited)	125,226	100,000	846,388
Prior year adjustment (note 18)	-	(100,000)	(577,785)
At 1 August 2013 (as restated) (unaudited)	125,226	-	268,603
Profit for the financial year	-	-	1,483,929
At 31 July 2014	125,226	-	1,752,532

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	Unaudited 2013 £
Opening shareholders' funds	1,071,888	334,036
Prior year adjustments (note 18)	(677,785)	-
Opening shareholders' funds (as restated)	394,103	
Profit for the financial year	1,483,929	60,067
Closing shareholders' funds	1,878,032	394,103

ESSENSYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

18. PRIOR YEAR ADJUSTMENT

The prior year adjustment has arisen for the following reasons:

	Total £
Reclassification of leases	58,244
Write off of subsidiary TVOC	(250,000)
Write off of investment in VOF	(155,000)
Increase in accruals	(147,434)
Write off pension debtor	(3,548)
Reduction of accrued income	(146,791)
Recognition of lease incentive	(21,930)
Corporation tax	(11,326)
	<u>(677,785)</u>

The reclassification of leases relates to a number of asset leases taken out which were originally treated as operating leases in the 2013 accounts but should have been treated as finance leases. The effect of this is to recognise these leases as fixed assets and corresponding lease creditors, and to charge depreciation and finance costs to the profit and loss account.

The write off of subsidiary TVOC represents the total carrying value as at 31st July 2013. The nominal value of this investment was £100. The effect to the company is to decrease fixed asset investments, remove the revaluation reserve in respect of this investment and write off the full amount to the profit and loss account, reducing the investment to £Nil.

The write off of investment in VOF relates to capitalised software. The effect to the company is to decrease fixed asset investments and write off the full amount to the profit and loss account, reducing the investment to £Nil.

The increase in accruals relates to employment expenses which should have been accrued at 31 July 2013.

The reduction of accrued income relates to accrued revenue at the end of the 2013 financial year that related to 2014. The effect to the company was to reduce accrued revenue and revenue.

The lease incentive was received in relation to a property lease. The adjustment is to spread the cost evenly over the term of the contract.

The corporation tax adjustment relates to the tax impact of the other adjustments noted.

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	Unaudited 2013 £
Operating profit	1,579,502	101,049
Amortisation of intangible fixed assets	6,300	20,000
Depreciation of tangible fixed assets	589,216	318,489
Increase in debtors	(550,563)	(608,620)
Increase in creditors	652,396	454,882
Net cash inflow from operating activities	<u>2,276,851</u>	<u>285,800</u>

ESSENSYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014	Unaudited
	£	2013
		£
Returns on investments and servicing of finance		
Interest paid	(19,046)	(10,885)
Hire purchase interest	(33,744)	(25,001)
Net cash outflow from returns on investments and servicing of finance	(52,790)	(35,886)
	2014	Unaudited
	£	2013
		£
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(233,416)	-
Purchase of tangible fixed assets	(1,311,465)	(470,424)
Net cash outflow from capital expenditure	(1,544,881)	(470,424)
	2014	Unaudited
	£	2013
		£
Financing		
New secured loans	105,890	163,109
Repayment of finance leases	(158,573)	(137,563)
Net cash (outflow)/inflow from financing	(52,683)	25,546

21. ANALYSIS OF CHANGES IN NET DEBT

	Unaudited		Other	
	1 August	Cash flow	non-cash	31 July
	2013		changes	2014
	£	£	£	£
Cash at bank and in hand	24,770	626,497	-	651,267
Debt:				
Finance leases	(418,685)	158,573	1	(260,111)
Debts due within one year	(102,445)	(105,890)	55,889	(152,446)
Debts falling due after more than one year	(231,504)	-	(55,890)	(287,394)
Net debt	(727,864)	679,180	-	(48,684)

ESSENSYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014

22. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid as under:

	2014 £	Unaudited 2013 £
Expiry date:		
Within 1 year	-	98,088
Between 2 and 5 years	281,925	-

23. DIRECTORS' BENEFITS: ADVANCES, CREDIT AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 July 2013 and 31 July 2014:

M Furness

	2014 £	Unaudited As restated 2013 £
Balance outstanding at start of year	225,582	51,113
Amounts advanced	373,249	289,469
Amounts repaid	-	(115,000)
Balance outstanding at end of year	598,831	225,582

The maximum loan balance subsisting during the year was £598,831 (2013 - £225,582).

M Guest

	2014 £	Unaudited 2013 £
Balance outstanding at start of year	-	-
Amounts advanced	34,237	-
Amounts repaid	-	-
Balance outstanding at end of year	34,237	-

The maximum loan balance subsisting during the year was £34,327 (2014 - £Nil).

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of exemption, under the terms of paragraph 3(b) Financial Reporting Standard 8 - Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group.

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**NOTES TO THE FINANCIAL STATEMENTS
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25. CONTROLLING PARTY

The company is under the control of Mr M Furness, the director by virtue of his shareholdings.