

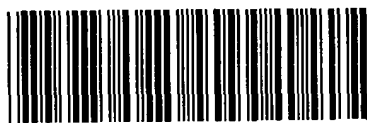
essensys (UK) Limited

Annual Report and Financial Statements

Year Ended 31 July 2022

Company Number 05959557

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COMPANIES HOUSE

Registered office	7 th Floor Aldgate Tower 2 Leman Street London E1 8FA
Registered number	05959557
Directors	M Furness S L Harvey J A Lowery
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 2022

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 July 2022.

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.

Our vision is to power the world's largest community of tech driven flexible workspaces. This reflects our ambition to be the dominant global technology platform for the flexible workspace segment of the commercial real estate market. The group does this by providing mission-critical software-as-a-service ("SaaS") platforms to the flexible workspace segment of the corporate real estate industry to help them to manage their business operations more efficiently, and service the needs of their customers more successfully.

The flexible workspace industry benefits from attractive long-term structural growth drivers. We continue to see a clear shift towards hybrid working and flexible workspaces, with more traditional property landlords and corporate real estate operators moving towards flexible space offerings. 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. During the year the Company continued to evolve the essensys Platform and invested in product and software development to enhance its value to users. The first customers were migrated onto the essensys Platform. The Company completed its onshore software development capacity following a strategic decision in FY20 to bring the majority of the Company's development work back to the UK.

The number of customer sites served by the Company's Connect platform fell by 11% this year as a result of the impacts of Covid-19 on some flex workspace operators expected churn of lower value, non-strategic customers, some portfolio rebalancing by larger customers and a previously reported unexpected insolvency of a long-standing flexible workspace operator during the year.

The Company made a loss after tax in the year of £1,798,000. The Company invested c.£4.1m into internal software development, including the development of the essensys Platform, the costs of which have been capitalised.

Financial key performance indicators

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

	2022	2021
	£'000	£'000
Turnover	10,582	11,288
Recurring revenue	9,894	10,820
Recurring revenue as percentage of total revenue	93.50%	95.85%
Gross Margin %	73%	77%
EBITDA	371	3,034
Adjusted EBITDA (excluding share based payment charges)	408	3,071

Company revenue in the year decreased by 6.3% year on year driven by the impacts of the wider essensys Group expansion, where some customers are now serviced by their local essensys company, and also the loss of a single customer going into administration, which as a single event saw the loss of nineteen sites. This year was a reversal of the last when considering new sites, where this year the number of new sites was nearly double that of last year reflected in the higher revenue recognised at a point in time, this year at £688,000 (2021: £467,000). Recurring revenue has also fallen by 8.6% as a result of lower Marketplace Services revenue resulting from lower occupancy at customer sites as a consequence of following the Covid-19 pandemic and through the overall decline in site numbers during the year.

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 intercompany loan debt and finance leases. Interest is payable on a monthly basis. The Company's debt consisted of a loan from its parent company and finance leases. The directors 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.

essensys (UK) Limited
Strategic report
for the Year Ended 31 July 2022 (continued)

Research and development

The Company continues to invest in software development resulting in ongoing improvements in all of the Company's proprietary orchestration software Bluefin, in Connect, and the continued development of Operate. During the year the Company continued with further development on its Flex Services Platform which will, in time, replace its existing platforms, Connect and Operate. Certain costs in respect of the developed software have been capitalised in the statement of financial position.

Subsequent events & future developments

The Company is uniquely positioned to capitalise on the anticipated demand for powerful digital and in-building experiences, having developed the most comprehensive, end-to-end software and technology solution for flexible workspace providers available today.


In order to maintain the competitive advantage of essensys' products and services, the Company will continue to invest in product and software development with a focus on introducing technically and commercially disruptive innovation to create seamless digital experiences and extend the reach and capability of the essensys Platform.

Going Concern

The financial statements on pages 7 to 32 have been prepared on the going concern basis. After making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in business for the foreseeable future. As part of their enquiries the Directors reviewed budgets, projected cash flows and other relevant information (including financial performance sensitivities) for the 12 months from the date of approval of the financial statements for the year ended 31 July 2022. This included an assessment of a variety of adverse trading scenarios. More detail is provided in note 2 to the financial statements.

Approval

This Strategic Report was approved by order of the Board on 19 April 2023.


Sarah Harvey (Apr 19, 2023 18:53 GMT+1)

Sarah Harvey
Director

essensys (UK) Limited
Directors' report
for the Year Ended 31 July 2022

The directors present their report and the financial statements for the year ended 31 July 2022.

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 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 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 £1,798,000 (2021 – loss for the period of £321,000). The directors have not recommended a dividend for 2022 (2021 – Nil).

Directors

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

B J Clark (resigned 22 February 2022)
M Furness
M J Guest (resigned 13 March 2022)
S L Harvey (appointed 16 May 2022)
D J Kinnaird (resigned 3 March 2023)
J A Lowery (appointed 23 February 2022)
I B Sadler (resigned 22 February 2022)
A D Pepper (resigned 28 February 2023)

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 company'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 2022 (continued)**

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.


Sarah Harvey (Apr 19, 2023 18:53 GMT+1)

Sarah Harvey
Director

19 April 2023

Independent Auditor's Report to the Members of essensys (UK) Limited**Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2022 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.

We have audited the financial statements of essensys (UK) Limited ("the Company") for the year ended 31 July 2022 which comprise the statement of comprehensive loss, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept, 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.

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

Responsibilities of Directors

As explained more fully in the Directors' Report, 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.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined the most significant laws and regulations to be the reporting framework (United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework), the Companies Act 2006 and relevant tax compliance legislation;
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud;
- Our audit planning identified fraud risks in relation to management override of controls and revenue recognition. We obtained an understanding of the processes and controls that the entity has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls;
- In response to the risk of management override of control our procedures included journals transaction testing, with a focus on testing a sample of material or unusual transactions based on our knowledge of the business and challenging the assumptions made by management in their significant accounting estimates; and
- The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <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.

DocuSigned by:

Julian Frost

Julian Frost (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
London, UK

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

20 April 2023

essensys (UK) Limited

Statement of Comprehensive Loss
for the year ended 31 July 2022

	Notes	2022 £000	2021 £000
Turnover	5	10,582	11,288
Cost of sales		(2,909)	(2,585)
Gross profit		7,673	8,703
Administrative expenses		(10,410)	(8,605)
Other operating income		904	301
Share Based Payment Expense		(37)	(37)
Operating (loss)/profit	6	(1,870)	362
Interest payable and similar charges	9	(217)	(355)
(Loss)/profit before taxation		(2,087)	7
Taxation	10	289	(328)
Total comprehensive loss for the year from continuing operations		(1,798)	(321)


The notes on pages 10 to 32 form part of these financial statements.

essensys (UK) Limited
Registered Number: 05959557

Statement of Financial Position
As at 31 July 2022

	Notes	2022 £000	2021 £000
ASSETS			
Non-current assets			
Intangible assets	11	9,132	6,404
Property, plant and equipment	12	970	808
Right of use assets	13	1,226	1,436
Investments	14	-	-
		<hr/>	<hr/>
		11,328	8,648
Current assets			
Inventories	15	357	134
Trade and other receivables	16	3,212	8,422
Cash at bank and in hand		344	1,967
		<hr/>	<hr/>
		3,913	10,523
		<hr/>	<hr/>
TOTAL ASSETS		15,241	19,171
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
Called up share capital	17	97	97
Share premium	18	39	39
Share based payment reserve		1,030	993
(Accumulated deficit)/retained earnings		(257)	1,541
		<hr/>	<hr/>
TOTAL EQUITY		909	2,670
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	9,701	12,261
Lease liabilities	20	837	556
Deferred tax	21	428	716
		<hr/>	<hr/>
		10,966	13,533
Current liabilities			
Trade and other payables	19	2,414	2,187
Contract liabilities	5E	169	155
Lease liabilities	20	783	619
Current tax		-	7
		<hr/>	<hr/>
		3,366	2,968
		<hr/>	<hr/>
TOTAL LIABILITIES		14,332	16,501
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		15,241	19,171
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 19 April 2023.


 Sarah Harvey (At 19, 2023 18:53 GMT+1)

Sarah Harvey
 Director

The notes on pages 10 to 32 form part of these financial statements.

essensys (UK) Limited

Statement of Changes in Equity
for the Year Ended 31 July 2022

	Share capital £000	Share premium £000	Share based payment Reserve £000	Accumulated deficit £000	Total equity £000
1 August 2021	97	39	993	1,541	2,670
Comprehensive loss for the year					
Loss for the year	-	-	-	(1,798)	(1,798)
Total comprehensive loss for the year	-	-	-	(1,798)	(1,798)
Transactions with shareholders					
Share based payment charge	-	-	37	-	37
31 July 2022	97	39	1,030	(257)	909

Statement of Changes in Equity
For the Year Ended 31 July 2021

	Share capital £000	Share premium £000	Share based payment Reserve £000	Retained earnings £000	Total equity £000
1 August 2020	97	39	956	1,862	2,954
Comprehensive loss for the year					
Loss for the year	-	-	-	(321)	(321)
Total comprehensive loss for the year	-	-	-	(321)	(321)
Transactions with shareholders					
Share based payment charge	-	-	37	-	37
31 July 2021	97	39	993	1,541	2,670

The notes on pages 10 to 32 form part of these financial statements.

essensys (UK) Limited

Notes to the financial statements for the year ended 31 July 2022

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 2020 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'.

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.

As at 31 July 2022 the Company had net assets of £0.9m (2021: £2.7m), including cash of £0.3m (2021: £2.0m) as set out in the Statement of Financial Position, with no external debt as funding is provided by the Company's ultimate and immediate parent company, essensys plc. In the year ended 31 July 2022 the Company generated a loss before tax of £2.1m (2021: profit of £0.0m). The Company used net cash before financing in the year of £3.3m (2021: net cash generated of £0.0m) after investment in software development of £4.1m. The Company has long term contracts with its customers and continues to benefit from the global performance of the essensys Group.

The directors have prepared a detailed budget and forecast of the Company's performance covering a period of at least 12 months from the date of the approval of these financial statements. This assessment has included consideration of the forecast performance of the business for the foreseeable future, the cash facilities available to the Company. In preparing these forecasts, the directors have considered several sensitivities and any mitigating steps to reduce cash outflow if required. On the basis of this financial and operational modelling, the Directors believe that the Company has the capability and the operational agility to react quickly, cut further costs from the business and ensure that the cost base of the business is aligned with its revenue and funding scale.

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

**Notes to the financial statements
for the year ended 31 July 2022 (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 2022 (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%
Leasehold property	-	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 2022 (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 2022 (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 (UK) 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 17.

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 2022 (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 (UK) 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 2022 (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; and
- 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; and
- 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 2022 (continued)**

3 Summary of significant accounting policies (continued)

Standards adopted in the year

There are no standards issued not yet effective that will have a material effect on the Company's financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 11 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 11 for details of the key assumptions made.

Valuation of Share Options

During the year the Company incurred a share-based payment charge of £37,000. The charge during the year to 31 July 2022 was based on valuations undertaken using a Black Scholes Simulation option pricing model. In assessing that valuation judgements were made over share price volatility, the expected life of the options issued, the proportion that would be exercised, the risk-free rate applicable and the likely achievement of performance targets where applicable. The valuation of those options is spread over the vesting period and there will, therefore, be further share based payment expenses in future years in relation to those options.

**Notes to the financial statements
for the year ended 31 July 2022 (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:

	2022 £000	2021 £000
Analysis of turnover by country of destination:		
United Kingdom	10,582	11,288

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:

	2022 £000	2021 £000
Connect	9,477	9,656
Operate	1,105	1,632
Total Income	10,582	11,288

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:

	2022 £000	2021 £000
Revenue recognised at a point in time	688	467
Revenue recognised over time	9,894	10,821
Total Income	10,582	11,288

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (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:

	2022 £000	2021 £000
Customer 1	1,794	2,302
Customer 2	1,716	1,922

5E Contract assets and liabilities

Contract asset movements were as follows:

	2022 £000	2021 £000
At 1 August	43	154
Transfers in the period from contract assets to trade receivables	(5)	(73)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	260	6
Capital asset contract contributions capitalised	19	32
Capital asset contract contributions released as contract obligations are fulfilled	(28)	(19)
Capitalised commission cost released as contract obligations fulfilled	(22)	(130)
Commission costs capitalised on contracts	29	73
At 31 July	296	43

Contract liability movements were as follows:

	2022 £000	2021 £000
At 1 August	155	245
Amounts included in contract liabilities that was recognised as revenue during the period	(155)	(245)
Cash received in advance of performance and not recognised as revenue during the period	169	155
At 31 July	169	155

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.

Capital asset contract contributions represents costs incurred by the Group in the form of customer incentives spread over the life of the customer contract.

Commission costs capitalised on contracts represents internal sales commission costs incurred on signing of customer contracts and, in line with the requirements of FRS101, spread over the life of the customer contract.

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

6 Operating (loss)/profit

	2022 £000	2021 £000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	373	402
Amortisation of intangible assets	1,237	1,266
Amortisation of right of use assets	659	770
Impairment of goodwill	122	-
Fees payable to the Company's auditor (see below)	81	75
Amortisation of loan arrangement fee	-	174
Exchange rate differences	(150)	61
Research & Development expense	3,006	1,345
Staff costs (note 7)	8,670	6,020
Share based payment charges	37	37
Expected credit loss provision	14	(148)
	<u> </u>	<u> </u>

Analysis of fees paid to the Company's auditor:

Annual financial statements	81	75
	<u> </u>	<u> </u>
Audit Fee	81	75
	<u> </u>	<u> </u>
Tax services	-	-
	<u> </u>	<u> </u>
Non audit services	-	-
	<u> </u>	<u> </u>
Total fee	81	75
	<u> </u>	<u> </u>

7 Employees

Staff costs (including directors) consist of:

	2022 £000	2021 £000
Wages and salaries	6,313	4,430
Social security costs	820	526
Cost of defined contribution scheme	159	108
Other	1,378	956
	<u> </u>	<u> </u>
	8,670	6,020
	<u> </u>	<u> </u>

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

	2022 No.	2021 No.
Sales & Marketing	7	9
Finance & Administration	10	5
Support	25	22
Development	50	31
Provisioning	3	4
	<u> </u>	<u> </u>
	95	71
	<u> </u>	<u> </u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (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.

In the years 31 July 2022 and 31 July 2021 the salaries of all the directors of the Company were paid by the Company's ultimate parent company, essensys plc.

9 Interest payable and similar charges

	2022 £000	2021 £000
Interest payable to group companies	142	315
Finance leases and hire purchase contracts	75	40
	<u>217</u>	<u>355</u>

10 Taxation on (loss) / profit on ordinary activities

	2022 £000	2021 £000
Current tax		
UK corporation tax	-	12
Recovery of irrecoverable tax on loans to participators	-	-
Adjustment in respect of previous periods	(1)	-
	<u>(1)</u>	<u>12</u>
Total current tax	(1)	12
Deferred tax		
Origination and reversal of timing differences	(216)	189
Effect of tax rate change on opening balance	(72)	127
	<u>(288)</u>	<u>316</u>
Total deferred tax	(288)	316
Taxation on (loss)/profit on ordinary activities	<u>(289)</u>	<u>328</u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

10 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 (loss)/profit before tax. The differences are explained below:

	2022 £000	2021 £000
(Loss)/profit on ordinary activities before tax	(2,087)	7
Tax using the Company's domestic tax rates of 19% (2021 – 19%)	(397)	1
Effects of:		
Fixed asset differences	199	239
Expenses not deductible for tax purposes	30	7
Adjustments to tax charge in respect of previous periods	-	-
Group relief surrendered	-	(12)
Adjust closing deferred tax to average rate	(36)	-
Adjust opening deferred tax to average rate	(60)	184
Timing differences not recognised	(25)	(85)
Deferred tax not recognised	-	(6)
Total tax (credit)/charge for period	(289)	328

Notes to the financial statements
for the year ended 31 July 2022 (continued)

11 Intangible assets

	Assets in course of construction £000	Internal software development £000	Goodwill £000	Total £000
Cost				
At 1 August 2021	1,412	7,831	1,470	10,713
Additions	215	3,872	-	4,087
Transfers	(1,412)	1,412	-	-
	<u>215</u>	<u>13,115</u>	<u>1,470</u>	<u>14,800</u>
At 31 July 2022	215	13,115	1,470	14,800
Amortisation				
At 1 August 2021	-	4,309	-	4,309
Charge for year	-	1,237	-	1,237
Impairment	-	-	122	122
	<u>-</u>	<u>5,546</u>	<u>122</u>	<u>5,668</u>
At 31 July 2022	-	5,546	122	5,668
Net book value				
At 31 July 2022	215	7,569	1,348	9,132
At 31 July 2021	1,412	3,522	1,470	6,404

	Assets in course of construction £000	Internal software development £000	Goodwill £000	Total £000
Cost				
At 1 August 2020	-	6,750	1,470	8,220
Additions	1,412	1,081	-	2,493
	<u>1,412</u>	<u>7,831</u>	<u>1,470</u>	<u>10,713</u>
At 31 July 2021	1,412	7,831	1,470	10,713
Amortisation				
At 1 August 2020	-	3,043	-	3,043
Charge for year	-	1,266	-	1,266
	<u>-</u>	<u>4,309</u>	<u>-</u>	<u>4,309</u>
At 31 July 2021	-	4,309	-	4,309
Net book value				
At 31 July 2021	1,412	3,522	1,470	6,404
At 31 July 2020	-	3,707	1,470	5,177

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

The Group estimates the recoverable amount of the CGU using a value in use model by projecting pre-tax cash flows for the next 5 years. The key assumptions underpinning the recoverable amount of the CGU are forecast revenue and forecast EBITDA percentage. The forecast revenues in the model are based on management's past experience and future expectations of performance. The post-tax discount rate used in all periods is 12% derived from a WACC calculation and benchmarked against similar organisations within the sector. Management do not anticipate this CGU providing long term future cash flows for the Group. As such the latest projection shows a 11% decline in revenue year on year which is consistent with the decline in revenue during FY22. Using a discount rate of 12% resulted in an impairment of £122,000 and as such an impairment charge has been booked in this period.

**Notes to the financial statements
for the year ended 31 July 2022 (continued)**

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essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

13 Right of use assets

	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 August 2021	3,901	-	283	584	4,768
Lease remeasurement	765	-	-	-	765
Transfers	-	-	(180)	(584)	(764)
At 31 July 2022	4,666	-	103	-	4,769
Depreciation					
At 1 August 2021	2,836	-	219	277	3,332
Charge for year	604	-	13	42	659
Transfers	-	-	(129)	(319)	(448)
At 31 July 2022	3,440	-	103	-	3,543
Net book value					
At 31 July 2022	1,226	-	-	-	1,226
At 31 July 2021	1,065	-	64	307	1,436
	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 August 2020	2,721	142	1,468	584	4,915
Lease remeasurement	1,180	-	-	-	1,180
Transfers	-	(142)	(1,185)	-	(1,327)
At 31 July 2021	3,901	-	283	584	4,768
Depreciation					
At 1 August 2020	2,213	134	1,381	219	3,947
Charge for year	623	8	23	58	712
Transfers	-	(142)	(1,185)	-	(1,327)
At 31 July 2021	2,836	-	219	277	3,332
Net book value					
At 31 July 2021	1,065	-	64	307	1,436
At 31 July 2020	508	8	87	365	968

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

14 Investments in subsidiaries

Cost	2022 £000	2021 £000
At 31 July 2021 and 31 July 2022	-	-

During the year ended 31 July 2022 the essensys Group undertook an internal restructure that resulted in a change of control of essensys Inc. The voting rights of essensys Inc were transferred from essensys (UK) Ltd to essensys plc, valued at £2,042,000. The transaction was cashless as the payment of the voting rights in essensys Inc was made by a reduction in the loan outstanding from the Company to essensys plc of the same amount. The loan in place between the Company and essensys Inc was also assigned to essensys plc via a cashless transaction.

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
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 offices of Hubcreate Limited, TVOC Limited and Spacebuddi Limited are as per the Company as given on the company information page.

15 Inventories

	2022 £000	2021 £000
Finished goods	318	-
Work in progress	39	134
	<u>357</u>	<u>134</u>

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

16 Trade and other receivables

	2022 £000	2021 £000
Trade receivables (net)	531	812
Amounts receivable from other group companies	1,474	6,582
Other receivables	262	269
Prepayments	649	716
Contract assets (note 5E)	296	43
Other taxes and social security	-	-
	<u>3,212</u>	<u>8,422</u>

During the year ended 31 July 2022 the Company assigned to essensys plc its rights in relation to a loan repayable of £2,793,000 from essensys Inc on the 18 November 2021 in a cashless transaction as the loan repayable by the Company to essensys plc was reduced by the same amount.

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

16 Trade and other receivables (continued)

Analysis of trade receivables based on age of invoices

	< 30 £'000	31 – 60 £'000	61 -90 £'000	> 90 £'000	Total Gross £'000	ECL £'000	Total Net £'000
2022	269	46	74	262	651	(120)	531
2021	640	54	32	192	918	(106)	812

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

2022	Less than 30 days past due £000	31 to 60 days past due £000	61 to 90 days past due £000	91 or more days past due £000	Total £000
Expected loss rate		14.19%	11.32%	40.20%	
Gross carrying amount	565	46	74	262	947
ECL	-	(7)	(8)	(105)	(120)

As at 31 July 2021 as a comparison was:

2021	Less than 30 days past due £000	31 to 60 days past due £000	61 to 90 days past due £000	91 or more days past due £000	Total £000
Expected loss rate		13.00%	10.44%	49.82%	
Gross carrying amount	640	54	32	192	918
ECL	-	(4)	(4)	(98)	(106)

Movements in the ECL are as follows:

	2022 £000	2021 £000
Opening ECL at 1 August	106	254
Increase during the year	14	-
Unused amount reversed	-	(148)
ECL charge/(credit) for the year	14	(148)
At 31 July	120	106

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

17	Share capital		
		2022	2021
		£000	£000
	<i>Allotted, called up and fully paid</i>		
	38,836,044 (2021 – 38,836,044) ordinary shares of 0.0025p each (2021 – 0.0025p)	97	97
		<hr/>	<hr/>
18	Share premium		
		2022	2021
		£000	£000
	Share premium at start of period	39	39
	Issue of new shares	-	-
	Cost of issuing new shares recognised in equity	-	-
		<hr/>	<hr/>
		39	39
		<hr/>	<hr/>
19	Trade and other payables		
		2022	2021
		£000	£000
	<i>Current:</i>		
	Trade payables	1,238	1,369
	Other taxes and social security	38	206
	Other creditors	523	215
	Accruals	604	397
	Amounts payable to group companies	11	-
		<hr/>	<hr/>
		2,414	2,187
		<hr/>	<hr/>
	<i>Non-current:</i>		
	Amounts payable to group companies	9,701	12,261
		<hr/>	<hr/>

The company has 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 31 December 2031.

During the year ended 31 July 2022 the essensys Group undertook an internal restructure that resulted in a change of control of essensys Inc. The voting rights of essensys Inc were transferred from the Company to essensys plc, valued at £2,042,000. The transaction was cashless as the payment of the voting rights in essensys Inc was made by a reduction in the loan outstanding from the Company to essensys plc of the same amount.

The company assigned to essensys plc its rights in relation to a loan repayable of £2,793,000 from essensys Inc on the 18 November 2021 in a cashless transaction as the loan repayable by the Company to essensys plc was reduced by the same amount.

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

20 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.

	2022 No.	2021 No.
Number of active leases	3	9

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 2022 and 2021 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the 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 2021	1,080	29	20	46	1,175
Affect of modifying lease term	747	-	-	-	747
Interest expense	72	1	-	1	74
Lease payments	(279)	(30)	(20)	(47)	(376)
At 31 July 2022	1,620	-	-	-	1,620
At 1 August 2020	705	57	88	177	1,027
Affect of modifying lease term	1,391	-	-	-	1,391
Interest expense	21	4	4	11	40
Lease payments	(1,037)	(32)	(72)	(142)	(1,283)
At 31 July 2021	1,080	29	20	46	1,175

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

20 Lease liabilities (continued)

Lease maturity

	Leasehold property £000 2022	Fixtures and fittings £000 2022	Computer equipment £000 2022	Leasehold improvements £000 2022	Total £000 2022
2 to 5 years	1,620	-	-	-	1,620
	<u>1,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,620</u>

	Leasehold Property £000 2021	Fixtures and fittings £000 2021	Computer equipment £000 2021	Leasehold improvements £000 2021	Total £000 2021
0 to 3 months	-	-	-	46	46
3 to 12 months	47	29	20	-	96
1 to 2 years	-	-	-	-	-
2 to 5 years	1,033	-	-	-	1,033
	<u>1,080</u>	<u>29</u>	<u>20</u>	<u>46</u>	<u>1,175</u>

Analysis by current and non-current

	Leasehold property £000 2022	Fixtures and fittings £000 2022	Computer equipment £000 2022	Leasehold improvements £000 2022	Total £000 2022
Due within a year	783	-	-	-	783
Due in more than one year	837	-	-	-	837
	<u>1,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,620</u>

	Leasehold property £000 2021	Fixtures and fittings £000 2021	Computer equipment £000 2021	Leasehold improvements £000 2021	Total £000 2021
Due within a year	524	29	20	46	619
Due in more than one year	556	-	-	-	556
	<u>1,080</u>	<u>29</u>	<u>20</u>	<u>46</u>	<u>1,175</u>

essensys (UK) Limited

Notes to the financial statements
for the year ended 31 July 2022 (continued)

21 Deferred taxation

	2022 £000	2021 £000
Brought forward	716	400
(Credited)/charged to the income statement	(288)	316
	<hr/>	<hr/>
Carried forward	428	716
	<hr/>	<hr/>

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Fixed asset timing differences	1,104	714
Short term timing differences	(46)	-
Other timing differences	(630)	2
	<hr/>	<hr/>
	428	716
	<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 2021, and this has been reflected in this historical financial information.

22 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.

	2022 £000	2021 £000
Pension charge	159	108
	<hr/>	<hr/>
Pension liability	49	25
	<hr/>	<hr/>

23 Share based payments

Employees of the Company 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 2022.

The Company recognised a total share-based payment expense of £37,000 in the year (2021: £37,000), comprised entirely of options in essensys plc issued on 28 May 2021.

**Notes to the financial statements
for the year ended 31 July 2022 (continued)**

24 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.

Dividend to shareholders

No dividend was issued in the to 31 July 2022 (2021: £nil).

Directors Loans

There were no advances and credits to the directors and key management personnel subsisting during the years ended 31 July 2022 and 31 July 2021.

25 Capital commitments and contingent liabilities

The Company had no capital commitments or contingent liabilities at 31 July 2022 (2021: nil).

26 Events after the reporting date

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

27 Controlling party

The ultimate and immediate parent company is essensys plc, a company registered in the UK with registered address 7th Floor, Aldgate Tower, 2 Leman Street, London E1 8FA.