

essensys (UK) Limited (formerly Essensys Limited)

Annual Report and Financial Statements

Year Ended 31 July 2019

Company Number 05959557

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essensys (UK) Limited

Company Information

Registered office	7 th Floor Aldgate Tower 2 Leman Street London E1 8FA
Registered number	05959557
Directors	B J Clark M Furness M J Guest I B Sadler A D Pepper D J Kinnaird
Company Secretary	ONE Advisory Limited 201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Legal Advisers (Company)	Osborne Clarke LLP One London Wall London EC2Y 5EB

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essensys (UK) Limited
Strategic report
for the Year Ended 31 July 2019 (continued)

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 July 2019.

essensys (UK) Ltd (the "Company") is the trading company of the essensys plc group of companies (the "essensys Group") in the United Kingdom. The Company also supplies the other members of the essensys Group with licences to supply and run the group's software products and certain management and operational services.

The essensys Group's vision is to power the world's largest community of technology driven flexible workspaces. The group does that by providing flexible workspace operators with mission-critical software-as-a-service ("SaaS") platforms and on-demand cloud services that help them to manage their business operations more efficiently, and service the needs of their customers more successfully.

The growth in the flexible workspace market continues in the UK and as the leading provider of software and technology infrastructure to this 'space as a service' market, the company remains well placed to take advantage of this continued structurally driven industry growth.

Business review

The company continued to make progress towards achieving its longer-term strategic objectives.

The number of customer sites served by the Company's Connect platform grew by 28% this year. The Company has also continued to invest in the development of new and enhanced capabilities and functionality for the Connect platform.

Following the launch of the Operate software product during 2017, to replace the legacy products acquired with Hubcreate Limited, growth in this area accelerated globally with new customer acquisitions in the Middle East and Australia as well as the company's core market in the UK.

The Company made a loss after tax in the year of £305,000 due primarily to a non-cash share based payment expense related to the Company's share option scheme. The Company invested a further c.£0.8m into internal software development, the costs of which have been capitalised. During the year the Company, as at the time the ultimate parent company of the essensys Group, was part of a corporate reorganisation that resulted in the company being acquired by essensys plc via a share for share exchange. Shares in essensys plc were then admitted to trading on the Alternative Investments Market of the London Stock Exchange via an Initial Public Offering (the "IPO") which concluded on 29 May 2019.

Prior to the IPO, all outstanding share options under the Company's EMI share option scheme vested and were exercised. This, together with the Company's share of the cost of the new essensys plc share option scheme, resulted in the Company incurring a share based payment charge of £0.9m. Immediately following the IPO all outstanding loans to directors were repaid and the Company received £11.6m of funding from its immediate parent company, essensys plc, which allowed it to repay all outstanding bank debt.

Financial key performance indicators

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

	2019	2018
	£'000	£'000
Turnover	13,141	11,926
Recurring revenue	10,641	9,221
Recurring revenue as percentage of total revenue	81%	77%
Gross Margin %	69%	67%
EBITDA	2,026	2,754
Adjusted EBITDA (excluding share based payment charges)	2,933	2,754

Company revenue in the year increased by 10% year on year driven by the increased customer base and the resultant increased recurring revenue. New customers also add to the contribution against gross margin, as infrastructure costs per customer reduces.

Principal risks and uncertainties

Liquidity risk

The Company seeks to minimise financial risk by ensuring sufficient liquidity is available to enable it to invest and grow the business profitably. See note 2 for consideration of the ability of the Company to continue as a going concern.

Interest risk

The Company is exposed to interest rate fluctuations on its borrowings which include bank debt and finance leases. Interest is payable on a monthly basis. The Company's debt consisted of a revolving credit facility bank loan, finance lease and accounts receivable. Management do not consider this to be a significant risk to the business.

Credit risk

The principal credit risk for the Company 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.

Research and development

The Company continues to invest in software development resulting in ongoing improvements in all of the Group's proprietary orchestration software Bluefin, in Connect, and the continued development of Operate. Certain costs in respect of the developed software have been capitalised in the statement of financial position.

Subsequent events & future developments

Subsequent to year end, and since March 2020 in particular, the impact of the Covid-19 virus outbreak has started to be felt by the Company's customers, albeit there has been limited direct impact on the Company to date. The Company has implemented its business continuity plan and all Group employees are working remotely. The Company's supply chain has been secured to ensure that it can deliver on its contracted commitments and anticipated future demand in the short to medium-term, and the Board continues to monitor that.

Subsequent to the imposition of government mandated movement restrictions and the impact on levels of customer facing activity within the business the Board has implemented a number of cost saving and cash conservation measures. These include:

- Taking advantage of the UK Government Coronavirus Job Retention Scheme;
- Implementing reduced working hours across the rest of the business, with a commensurate reduction in salaries;
- Senior management salary reductions;
- Reducing expenditure on software development;
- Deferral of all non-essential capital and operating expenditure and halting of all new recruitment activity.

Efforts continue to be made to reduce costs where possible and arrange deferred payment terms and the Board continues to investigate other areas of financial support, where appropriate, including taking advantage of any government support schemes and tax payment deferrals.

On 9 April 2020, the Company's immediate parent, raised an additional £7m of equity from its shareholders and the Group of which the Company is part also maintains an undrawn revolving credit facility.

The Company's software and services remain critical to the continued operation of customers sites and are also key to enabling remote working for many of their clients, and the Company continues to look at ways to provide additional support during the crisis. To date a number of initiatives have been implemented which are helping the Company's clients manage their businesses remotely and provide additional support to their customers, including providing free of charge access to a number of remote working tools such as essensys Softphone and call handling software and also VPNs and remote network access.

The Group of which the Company is part has significant cash reserves and notwithstanding the macroeconomic uncertainty caused by Covid-19, the Board is confident that the Company has the resources to be able to deal with any significant impact on both its existing business and to future growth over the next twelve to eighteen months should that become necessary. Notwithstanding the current situation the Board remains convinced of the long-term structural move to a more flexible and "amenity-rich" working environment, continue to see significant large enterprise adoption together with increasing levels of landlord market entry to the market.

The Company continues to focus in the short term on on-going revenue growth and enhanced profitability, supporting the wide Group plan. Alongside this the Company will continue with its strategy of investing in Connect and Operate and developing complementary software solutions to enable our customers to automate provision of services and to broaden the range of services they offer.

Approval

This Strategic Report was approved by order of the Board on 30 April 2020.



M Furness
Director

essensys (UK) Limited
Directors' report
for the Year Ended 31 July 2019 (continued)

The directors present their report and the financial statements for the year ended 31 July 2019.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom General Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit and loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Principal activity

The principal activity of the company during the year was the provision of software and technology platforms that manage their critical infrastructure and business processes, primarily to the flexible workspace industry, and to provide the other trading members of the essensys Group with licences to supply and run the group's software products and management and operational services.

Results and dividends

The loss for the period, after taxation, amounted to £305,000 (2018 – profit for the period of £887,000). On 16 May 2019 the directors declared a dividend to shareholders of £180.58 per share, the majority of whom were directors of that company. The total dividend amounted to £4,449,034 (2017 - £Nil) and was declared in advance of the acquisition of the Company by essensys plc by way of a share for share exchange. £3,533,513 of the dividend was used to settle outstanding directors' loans as set out in note 26 to the financial statements. The remainder of the dividend was paid as cash.

Directors

The directors during the year and after the year end were:

B J Clark
M Furness
M J Guest
I B Sadler
A D Pepper
D J Kinnaird

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 1 – 2. This includes a review of the group's business and future developments, and disclosures regarding the principal risks and uncertainties.

Disclosure of information to the auditor

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

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

**Directors' report
for the Year Ended 31 July 2019 (continued)**

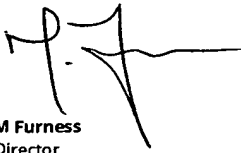
Subsequent events

Subsequent to year end, the global expansion of the Covid-19 virus has resulted in macroeconomic uncertainty. Whilst there has been no material impact on the Company as at the date of this report it is difficult to assess the short to longer-term impact of that uncertainty on the Company's operations. The Company has secured its supply chain in order to meet its contracted commitments and anticipated demand and to date its customers have confirmed that they intend to continue with their existing site opening plans that relate to current contracted Connect sites as at the date of this report. On 9 April 2020, the Company's immediate parent, raised an additional £7m of equity from its shareholders and the Group of which the Company is part also maintains an undrawn revolving credit facility. Further details on actions taken to date are included within the Strategic Report.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditor will be proposed at the next annual general meeting.

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

A handwritten signature in black ink, appearing to be 'M Furness', with a long horizontal line extending to the right.

M Furness
Director

30 April 2020

Independent Auditor's Report to the Members of essensys (UK) Limited

Opinion

We have audited the financial statements of essensys (UK) Limited ("the Company") for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2019 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report, the Directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

Responsibilities of Directors

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, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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 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.

BDO LLP

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

30 April 2020

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

essensys (UK) Limited

Statement of Comprehensive Income
for the year ended 31 July 2019

	Notes	2019 £000	2018 £000
Revenue	5	13,141	11,926
Cost of sales		(4,043)	(3,880)
Gross profit		9,098	8,046
Administrative expenses		(7,977)	(6,899)
Other operating income		-	79
Share Based Payment Expense		(907)	-
Operating profit	6	214	1,226
Interest receivable and similar income	9	81	94
Interest payable and similar charges	10	(516)	(328)
(Loss)/profit before taxation		(221)	992
Taxation	11	(84)	(105)
Total comprehensive (loss) / income for the year from continuing operations		(305)	887


The notes on pages 10 to 38 form part of these financial statements.

essensys (UK) Limited
Registered Number: 05959557

Statement of Financial Position
As at 31 July 2019

	Notes	2019 £000	2018 £000	2017 £000
ASSETS				
Non-current assets				
Intangible assets	12	3,769	3,614	3,609
Property, plant and equipment	13	691	377	386
Right of use assets	14	1,653	2,709	2,886
Trade and other receivables	17	4,835	4,835	4,534
Deferred Tax	23	-	86	-
		10,948	11,621	11,415
Current assets				
Inventories	16	156	-	-
Trade and other receivables	17	3,729	5,670	6,140
Cash at bank and in hand		2,340	729	1,243
		6,225	6,399	7,383
TOTAL ASSETS		17,173	18,020	18,798
EQUITY AND LIABILITIES				
EQUITY				
Shareholders' equity				
Called up share capital	18	97	-	-
Share premium	19	39	125	125
Share based payment reserve		907	-	-
Retained earnings		(219)	6,850	5,963
TOTAL EQUITY		824	6,975	6,088
LIABILITIES				
Non-current liabilities				
Borrowings	21	-	3,857	911
Trade and other payables	20	11,625	-	-
Lease liabilities	22	934	2,122	2,456
Deferred Tax	23	70	-	-
		12,629	5,979	3,367
Current liabilities				
Borrowings	21	-	787	3,702
Trade and other payables	20	1,878	1,903	2,308
Contract liabilities	5E	654	1,077	2,008
Lease liabilities	22	1,188	1,139	1,190
Current taxes		-	160	135
		3,720	5,066	9,343
TOTAL LIABILITIES		16,349	11,045	12,710
TOTAL EQUITY AND LIABILITIES		17,173	18,020	18,798

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2020.


A D Pepper
 Director

The notes on pages 10 to 38 form part of these financial statements.

essensys (UK) Limited

Statement of Changes in Equity
for the Year Ended 31 July 2019

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
1 August 2018	-	125	-	6,850	6,975
Comprehensive loss for the year					
Loss for the year	-	-	-	(305)	(305)
Total comprehensive loss for the year	-	125	-	6,545	6,670
Transactions with shareholders					
Share buy back	-	-	-	(2,315)	(2,315)
Dividend paid	-	-	-	(4,449)	(4,449)
New shares issued	97	(86)	-	-	11
Share based payment charge	-	-	907	-	907
31 July 2019	97	39	907	(219)	824

Statement of Changes in Equity
For the Year Ended 31 July 2018

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
1 August 2017	-	125	-	5,963	6,088
Comprehensive income for the year					
Profit for the year	-	-	-	887	887
Total comprehensive loss for the year	-	-	-	887	887
31 July 2018	-	125	-	6,850	6,975

The notes on pages 10 to 38 form part of these financial statements.

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

1 General information

essensys (UK) Limited (the "Company") is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006 (registration number 05959557). On 17 May 2019 the Company changed its name to essensys (UK) Limited from Essensys Limited. The Company is domiciled in the United Kingdom and its registered address is shown on the contents page and the nature of the Company's operations and its principal activities are set out in the Strategic report and the Directors' report.

2 Basis of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 'Application of Financial Reporting Requirements' and Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework'. In preparing the financial statements the company has applied FRS 101 for the first time from 1 August 2018, applying a transition date of 1 August 2017. The principles and requirements for first time adoption of FRS 101 are set out in FRS 101. FRS 101 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process, however, no transitional exemptions are applicable to the company and therefore none have been taken.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Disclosure exemption adopted

- a statement of cash flows;
- the effect of future accounting standards not yet adopted; and
- disclosure of related party transactions with other wholly owned members of the group headed by essensys plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of essensys plc. These financial statements do not include certain disclosures in respect of:

- Financial Instruments;
- Fair value measurement; and
- Impairment of assets.

Exemption from preparation of consolidated financial statements.

The financial statements have been prepared on a historical cost basis, unless otherwise stated. The presentational currency used is Sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

The financial statements contain information about essensys (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it, and its subsidiary undertakings, are included in the publicly available consolidated financial statements of the parent of the group, essensys plc.

The financial statements of essensys plc are available at 7th Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA.

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 2.

Going concern

The financial statements have been prepared on a going concern basis. In reaching their assessment, the directors have considered a period extending at least twelve months from the date of approval of this half yearly financial report. The directors continue to monitor developments with, and potential impact of, Covid-19 in the short and medium term and is in particular focussed on the key risks of: delays by customers in activation of existing contracted sites; near term delays in customer contracting decisions in respect of new sites; potential reduction in marketplace service utilisation; and the impact of the current situation on the financial stability of customers. Following the implementation of the UK Government Stay at Home measures, the company has implemented a number of measures to reduce operating costs and conserve cash, including:

- reduction of payroll costs from a number of personnel being placed on Furlough Leave, reduced working hours and senior management pay reductions;
- reduction in near term operating expenditure as a result of remote working and a lack of travel;
- Deferral of any non-essential operating and capital expenditure and a pause on all recruitment
- Consideration of government financial support schemes

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of releasing these financial statements. This assessment has included consideration of the forecast performance of the business for the foreseeable future, the cash and financing facilities available to the Company, the recent fundraising concluded by and financial support from its parent, essensys plc, and the mitigating actions undertaken to reduce the impact of Covid-19. In preparing these forecasts, the directors have considered a number of sensitivities, including the potential impact of Covid-19. The company has secured the necessary supplies in order to meet its contracted commitments and anticipated demand and at 31 July 2019 had cash reserves of £2,340,000 together with an undrawn revolving credit facility. Subsequent to the year end the Group of which the Company is part raised a further £7m of equity from its shareholders to provide additional liquidity.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

2 Basis of Preparation (continued)

Based on the sensitised cash flow forecasts prepared, the directors are confident that any funding needs required by the business will be sufficiently covered by the existing cash reserves, the undrawn revolving credit facility and funding available from its parent, essensys plc.

3 Summary of significant accounting policies**Revenue**

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

(a) Invoicing

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

(b) Contracts and obligation

The majority of customer contracts have two main services that the Company 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 Company 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 Company 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 Company. 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 Company recognises the revenue each month as it provides these services for the duration of the contract, i.e. over time.

Finance Income

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

Finance Costs

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

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

3 Summary of significant accounting policies (continued)**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.

(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 Company'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 Company.

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.

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

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

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

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

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

Leasehold improvements include security equipment purchased and acquired on lease and is therefore capitalised under right of use assets.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

3 Summary of significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial information is presented in 'pound sterling', which is the Company's presentation currency.

(b) Transactions and balances

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

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

Inventories

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

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

3 Summary of significant accounting policies (continued)

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 Limited'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 balance sheet 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 Company 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 18.

Financial assets

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

The Company'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.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. In doing so, the Company follows the 3-stage approach to expected credit losses. Step 1 is to estimate the probability that the debtor will default over the next 12 months. Step 2 considers if the credit risk has increased significantly since initial recognition of the debtor. Finally, Step 3 considers if the debtor is credit impaired, following the criteria under IAS 39.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

3 Summary of significant accounting policies (continued)

Financial liabilities

The Company 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 Company 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 Company's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

Impairment of assets

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

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

Business combinations

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

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

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

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

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

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

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

Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Company 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.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

3 Summary of significant accounting policies (continued)**Leases**

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case The Company'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 Company if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where The Company 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 Company 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 Company 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 of 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 Company to use an identified asset and require services to be provided to The Company by the lessor, The Company 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 Company operates a defined contribution plan. 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 Company has no legal or constructive obligations to pay further contributions in 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 balance sheet 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.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

3 Summary of significant accounting policies (continued)

Standards adopted in the year

(a) IFRS 9 Financial Instruments (IFRS 9)

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

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

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

The expected loss rates are based on the Company'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 Company's customers. The Company has identified the gross domestic product (GDP), unemployment rates and inflation rate as the key macroeconomic factors in the countries that the Company operates.

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

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

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

(c) IFRS 16 Leases (IFRS 16)

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

IFRS 16 supersedes International Accounting Standard (IAS) 17 Leases and introduces new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. The primary impact on the Company's financial statements are due to the required changes of the Company's operating leases. The new standard requires that the obligations to pay future lease rentals over the expected lease term be recognised as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding RoUA also being recognised in the Statement of Financial Position. The impact has been a material change in the gross assets and liabilities, as a result of recognising the leases as RoUA and liabilities, for the change in accounting policy, however there has not been a material impact in the value of the Company's net assets. Additionally, whilst the depreciation on the RoUA and the interest on the finance.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

4 Significant accounting judgements, estimates and assumptions

The Company 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 Company. 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 Company are capitalised. After capitalisation management monitor 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 12 for details of amounts capitalised.

Measurement and impairment of goodwill and intangible assets

As set out in note 3 above the carrying value of goodwill is reviewed for impairment at least annually and for other intangible assets when an indication of impairment is identified. In determining whether goodwill or intangible assets are impaired, an estimation of the value in use of the Company 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 Company's weighted average cost of capital, in addition to the estimation involved in preparing the initial projected cash flows for the next 5 years.

These estimates have been used to conclude that no impairment is required to either goodwill or intangible assets but are judgemental in nature. See note 12 for details of the key assumptions made.

Valuation of Share Options

During the year the Company incurred a share-based payment charge of £907,000, of which £897,000 was in relation to the exercise of share options in existence on 15 May 2019, immediately prior to the Company's acquisition by essensys plc. The balance of £10,000 comprised the amount chargeable to the year ended 31 July 2019 in respect of options in the Company issued on 28 May 2019.

The charge in respect of the vested options was based on valuations undertaken at the time of grants of options using a discounted cash flow valuation of that business. That valuation took into account recent financial performance at that time together with management's estimate then of future financial performance, that company's cost of capital and expected long term growth rate.

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

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

5 Segmental Reporting

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

The Company 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 Company's software platforms;
- Revenue from usage of on demand services such as internet and telephone usage and other, on demand, variable services; and
- Other ad-hoc services.

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

5A Revenue analysis by geographic area

The Company operates in the United Kingdom. The whole of the turnover is attributed to the principal activity. The Company's revenue per geographical segment is as follows:

	2019	2018
	£000	£000
Analysis of turnover by country of destination:		
United Kingdom	<u>13,141</u>	<u>11,926</u>

5B Revenue analysis by revenue streams

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

	2019	2018
	£000	£000
Connect	11,955	11,051
Operate	1,186	875
	<u>13,141</u>	<u>11,926</u>

5C Revenue disaggregated by 'point in time' and 'over time'

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

	2019	2018
	£000	£000
Revenue recognised at a point in time	2,500	2,298
Revenue recognised over time	10,641	9,628
	<u>13,141</u>	<u>11,926</u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

5 Segmental Reporting (continued)

5D Revenue from customers greater than 10%

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

	2019 £000	2018 £000
Customer 1	2,952	3,095
Customer 2	2,623	2,746
	<u> </u>	<u> </u>

5E Contract assets and liabilities

Contract asset movements were as follows:

	2019 £000	2018 £000
At 1 August	266	137
Transfers in the period from contract assets to trade receivables	(266)	(137)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	172	266
Commission costs capitalised on contracts	104	-
	<u> </u>	<u> </u>
At 31 July	276	266
	<u> </u>	<u> </u>

Contract liability movements were as follows:

	2019 £000	2018 £000
At 1 August	1,077	1,762
Amounts included in contract liabilities that was recognised as revenue during the period	(661)	(1,051)
Cash received in advance of performance and not recognised as revenue during the period	238	366
	<u> </u>	<u> </u>
At 31 July	654	1,077
	<u> </u>	<u> </u>

Contract assets are included within 'trade and other receivables' and contract liabilities shown respectively on the face of the statement of financial position. Contract assets arise from the Company's revenue contracts, where work is performed in advance of invoicing customers, and where revenue is received in advance of work performed. Cumulatively, payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. Commission costs capitalised on contracts represents internal sales commission costs incurred on signing of customer contracts and, in line with the requirements of FRS102, spread over the life of the customer contract. Prior to the current year the Company expensed these costs in the year of the relevant contract started.

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

6 Operating profit

	2019 £000	2018 £000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	130	125
Amortisation of intangible assets	615	514
Amortisation of right of use assets	1,056	888
Fees payable to the Company's auditor (see below)	58	80
Amortisation of loan arrangement fee	45	-
Write off loan arrangement fees	18	-
Exchange rate differences	(40)	(14)
Research & Development expense	88	192
Staff costs (note 7)	4,889	4,372
Share based payment charges	907	-
	<u> </u>	<u> </u>

Analysis of fees paid to the Company's auditor:

Annual financial statements	58	66
	<u> </u>	<u> </u>
Audit fee	58	66
	<u> </u>	<u> </u>
Tax services	-	14
	<u> </u>	<u> </u>
Non audit services	-	14
	<u> </u>	<u> </u>
Total fee	58	80
	<u> </u>	<u> </u>

7 Employees

Staff costs (including directors) consist of:

	2019 £000	2018 £000
Wages and salaries	4,192	3,760
Social security costs	520	456
Cost of defined contribution scheme	106	90
Other	71	66
	<u> </u>	<u> </u>
	4,889	4,372
	<u> </u>	<u> </u>

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

	2019 No.	2018 No.
Executive	5	6
Sales & Marketing	6	6
Finance & Administration	6	6
Support	24	24
Development	15	15
Provisioning	4	4
	<u> </u>	<u> </u>
	60	61
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

8 Key management remuneration

Key management personnel include all the directors of the Company, who together have authority and responsibility for planning, directing, and controlling the activities of the Company.

	2019 £000	2018 £000
Salaries and fees	1,134	1,061
Social security costs	130	105
Short term non-monetary benefits	8	48
Company contributions to money purchase pension schemes	30	18
Share based payment expense	544	-
	<u>1,846</u>	<u>1,232</u>

9 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from related parties	81	94
	<u>81</u>	<u>94</u>

10 Interest payable and similar charges

	2019 £000	2018 £000
Bank loans and overdrafts	299	162
Interest payable to group companies	87	-
Finance leases and hire purchase contracts	130	166
	<u>516</u>	<u>328</u>

11 Taxation on (loss) / profit on ordinary activities

	2019 £000	2018 £000
<i>Current tax</i>		
UK corporation tax	-	50
Adjustment in respect of previous periods	(72)	8
	<u>(72)</u>	<u>61</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	156	44
	<u>156</u>	<u>44</u>
Total deferred tax	<u>156</u>	<u>44</u>
Taxation on profit on ordinary activities	<u>84</u>	<u>105</u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

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

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

	2019 £000	2018 £000
(Loss) / profit on ordinary activities before tax	(221)	993
Tax using the Company's domestic tax rates	(42)	189
Effects of:		
Fixed asset differences	143	11
Expenses not deductible for tax purposes	184	22
Adjustments to tax charge in respect of previous periods	(127)	(110)
Adjustment in respect of prior periods	(72)	76
Group relief surrendered	(2)	-
Deduction for R&D expenditure	(22)	(130)
Other permanent differences	(4)	29
Adjust closing deferred tax to average rate	(8)	9
Adjust opening deferred tax to average rate	(4)	9
Timing differences not recognised	(10)	-
Deferred tax not recognised	48	-
Total tax charge for period	84	105

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

12 Intangible assets

	Internal software development £000	Goodwill £000	Total £000
<i>Cost</i>			
At 1 July 2018	3,691	1,470	5,161
Additions	770	-	770
	<u>4,461</u>	<u>1,470</u>	<u>5,931</u>
At 31 July 2019			
<i>Amortisation</i>			
At 1 July 2018	1,547	-	1,547
Charge for year	615	-	615
	<u>2,162</u>	<u>-</u>	<u>2,162</u>
At 31 July 2019			
<i>Net book value</i>			
At 31 July 2019	<u>2,299</u>	<u>1,470</u>	<u>3,769</u>
At 31 July 2018	<u>2,114</u>	<u>1,470</u>	<u>3,614</u>
	Internal software development £000	Goodwill £000	Total £000
<i>Cost</i>			
At 1 July 2017	3,107	1,470	4,577
Additions	584	-	584
	<u>3,691</u>	<u>1,470</u>	<u>5,161</u>
At 31 July 2018			
<i>Amortisation</i>			
At 1 July 2017	1,033	-	1,033
Charge for year	514	-	514
	<u>1,547</u>	<u>-</u>	<u>1,547</u>
At 31 July 2018			
<i>Net book value</i>			
At 31 July 2018	<u>2,144</u>	<u>1,470</u>	<u>3,614</u>
At 31 July 2017	<u>2,074</u>	<u>1,470</u>	<u>3,544</u>

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

The Company estimates the recoverable amount of the CGU using a value in use model by projecting pre-tax cash flows for the next 5 years together with a terminal value using the long-term growth rate. The key assumptions underpinning the recoverable amount of the CGU are forecast revenue and forecast EBITDA percentage. The forecast revenues in the model are based on management's past experience and future expectations of performance. The pre-tax discount rate used in all periods is 10.9% derived from a WACC calculation and benchmarked against similar organisations within the sector. The long-term growth rate used is 2% in all periods which is the underlying growth rate of the economy. Using a discount rate of 15% and a long-term growth rate of 1% as sensitised assumptions also does not result in any impairment. The total recoverable amount in respect of goodwill as assessed by management using the above assumptions is greater than the carrying amount and therefore no impairment charge has been booked in each period.

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

13 Property, plant and equipment

	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
<i>Cost</i>				
At 1 July 2018	63	2,711	85	2,859
Additions	-	430	14	444
At 31 July 2019	63	3,141	99	3,303
<i>Depreciation</i>				
At 1 July 2018	23	2,420	39	2,482
Charge for year	16	106	8	130
At 31 July 2019	39	2,526	47	2,612
<i>Net book value</i>				
At 31 July 2019	24	615	52	691
At 31 July 2018	40	291	46	377
	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
<i>Cost</i>				
At 1 July 2017	48	2,614	51	2,713
Additions	15	97	34	146
At 31 July 2018	63	2,711	85	2,859
<i>Depreciation</i>				
At 1 July 2017	4	2,318	5	2,327
Charge for year	19	102	34	155
At 31 July 2018	23	2,420	39	2,482
<i>Net book value</i>				
At 31 July 2018	40	291	46	377
At 31 July 2017	44	296	46	386

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

14 Right of use assets

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
<i>Cost</i>					
At 1 July 2018	2,634	167	1,488	584	4,873
At 31 July 2019	2,634	167	1,488	584	4,873
<i>Depreciation</i>					
At 1 July 2018	892	64	1,106	102	2,164
Charge for year	675	60	263	58	1,056
At 31 July 2019	1,567	124	1,369	160	3,220
<i>Net book value</i>					
At 31 July 2019	1,067	43	119	424	1,653
At 31 July 2018	1,742	103	382	482	2,709
	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
<i>Cost</i>					
At 1 July 2017	3,142	167	1,488	584	5,381
Additions	711	-	-	-	711
Disposals	(1,219)	-	-	-	(1,219)
At 31 July 2018	2,634	167	1,488	584	4,873
<i>Depreciation</i>					
At 1 July 2017	1,550	33	868	44	2,495
Charge for year	561	31	238	58	888
Disposals	(1,219)	-	-	-	(1,219)
At 31 July 2018	892	64	1,106	102	2,164
<i>Net book value</i>					
At 31 July 2018	1,742	103	382	482	2,709
At 31 July 2017	1,592	134	620	540	2,886

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

15 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, Inc	United States of America	100%	Trading	Provider of software and technology platforms to the flexible workspace industry
Hubcreate Limited	United Kingdom	100%	Non-trading	Provider of workspace management software
TVOC Limited	United Kingdom	100%	Non-trading	Virtual office provider
Spacebuddi Limited	United Kingdom	95%	Dormant	-

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

16 Inventories

	2019 £000	2018 £000
Work in progress	156	-
	<u>156</u>	<u>-</u>

Work in progress are items purchased to satisfy specific customer contracts, where title has yet passed. Balances in previous years were not considered significant and are included within Prepayments at note 17 below.

17 Trade and other receivables

	2019 £000	2018 £000
<i>Current:</i>		
Trade receivables (net)	1,551	1,159
Amounts receivable from other group companies	288	32
Other receivables	736	3,900
Prepayments	878	313
Contract assets	276	266
	<u>3,729</u>	<u>5,670</u>
<i>Non-current:</i>		
Amounts receivable from other group companies	4,835	4,835
	<u>4,835</u>	<u>4,835</u>

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

Analysis of trade receivables based on age of invoices

	< 30 £'000	31 - 60 £'000	61 - 90 £'000	> 90 £'000	Total Gross £'000	ECL £'000	Total Net £'000
2018	774	185	90	119	1,168	(9)	1,159
2019	954	36	146	445	1,581	(30)	1,551

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

17 Trade and other receivables (continued)

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 Company applies the FRS 101 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analyses performed there is no material impact on the transition to ECL.

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

	Less than 30 days past due £000	31 to 60 days past due £000	61 to 90 days past due £000	91 or more days past due £000	Total £000
<i>Expected loss rate</i>	0%	0%	0%	6.74%	
Gross carrying amount	1,126	36	146	445	1,753
ECL	-	-	-	30	30

Movements in the ECL are as follows:

	2019 £000	2018 £000
Opening ECL at 1 August	9	52
Increase during the year	21	-
Unused amount reversed	-	(43)
ECL charge for the year	21	(43)
At 31 July	30	9

18 Share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
38,836,044 (2018 – 27,888) ordinary shares of 0.0025p each (2018 – 0.01p)	97	-

On 15 May 2019 essensys (UK) Limited underwent a corporate reorganisation during which all outstanding share options were exercised (see note 25 for details), the company undertook a bonus share issue of 350 shares for each share held followed by a share split of four shares of £0.0025p for every one share of £0.01 held resulting in essensys (UK) Limited having 38,836,044 shares of £0.0025p in issue.

19 Share premium

	2019 £000	2018 £000
Share premium at start of period	125	125
Issue of new shares	(97)	-
Cost of issuing new shares recognised in equity	11	-
	39	125

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

20 Trade and other payables

	2019 £000	2018 £000
<i>Current:</i>		
Trade payables	717	1,035
Other taxes and social security	282	385
Other creditors	15	23
Accruals	864	460
	<u>1,878</u>	<u>1,903</u>
<i>Non-current:</i>		
Amounts payable to group companies	<u>11,625</u>	<u>-</u>

The company received a loan from its immediate and ultimate parent company, essensys plc. 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 is not expected to be recovered within one year.

21 Borrowings

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

Following receipt of the loan from essensys plc, the Company repaid all external borrowings.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

22 Lease liabilities*Nature of leasing activities*

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

	2019 £000	2018 £000
Number of active leases	9	11

The Company sometimes negotiates break clauses in its leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company 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 Company.

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

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
At 1 August 2018	2,134	112	632	383	3,261
Interest expense	59	9	29	34	131
Lease payments	(816)	(34)	(302)	(118)	(1,270)
At 31 July 2019	1,377	87	359	299	2,122

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
At 1 August 2017	2,114	136	891	482	3,623
Additions	661	-	-	-	661
Interest expense	69	11	43	44	167
Lease payments	(710)	(35)	(302)	(143)	(1,190)
At 31 July 2018	2,134	112	632	383	3,261

Lease maturity

	Leasehold property £000 2019	Fixtures and fittings £000 2019	Computer equipment £000 2019	Leasehold improvements £000 2019	Total £000 2019
Up to 3 months	-	-	-	-	-
3 to 12 months	767	-	180	-	947
1-2 years	610	87	179	299	1,175
	1,377	87	359	299	2,122

Notes to the financial statements
for the year ended 31 July 2019 (continued)

22 Lease liabilities (continued)

Lease maturity (continued)

	Leasehold property £000 2018	Fixtures and fittings £000 2018	Computer equipment £000 2018	Leasehold improvements £000 2018	Total £000 2018
Up to 3 months	-	-	-	-	-
3 to 12 months	-	-	-	-	-
1-2 years	578	-	363	-	941
2-5 years	1,556	112	269	383	2,320
	<u>2,134</u>	<u>112</u>	<u>632</u>	<u>383</u>	<u>3,261</u>

Analysis by current and non-current

	Leasehold property £000 2019	Fixtures and fittings £000 2019	Computer equipment £000 2019	Leasehold improvements £000 2019	Total £000 2019
Due within a year	766	29	273	120	1,188
Due in more than one year	611	58	86	179	934
	<u>1,377</u>	<u>87</u>	<u>359</u>	<u>299</u>	<u>2,122</u>

	Leasehold property £000 2018	Fixtures and fittings £000 2018	Computer equipment £000 2018	Leasehold improvements £000 2018	Total £000 2018
Due within a year	757	26	245	111	1,139
Due in more than one year	1,377	86	387	272	2,122
	<u>2,134</u>	<u>112</u>	<u>632</u>	<u>383</u>	<u>3,261</u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

23 Deferred taxation

	2019 £000	2018 £000
Brought forward	(86)	(49)
Charged/(credited) to the income statement	156	(37)
	<hr/>	<hr/>
Carried forward	70	(86)
	<hr/>	<hr/>

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Fixed asset timing differences	79	(79)
Other timing differences	(9)	(7)
	<hr/>	<hr/>
	70	(86)
	<hr/>	<hr/>

Factors that may affect future tax charges

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

24 Pension commitments

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

	2019 £000	2018 £000
Pension charge	106	90
	<hr/>	<hr/>
Pension liability	16	15
	<hr/>	<hr/>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

25 Share based payments

The company operates an equity-settled share-based remuneration schemes for employees, which is a United Kingdom tax authority approved scheme.

	Weighted average exercise price 2019	Number 2019	Weighted average exercise price 2018	Number 2018
Outstanding at the beginning of the year	£4.97	2,778	£0.01	2,536
Granted during the year	£0.01	376	£4.97	1,341
Forfeited during the year	£21.94	(131)	£0.01	(1,099)
Exercised during the year	£3.61	(3,023)	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	£4.97	2,778

All outstanding share options in the Company were exercised in advance of a group reorganisation under which the Company was acquired by essensys plc shortly prior to the IPO. Employees of the Company now participate in a share option scheme in essensys plc, details of which can be found in the Group's Annual Report and Accounts for the year ended 31 July 2019.

The Company recognised a total share-based payment expense of £907,000 in the year, comprising £897,000 related to the vesting and exercise of the outstanding share options on 15 May 2019. A further £10,000 related to options in essensys plc issued on 28 May 2019.

26 Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 101 'Related Party Disclosures' not to disclose transactions with members of the group of essensys plc where 100% of the voting rights of those companies are controlled within that group.

Key management personnel

Key management personnel include all directors of the Company who together have authority and responsibility for planning, directing and controlling the activities of the Company. Details of key management compensation is shown in note 8.

Share buy-back

On 15 February 2019 the Company bought back 3,250 ordinary shares for a total consideration of £2,315,000 from a former director and employee of the Company. The shares repurchased were cancelled on 15 February 2019.

Dividend to shareholders

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

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

26 Related party transactions (continued)

Directors Loans

The following advances and credits to the directors and key management personnel subsisting during the years ended 31 July 2019 and 31 July 2018. All advances incurred interest at a rate of 3.25% per annum. Directors loans are included within Other receivables in Note 17.

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

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

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

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

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

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

27 Capital commitments and contingent liabilities

The Company has no capital commitments or contingent liabilities at 31 July 2019 (2018: nil)

28 Events after the reporting date

Subsequent to year end, the global expansion of the Covid-19 virus has resulted in macroeconomic uncertainty. Whilst there has been no material impact on the Company as at the date of this report it is difficult to assess the short to longer-term impact of that uncertainty on the Company's operations. The Company has secured its supply chain in order to meet its contracted commitments and anticipated demand and to date its customers have confirmed that they intend to continue with their existing site opening plans that relate to current contracted Connect sites as at the date of this report. On 9 April 2020, the Group of which the Company is part raised an additional £7m of equity from its shareholders and it also maintains an undrawn revolving credit facility.

29 Controlling party

At the start of the year Mr M Furness was the controlling party, by virtue of his shareholding in the company. However, as a result of the reorganisation that resulted in the company being acquired by essensys plc via a share for share exchange and the newly formed group being listed on the AIM of the London Stock Exchange via an IPO, the controlling party has changed and the ultimate and immediate parent is now essensys plc, a company registered in the UK with registered address 7th Floor, Aldgate Tower, 2 Leman Street, London E1 8FA.

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

30 Transition to FRS 101

essensys (UK) Limited's effective FRS 101 transition date for the purposes of this financial information was 1 August 2017. The effects of transition to FRS 101 on the statement of financial position as at 31 July 2017 and 31 July 2018 and the statement of comprehensive income for the year ended 31 July 2018 are shown below.

The transition adjustments required on applying FRS 101, as numbered in the tables below, were:

1. Reverse amortisation of goodwill arising from the acquisition of Hubcreate Limited. The impact of this adjustment on the statement of comprehensive income for the year ended 31 July 2018 was to reduce the administrative expenses by £214,000. The overall impact is to increase intangible assets and retained earnings by £313,000 at the date of transition on 1 August 2017 and by £527,000 as at 31 July 2018.
2. Expense capitalised acquisition costs arising from the acquisition of Hubcreate Limited to the income statement. The impact of this adjustment is to decrease intangible assets and retained earnings by £67,000. There was no impact on the statement of comprehensive income for the year ended 31 July 2018.
3. Release of over accrual of contingent consideration when final contingent consideration payment was made during the year ended 31 July 2017. This adjustment has increased intangible assets and retained earnings by £48,000. There was no impact on the statement of comprehensive income for the year ended 31 July 2018.
4. Adjustments to revenue recognised under IFRS 15, related to revenue recognised upfront for a payment related to the renegotiation of a contract during the year ended 31 July 2017. The impact of this adjustment on the statement of comprehensive income for the year ended 31 July 2018 was to increase turnover by £414,000. The overall impact has been to decrease retained earnings and increased deferred income by £1,103,000 as at the date on 1 August 2017 and by £690,000 as at 31 July 2018.
5. Adjustments to leases under IFRS 16, to recognise leases previously recognised as operating and finance leases as right-of-use assets. The impact of this adjustment on the statement of comprehensive income for the year ended 31 July 2018 was to reduce cost of sales by £264,000, increase administrative expenses by £196,000 and to increase interest payable and similar charges by £84,000. The overall impact at 1 August 2017 has increased right of use assets by £2,886,000, reduced property, plant and equipment by £1,284,000, increased trade and other receivables by £76,000, increased non-current lease liabilities by £1,302,000, decreased current trade and other payables by £385,000, increased current lease liabilities by £808,000 and decreased retained earnings by £47,000. The overall impact at 31 July 2018 has increased right of use assets by £2,709,000, reduced property, plant and equipment by £931,000, decreased trade and other receivables by £194,000, increased non-current lease liabilities by £1,376,000, decreased current trade and other payables by £463,000, increased current lease liabilities by £731,000 and decreased retained earnings by £60,000.

Additionally, there was a prior year adjustment to the FRS 102 accounts. In the year ended July 2016 essensys Limited incurred a tax charge of £252,000 related to advances to directors during that year. The amount payable will be recoverable when those directors' loans are repaid. Rather than showing the amount paid as recoverable within other receivables, the amount paid was expensed during the year thus incorrectly reducing the profit in the year ended 31 July 2016 and retained earnings thereafter. This has been corrected to recognise the amount recoverable within other receivables and retained earnings as at 1 August 2017 have increased accordingly.

essenisys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

30 Transition to FRS 101 (continued)

Balance sheet at 1 August 2017

	FRS 102 previously reported £000	Transition adjustment 1 £000	Transition adjustment 2 £000	Transition adjustment 3 £000	Transition adjustment 4 £000	Transition adjustment 5 £000	Prior year adjustment £000	IFRS (FRS 101) £000
ASSETS								
Non-current assets								
Intangible assets	3,315	313	(67)	48	-	-	-	3,609
Property, plant and equipment	1,670	-	-	-	-	(1,284)	-	386
Right of use assets	-	-	-	-	-	2,886	-	2,886
Trade and other receivables	4,534	-	-	-	-	-	-	4,534
	9,519	313	(67)	48	-	1,602	-	11,415
Current assets								
Inventories	-	-	-	-	-	-	-	-
Trade and other receivables	5,812	-	-	-	-	76	252	6,140
Cash at bank and in hand	1,243	-	-	-	-	-	-	1,243
	7,055	-	-	-	-	76	252	7,383
TOTAL ASSETS	16,574	313	(67)	48	-	1,678	252	18,798
EQUITY AND LIABILITIES								
EQUITY								
Shareholders' equity								
Called up share capital	-	-	-	-	-	-	-	-
Share premium	125	-	-	-	-	-	-	125
Retained earnings	6,567	313	(67)	48	(1,103)	(47)	252	5,963
TOTAL EQUITY	6,692	313	(67)	48	(1,103)	(47)	252	6,088
LIABILITIES								
Non-current liabilities								
Borrowings	911	-	-	-	-	-	-	911
Lease liabilities	1,154	-	-	-	-	1,302	-	2,456
	2,065	-	-	-	-	1,302	-	3,367
Current liabilities								
Borrowings	3,702	-	-	-	-	-	-	3,702
Trade and other payables	2,693	-	-	-	-	(385)	-	2,308
Contract liabilities	905	-	-	-	1,103	-	-	2,008
Lease liabilities	382	-	-	-	-	808	-	1,190
Current taxes	135	-	-	-	-	-	-	135
	7,817	-	-	-	1,103	423	-	9,343
TOTAL LIABILITIES	9,882	-	-	-	1,103	1,725	-	12,710
TOTAL EQUITY AND LIABILITIES	16,574	313	(67)	48	-	1,678	252	18,798

**Notes to the financial statements
for the year ended 31 July 2019 (continued)**

30 Transition to FRS 101 (continued)*Balance sheet at 31 July 2018*

	FRS 102 previously reported £000	Transition adjustment 1 £000	Transition adjustment 2 £000	Transition adjustment 3 £000	Transition adjustment 4 £000	Transition adjustment 5 £000	FRS 101 £000
ASSETS							
Non-current assets							
Intangible assets	3,106	527	(67)	48	-	-	3,614
Property, plant and equipment	1,308	-	-	-	-	(931)	377
Right of use assets	-	-	-	-	-	2,709	2,709
Trade and other receivables	4,835	-	-	-	-	-	4,835
Deferred tax	86	-	-	-	-	-	86
	<u>9,335</u>	<u>527</u>	<u>(67)</u>	<u>48</u>	<u>-</u>	<u>1,778</u>	<u>11,621</u>
Current assets							
Inventories	-	-	-	-	-	-	-
Trade and other receivables	5,864	-	-	-	-	(194)	5,670
Cash at bank and in hand	729	-	-	-	-	-	729
	<u>6,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194)</u>	<u>6,399</u>
TOTAL ASSETS	<u>15,928</u>	<u>527</u>	<u>(67)</u>	<u>48</u>	<u>-</u>	<u>1,584</u>	<u>18,020</u>
EQUITY AND LIABILITIES							
EQUITY							
Shareholders' equity							
Called up share capital	-	-	-	-	-	-	-
Share premium	125	-	-	-	-	-	125
Share based payment reserve	-	-	-	-	-	-	-
Merger reserve	-	-	-	-	-	-	-
Retained earnings	7,092	527	(67)	48	(690)	(60)	6,850
TOTAL EQUITY	<u>7,217</u>	<u>527</u>	<u>(67)</u>	<u>48</u>	<u>(690)</u>	<u>(60)</u>	<u>6,975</u>
LIABILITIES							
Non-current liabilities							
Borrowings	3,857	-	-	-	-	-	3,857
Trade and other payables	-	-	-	-	-	-	-
Lease liabilities	746	-	-	-	-	1,376	2,122
	<u>4,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,376</u>	<u>5,979</u>
Current liabilities							
Borrowings	787	-	-	-	-	-	787
Trade and other payables	2,366	-	-	-	-	(463)	1,903
Contract liabilities	387	-	-	-	690	-	1,077
Lease liabilities	408	-	-	-	-	731	1,139
Current taxes	160	-	-	-	-	-	160
	<u>4,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>	<u>268</u>	<u>5,066</u>
TOTAL LIABILITIES	<u>8,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>	<u>1,645</u>	<u>11,045</u>
TOTAL EQUITY AND LIABILITIES	<u>15,928</u>	<u>527</u>	<u>(67)</u>	<u>48</u>	<u>-</u>	<u>1,584</u>	<u>18,020</u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2019 (continued)

30 Transition to FRS 101 (continued)

Statement of Comprehensive Income for the year ended 31 July 2018

	FRS 102 previously reported £000	Transition adjustment 1 £000	Transition adjustment 2 £000	Transition adjustment 3 £000	Transition adjustment 4 £000	Transition adjustment 5 £000	IFRS (FRS 101) £000
Revenue	11,512	-	-	-	414	-	11,926
Cost of Sales	(4,044)	-	-	-	-	164	(3,880)
Gross profit	7,468	-	-	-	414	164	8,046
Administrative expenses	(7,006)	214	-	-	-	(107)	(6,899)
Other operating income	79	-	-	-	-	-	79
Operating profit	541	214	-	-	414	57	1,226
Interest receivable and similar income	94	-	-	-	-	-	94
Interest payable and similar charges	(259)	-	-	-	-	(69)	(328)
Profit before taxation	376	214	-	-	414	(12)	992
Taxation	(105)	-	-	-	-	-	(105)
Total comprehensive income for the year from continuing operations	271	214	-	-	414	(12)	887