

28 March 2023

essensys plc

("essensys", the "Company" or the "Group")

Half year results

Revenue up 18%, accelerated strategy to drive profit and cash generation

essensys plc (AIM:ESYS), the leading global provider of software and technology to the flexible workspace industry, announces its unaudited results for the six months ended 31 January 2023 ("H1 23"). All information relates to this period, unless otherwise specified.

Financial summary:

<i>£m unless otherwise stated</i>	Six months to January 2023	Six months to January 2022	Change
Revenue	12.9	10.9	+18%
Recurring revenue ¹	10.6	9.9	+8%
Run Rate Annual Recurring Revenue (ARR) ¹	21.0	20.3	+3%
Revenue at constant currency²	11.8	10.9	+8%
Recurring revenue at constant currency ^{1,2}	9.8	9.9	-1%
Statutory loss before tax	(7.7)	(4.7)	-64%
Adjusted EBITDA³	(4.2)	(2.9)	-45%
Loss per share (pence)	(11.89)p	(7.63)p	
Net Cash	12.6	30.5	

Financial highlights:

- Trading during H1 23 was in line with management's expectations
- Group total revenues up 18%, driven by strong growth in North America
- North American total revenues up 36% to £8.1m (up 18% in USD terms to \$9.5m (H1 22 \$8.0m))
- High level of non-recurring revenue driven by new site activity
- Adjusted EBITDA loss of £4.2m in line with management's expectations
- Net cash of £12.6m with the Company remaining debt free

Strategic highlights:

- Accelerated strategy to drive profit and cash generation – as announced in February 2023
 - Reorganisation of global operations expected to deliver £7.5m annualised cost savings
 - Move from regional to centralised leadership model to deliver improved customer journey and operating efficiencies
 - New Chief Revenue Officer to drive global Go-To-Market strategy
- Growing demand from new and existing strategic customers⁴
 - 89% of new sites signed with strategic customers
 - US revenues continue to grow strongly, driven by new logo wins and customer expansion
 - Strategic customers now represent 70% of revenue
 - Strategic customer Net Revenue Retention 109%, total customer Net Revenue Retention 97%
 - Six new logos signed, of which four live in H1 23, with further future expansion potential
 - Connect / essensys Platform total sites of 459, a return to net growth with higher new sites than closed (FY22: 458)

Current trading and outlook:

- Trading during H1 23 was in line with management's expectations
- Cash burn in the second half is expected to normalise following one-off impacts in H1 23 (including payments for strategic inventory build which will continue to unwind and payments for APAC data centres)
- Positive momentum continues in the beginning of the second half:
 - The Group has 39 new Connect/essensys Platform sites in delivery but not live at the end of H1 23 which will deliver contracted ARR of £1.5m
 - Sales pipeline remains strong; currently in late-stage conversations with a number of large high quality landlords and operators who would become strategic customers
- The Group continues to manage its cost base proactively to accelerate its return to profitability and mitigate cost inflation with the reorganisation announced in February 2023
- The Group continues to expect to meet FY23 market forecasts and remains confident in the longer-term structural growth opportunity

Mark Furness, CEO of essensys, said:

"essensys delivered a strong performance during the first half of the financial year, with Group revenues up 18% against a backdrop of continued macroeconomic uncertainty. At the same time we have accelerated our plans to return to profitability and cash generation, taking significant measures to align our cost base and investments to current revenues and the near-term market opportunity.

Our focus on strategic customers is delivering strong results and as these customers grow to meet the increasing demand for premium flexible workspace products we remain well positioned to support their expansion plans. Our opportunity pipeline with these customers, both new and existing, is strong and growing with large landlords and operators at the late stages of the sales process, particularly in North America which remains our primary growth market.

The global real-estate market is still in the early stages of flex adoption as it adapts to hybrid/flexible working requirements that are now embedded post-pandemic. With 30% of all office space expected to be flexible by 2030, compared with less than 2% today, the market opportunity remains sizeable. We remain confident in meeting market expectations for FY23 and we continue to be excited by the long-term global growth opportunity for essensys."

Notes

1. See CFO Review below for description and breakdown
2. Current period revenue and/or costs translated into GBP using the average exchange rate for the comparative prior period
3. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional costs and other non-trading items such as impairment, exchange differences and share option charges
4. Strategic customers are those customers who have potential for at least \$1m ARR

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About essensys plc

essensys is the leading global provider of software and technology for flexible, digitally-enabled spaces, buildings and portfolios. The essensys Platform simplifies and automates the delivery and management of next generation, flexible, multi-tenant real estate.

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

Founded in 2006 and listed on the AIM market of the London Stock Exchange since 2019, essensys is active in the UK, Europe, North America and APAC

Chief Executive Officer's Report

Continued growth

We continue to see strong performance in North America, where total revenue increased by 36% and recurring revenue by 23%. The US continues to be our key growth market providing a significant market opportunity. We have a growing, high-quality sales pipeline with new and existing strategic customers and many of these also provide further international expansion opportunities.

The strong North American performance offset an 8% total revenue decline in the UK which was driven primarily by the known site closures and customer re-contracting announced in FY22, which had a full period impact H1 23 compared with H1 22. This caused UK recurring revenue to fall by 12%.

Across the Group we continued to see an increased level of churn across our smaller, legacy customers, with 9 customers positioned at the low-value end of the customer base leaving during the period. This is an expected consequence of our focus on strategic customers with our value proposition and aligning our product development efforts to the needs of large landlords and real-estate operators. We had no strategic customers leave us in the same period and we added 13 new customers with further expansion potential, mitigating the loss of those smaller customers.

Active sites increased by 1 on FY22 closing at 459. This is a return to net site growth in H1 23 after two consecutive reporting periods of net decline (site count FY21: 474; H1 22: 470; FY22: 458).

Market opportunity and strategic customer focus

Our confidence in the market opportunity for essensys continues to be high. We have a well-established and proven plan to *Land, Expand and Grow* to capture the opportunity in the flexible workspace market. We continued to evolve that plan in light of continuing macroeconomic uncertainty, to focus on efficient, sustainable long-term growth.

We target new strategic customers that are key to our long-term ambition and have the potential to deliver at least \$1m ARR, whilst further expanding and growing with our existing strategic customer base. Our strategic customers had 109% net revenue retention compared with 97% for the full customer base. As at 31 January 2023 strategic customers represented 70% of our total revenue in H1 23 (H1 22: 63%).

Our total sales pipeline with these strategic clients is strong, with some exciting new large landlords and flexible workspace operators at advanced stages in the sales process, particularly in the US.

Accelerated strategy to drive profit and cash generation

As announced in the recent trading update on 28 February, the Group has commenced a reorganisation of its global operations to return it to sustainable growth, profitability and cash generation whilst remaining within its existing cash reserves.

The Covid pandemic led to fundamental changes in how and where we work, with the move to flexible and hybrid working models accelerating long-term demand for flexible workspaces. As a result, we significantly increased our investment in product development, our global operations and our go-to-market strategy as we sought to take advantage of this long-term secular growth opportunity. This led to a major increase in headcount across all parts of the business, the establishment of new regional headquarters and operations with the appointment of CEOs for North America, UK & Europe and APAC.

The pandemic has now given way to a period of increased macro-economic uncertainty with inflationary and market pressures forcing organisations of all size to adapt. Our business is no different and so, whilst we remain undeterred in our long-term ambition, we have taken the necessary steps to align our cost structure with our current revenues and near-term customer demand. The Board believes that accelerating its pathway to profitability is critically important, and this has served as the primary motive behind the reorganisation of the Group's operations and personnel. This reorganisation is expected to deliver a total of £7.5m annualised cost savings and is expected to result in the Group being run-rate Adjusted EBITDA positive during the first quarter of FY24 and run-rate cash flow positive by the end of FY24. The Group expects to maintain a minimum cash balance of at least £3m going forward.

The reorganisation comprises a centralisation of the sales and marketing function, reorganisation of operational capabilities and streamlining of the executive and regional management structures.

- the Group's go-to-market capability has been centralised under the leadership of a newly appointed Chief Revenue Officer, Daniel Brown, who will now be responsible for all sales and marketing activities globally;
- the Group's APAC operations have been centralised in a hub location in Sydney, Australia, resulting in the closure of its Singapore and Hong Kong based offices;
- all Group customer operations have been streamlined into global functional teams which are expected to deliver an improved customer journey with better alignment and lower cost to serve; and
- collectively, these actions have removed the need for regional executive leadership. As a result, the regional CEO positions have been removed. James Lowery, previously CEO for UK & Europe, has moved into role of Chief Customer Officer.

As at 31 January 2023, only a limited element of the reorganisation had been implemented and therefore the financial information for H1 23 includes the costs associated with that element of the reorganisation. The remaining costs will be recognised in H2 23.

Board Changes

The Board has concluded that the reorganisation and resultant simplification of operational structures has also removed the need for the Chief Operating Officer ("COO") role. As a consequence, and by mutual agreement, Alan Pepper will be leaving the business. Alan has been a valued and important leader at essensys as CFO and COO over the past five years, helping to oversee the significant development of the business including its culture, strategy and global operations. Alan has stepped down from the Board as an executive director with immediate effect but will remain with the business until the end of May 2023 to provide an orderly handover of his responsibilities.

Progressing our strategy to capture the expanding market opportunity

We continue to make good progress in the execution of our growth plan and towards our longer-term strategic goals.

We continue to win new customers globally with the most recent new live customers including large landlords in the US, Australia, Singapore and Ireland, each presenting significant expansion opportunities. Our existing customer base, particularly in the US, is indicating continued growth over the coming years as they look to increase the amount of flexible space they operate. We remain engaged at senior levels with large commercial real estate organisations, helping them to understand how essensys Platform can help their transition to more flexible, digital-first real-estate offerings and whilst most of these landlords are in the early phase of flex adoption it is these strategic customers that will continue to provide the Group with significant long-term expansion opportunities.

Continued growth in the US

The North American market remains the primary growth driver for the Group. Revenue growth of 36% (18% at constant currency) is primarily driven by non-recurring revenue from new sites going live, with site numbers up by four year on year to 300 (H1 22: 296). A number of our key customers are setting out their expansion plans for the rest of this calendar year and beyond providing visibility of expected future site growth. Evidence of the structural shift to a more flexible way of working continues to grow with an increasing number of landlords using essensys to deliver flexible real-estate solutions as they continue to repurpose traditional office space assets. Those engagements involve a number of recognisable global real estate operators which each individually provide the opportunity for significant long term account growth.

UK & Europe

We continue to see activity levels rebound in both the UK and mainland Europe. We have upsold essensys Platform to an existing large Operate customer in France, have expanded into Europe with one of our large US customers and have added new sites in Ireland in the first half of this financial year.

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

This customer site rationalisation during FY22 led to a decline in UK revenue and site numbers. H1 23 has seen some continuation of this trend as some customers continue to optimise their portfolios. We believe this optimisation is necessary and will serve to strengthen our customers businesses and our relationship with them and so will continue to provide this flexibility for our largest partners.

APAC

We onboarded 3 new sites with new and existing strategic customers in Australia and Singapore in H1 23, with additional new strategic clients signed with sites due to go live over the coming quarter. Our recent reorganisation will see our APAC team primarily focused on sales and customer success with all associated operational support provided centrally from the Group. Our pipeline in the region is strong, and we have signed the first 4 sites with a multi-site operator that we believe will be a key strategic customer for APAC and serve as a powerful case study.

Product development

Our targeted investment in our products continues, primarily through the evolution of essensys Platform. The focus of our development efforts is tightly tied to the requirements of strategic customers, ensuring that our solutions solve specifically for the needs of large-scale landlords and flex operators. This year we have enhanced its core functionality and also added new capability that is designed to extend essensys Platform further into the spaces themselves, as we seek to help landlords connect their existing tenants digitally to the amenities and communal spaces in their buildings. We see this trend continuing as enterprises of all size adopt hybrid models and landlords respond by providing access to a wide variety of digitally connected spaces across their portfolios.

We're excited by the progress we've made with our Smart Access IoT (Internet of Things) hardware product which leverages the ubiquity of smartphone wallets to create a seamless book-pay-access experience for occupiers. This solution will converge access control, booking and a sensor gateway to provide a powerful answer to the problem of managing real-time access and control of space in today's dynamic and flex-enabled world. We are currently expecting final CE and FCC certification of the hardware components shortly before the end of FY23.

Last year we announced a capital-light model which allows us to take advantage of essensys Platform's new capabilities to reduce the requirement for future essensys data centre expansion. This de-couples our global private network from our software and allows essensys Platform to be deployed over existing third-party internet connectivity. We expect this to remove entry barriers for many new customers and support existing customer expansion, as well as reducing sales cycle length and speeding up onboarding. We also expect that, over time, this will lead to an improvement in per-site gross margins as cost of goods will significantly reduce if we do not provide the lower margin network element of the solution. Initial customer feedback has been very positive, particularly as this is an option which is provided alongside our global private network which remains of significant value to large premium space operators due to its design and performance.

Current trading and outlook

We had an encouraging first half in terms of new business activity and continue to see strong customer dynamics into the second half of FY23. Our sales pipeline is growing, underlying customer occupancy appears to have stabilised and both our operator and landlord customers are reporting increased occupier demand. The developments in our software platform also continue to progress well with positive engagement with our large customers giving confidence in our strategy.

We remain confident that the underlying structural shift towards more flexible working in real estate is here to stay and we are excited by the long-term global opportunity for essensys. Pipeline activity is increasing with new and existing customers and we are able to demonstrate a unique platform to support our customers' expansion plans.

Like all businesses, we are mindful of the ongoing macroeconomic environment and are keeping the Group's financial investment plans under constant review. Our committed plan for accelerated return to profitability and cash generation provides us with a sustainable base for future growth. We remain confident in meeting market expectations for FY23.

Mark Furness
Chief Executive Officer
28 March 2023

Chief Financial Officer's Report

The unaudited financial results included in this announcement cover the Group's consolidated activities for the six months ended 31 January 2023. The comparatives for the previous six months were for the Group's consolidated activities for the six months ended 31 January 2022.

Financial Key Performance Indicators

£'m unless otherwise stated

Six months to

Six months to

Change

	January 2023	January 2022	
Group Total Revenue	12.9	10.9	+18%
North America	8.1	5.9	+36%
UK & Europe	4.5	4.9	-8%
APAC	0.3	0.1	
Recurring Revenue^[1]	10.6	9.9	+8%
North America	6.4	5.2	+23%
UK & Europe	4.0	4.6	-12%
APAC	0.2	0.1	
Recurring Revenue %age of Total	82.2%	90.8%	
Run Rate Annual Recurring Revenue¹	21.0	20.3	+3%
Recurring Revenue at constant currency	9.8	9.9	-1%
North America	5.6	5.2	+6%
UK & Europe	4.0	4.6	-11%
APAC	0.2	0.1	
Non-recurring revenue	2.3	1.0	+112%
Gross Profit	7.3	6.9	+6%
Gross Profit percentage	56.8%	62.8%	
Recurring Revenue margin %age	61.0%	65.2%	
Statutory loss before tax	(7.7)	(4.7)	-64%
Adjusted EBITDA^[2]	(4.2)	(2.9)	-45%
Cash	12.6	30.5	-59%

Revenue

Group total revenue grew 18% to £12.9m in H1 23 (H1 22 £10.9m). The solid momentum witnessed in the second half of FY22 has continued into the current financial year, with strong growth in North America, particularly the US which continues to be our key growth market. Total revenue in North America was up by 36% (22% in local currency), mitigating the decline in the UK as we see the wash through of previously announced FY22 site closures. Our APAC region grew revenue in H1 23 with an increase in sites with existing customers and deals signed with new customers contributing £0.3m of revenue, noting that this region was only established during H1 22.

Recurring revenue comprises income invoiced for services that are repeatable, and are consumed and delivered on a monthly basis over the term of a customer contract. Run Rate Annual Recurring Revenue (Run Rate ARR) is an annualisation of the recurring revenue for the month identified (January 2023); this is used by management as an indication of the annual value of the recurring revenue for that month and to monitor long term revenue growth of the business.

Recurring revenue increased by 8% compared to H1 22 (-1% decline at constant currency). North America recurring revenue grew by 23% (6% at constant currency) following a net increase in site numbers to 300 (from 296 as at 31 January 2022) and higher value activity with large customers. UK & Europe recurring revenue declined by 12% as a result of the full period impact of the FY22 customer re-contracting, and consolidation at the low end of the customer base.

Run Rate ARR increased by 3% year on year reflecting the higher value customer base and increase in sites but decreased by 4% from FY22 year end as a result of some specific customer re-contract activity, a continued decline in the Operate revenue stream and the known loss of a UK customer from in the final month of FY22. These factors offset the positive impact of higher average value sites opened compared with sites closed during the period.

Gross margins

Gross profit increased by 6% in the period but overall gross margins reduced as a result of a higher proportion of non-recurring revenue. Recurring gross margin was also reduced as a result of the higher proportion of revenue generated in North America, where the components of recurring margins are generally lower margin than the UK, with higher circuit cost revenue and lower marketplace revenue. Gross margin is further impacted by an increase in the fixed operational running costs of data centres in the period, with a full period impact of the APAC region.

Administrative expenses

Excluding depreciation, amortisation and impairment charges, administrative expenses grew by £2.6m (27%) compared to the prior period. This growth was primarily driven by the full year impact of headcount increases during FY22, particularly in the second half of that year. Marketing expenditure and professional fees in the period were also higher, reflecting a full period impact of the APAC region with brand building activity and legal and compliance cost.

Statutory loss for the half year

The Group incurred a £7.7m statutory loss before tax for the half year to January 2023 (H1 FY22: loss of £4.7m), analysed as follows:

£'m	H1 FY23	H1 FY22
UK (including non-capitalised R&D)	(2.6)	(0.9)
US	0.2	(0.3)
Canada	(0.1)	-
Europe	(0.2)	(0.3)
Asia Pacific	(2.4)	(0.7)
Central costs	(2.5)	(2.3)
Loss before tax (before share based payment expenses)	(7.6)	(4.5)
Share based payment expense	(0.1)	(0.2)
Loss before tax for the period	(7.7)	(4.7)

The UK continues to bear the cost of the Group's product and software development teams to the extent that these are not capitalised.

Adjusted EBITDA

As previously reported, adjusted results are presented to provide a more comparable indication of the Group's core business performance by removing the impact of share-based payment expenses, exceptional costs (where material and non-recurring), and other, non-trading, items that are reported separately. Adjusted results exclude adjusting items as set out in the consolidated statement of comprehensive income and as below, with further details given in the notes to the unaudited interim financial information below, where applicable. In addition, the Group also measures and presents performance in relation to various other non-GAAP measures, such as recurring revenue, run-rate annual recurring revenue and revenue growth as shown and defined above.

Adjusted results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results on an ongoing basis.

Adjusted EBITDA (being EBITDA prior to share based payment expenses, impairment charges and exceptional items) is calculated as follows:

£'m	H1 FY23	H1 FY22
Operating (loss)	(7.7)	(4.7)
Add back:		
Depreciation & Amortisation	2.3	1.6
Impairment charge	0.6	-
EBITDA	(4.8)	(3.1)
Add back:		
Share Option Charge	0.1	0.2
Exceptional costs	0.5	-
Adjusted EBITDA	(4.2)	(2.9)

The Adjusted EBITDA loss for the half year was £1.3m higher than H1 FY22 due to the full period impact of headcount increases during FY22 and a full period impact of investment in the APAC region.

Taxation

The tax charge incurred by the Group in the prior year is in relation to calculated income tax payable in the US.

Cash

Cash at the half year end was £12.6m. The Group continues to maintain sufficient cash reserves to fund its working capital requirements and its return to cash generating operations. The Group has no debt.

In light of the continued impacts of global macroeconomic uncertainty, the Board has considered a number of different scenarios regarding trading and financial performance over the balance of this financial year and into FY24 and is confident that, in the event of a significant long-term downturn, the Group will have sufficient cash resources.

Working capital movements

The Group had a £3.3m negative working capital impact during H1 23 as a result of one-off payments for a significant inventory purchase to mitigate supply chain issues and price increases in addition to a wider creditor unwind following FY22.

Leasehold payments

The Group had a full period cash impact of leasehold payments for data centres and office space in the APAC region and an end to the rent-free period of UK leasehold space.

Capitalised Software Development Costs

As previously reported, the Group continues to invest heavily in product development. These costs are now all borne in the UK as the Group ceased work in its outsourced offshore development centre at the start of FY23. Where such work is expected to result in future revenue, costs incurred that meet the definition of software development in accordance with IAS38, Intangible Assets, are capitalised in the statement of financial position. During the half year the Group capitalised £1.8m in respect of software development (H1 FY22: £1.5m).

Capital Expenditure

In addition to the capitalisation of software development costs noted above, the Group made its final payments in relation to data centre equipment for the expansion of its private network in the APAC region. Capital expenditure in the period was £0.5m (H1 FY22: £0.3m).

Sarah Harvey
Chief Financial Officer
28 March 2023

UNAUDITED INTERIM FINANCIAL INFORMATION OF ESSENSYS PLC GROUP

Consolidated statement of comprehensive income

		Six months ended 31 January 2023 £'000 (unaudited)	Six months ended 31 January 2022 £'000 (unaudited)
	Note		
Revenue	3	12,909	10,928
Cost of sales		(5,580)	(4,068)
Gross profit		7,329	6,860
Administrative expenses		(14,955)	(11,220)
Expected credit loss provision charge		(86)	(324)
Other operating income		-	4
Operating loss		(7,712)	(4,680)
<i>Operating loss analysed by:</i>			
Operating loss before share based payments and exceptional items		(7,054)	(4,479)
Share based payment expenses		(137)	(201)
Exceptional restructuring costs		(521)	-
Finance income		127	9
Finance expense		(67)	(49)
Loss before taxation		(7,652)	(4,720)
Taxation		-	(195)
Loss for the period		(7,652)	(4,915)
Other comprehensive loss			
Exchange differences arising on translation of foreign operations		(518)	197
Total comprehensive loss for the period		(8,170)	(4,718)
Loss per share			
Basic and diluted loss per share	4	(11.89p)	(7.63p)

UNAUDITED INTERIM FINANCIAL INFORMATION OF ESSENSYS PLC GROUP

Consolidated statement of financial position

		As at 31 January 2023 £'000 (unaudited)	As at 31 July 2022 £'000 (audited)
	Note		
ASSETS			
Non-current assets			
Intangible assets	5	9,706	8,922
Property, plant and equipment	6	2,387	2,819
Right of use assets	7	1,588	2,482
		<u>13,681</u>	<u>14,223</u>
Current assets			
Inventories		3,084	2,546
Trade and other receivables		6,966	6,434
Cash at bank and in hand	10	12,601	24,122
		<u>22,651</u>	<u>33,102</u>
TOTAL ASSETS		<u>36,332</u>	<u>47,325</u>
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity			
Called up share capital	8	161	161
Share premium		51,660	51,660
Share based payment reserve		2,945	2,811
Merger reserve		28	28
Retained earnings		(26,870)	(18,700)
Total equity		<u>27,924</u>	<u>35,960</u>
Non-current liabilities			
Lease liabilities	9	981	1,659
Deferred tax		-	-
Total non-current liabilities		<u>981</u>	<u>1,659</u>
Current liabilities			
Trade and other payables		4,837	7,422
Contract liabilities	3	1,136	815
Lease liabilities	9	1,454	1,469
Current taxes		-	-
		<u>7,427</u>	<u>9,706</u>
TOTAL LIABILITIES		<u>8,408</u>	<u>11,365</u>
TOTAL EQUITY AND LIABILITIES		<u>36,332</u>	<u>47,325</u>

UNAUDITED INTERIM FINANCIAL INFORMATION OF ESSENSYS PLC GROUP

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Merger Reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 August 2022 (audited)	161	51,660	2,811	28	(18,700)	35,960
Comprehensive Income						
Loss for the period	-	-	-	-	(7,652)	(7,652)
Currency translation differences	-	-	(3)	-	(518)	(521)
Total comprehensive loss	-	-	(3)	-	(8,170)	(8,173)
Transactions with owners						
Currency translation differences	-	-	-	-	-	-
Share based payment expense	-	-	137	-	-	137
Balance at 31 January 2023 (unaudited)	161	51,660	2,945	28	(26,870)	27,924
Balance at 1 August 2021 (as restated)	161	51,660	2,045	28	(8,484)	45,410

Comprehensive Income

Loss for the period	-	-	-	-	(4,915)	(4,915)
Currency translation differences	-	-	6	-	191	197
Total comprehensive loss	-	-	6	-	(4,724)	(4,718)
Transactions with owners						
Currency translation differences	-	-	-	-	-	-
Share based payment expense	-	-	201	-	-	201
Balance at 31 January 2022 (unaudited)	161	51,660	2,252	28	(13,208)	40,962

Prior year adjustment

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

UNAUDITED INTERIM FINANCIAL INFORMATION OF ESSENSYS PLC GROUP

Consolidated cash flow statements

	Six months ended 31 January 2023 £'000 (unaudited)	Six months ended 31 January 2022 £'000 (unaudited)
Cash flows from operating activities		
Loss before taxation	(7,652)	(4,720)
Adjustments for non-cash/non-operating items:		
Amortisation of intangible assets	1,056	701
Depreciation of property, plant and equipment	628	343
Impairment of property, plant and equipment	305	-
Amortisation of right-of-use assets	602	524
Impairment of right-of-use assets	303	-
Share based payment expense	137	201
Finance income	(127)	(9)
Finance expense	67	49
Receipts from government grants treated as income	-	(4)
	(4,681)	(2,915)
Changes in working capital:		
Increase in inventory	(538)	(253)
Increase in trade and other receivables	(529)	(789)
Decrease in trade and other payables	(2,277)	(326)
Cash (used by)/from operations	(8,025)	(4,283)
Taxation (paid)/received	-	(90)
Net cash (used)/from operating activities	(8,025)	(4,373)
Cash flows from investing activities		
Purchase of intangible assets	(1,840)	(1,513)
Purchase of property, plant and equipment	(486)	(332)
Interest received	127	9
Net cash used in investing activities	(2,199)	(1,836)
Cash flows from financing activities		
Receipts from government grants	-	4
Repayment of lease liabilities	(779)	(413)
Interest on lease liabilities	(67)	(49)
Net cash used in financing activities	(846)	(458)
Net decrease in cash and cash equivalents	(11,070)	(6,667)
Cash and cash equivalents beginning of period	24,122	36,903
Effects of foreign exchange rate changes	(451)	217
Cash and cash equivalents at end of period	12,601	30,453

UNAUDITED INTERIM FINANCIAL INFORMATION OF ESSENSYS PLC GROUP

Notes to the unaudited interim financial information

1. Basis of preparation

The unaudited condensed interim financial information presents the consolidated financial results of essensys plc and its wholly owned subsidiaries (together, "essensys plc Group" or "the Group") for the six-month period to 31 January 2023. The annual financial statements of the Group are prepared in accordance with the UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. This financial information does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Annual Report for the year ended 31 July 2022. The financial information for the half year ended 31 January 2023 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The comparative financial information presented herein for the year ended 31 July 2022 does not constitute full statutory accounts for that period. The statutory Annual Report and Financial Statements for the year ended 31 July 2022 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 July 2022 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2022 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2022 and will be adopted in the 2023 financial statements. There were no new standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 July 2023.

essensys plc is the Group's ultimate parent company. It is a public listed company and is domiciled in the United Kingdom. The address of its registered office and principal place of business is Aldgate Tower 7th Floor, 2 Leman Street, London E1 8FA. essensys plc's shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

2. Going Concern

The consolidated 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 have prepared cash flow forecasts covering the 16 month period up to the end of July 2024 (FY24). As well as modelling the realisation of the sales pipeline, these forecasts also cover a number of scenarios and sensitivities in order for the Board to satisfy itself that the Group remains within its current cash facilities. At 31 January 2023 the Group had cash reserves of £12.6m and no debt.

Whilst the Directors are confident in the Group's ability to grow revenue, the Board's sensitivity modelling shows that the Group can remain within its cash facilities in the event that revenue growth is delayed (i.e. new sales bookings are not achieved or are offset by continued attrition) for a period in excess of twelve months. The Directors' financial forecasts and operational planning and modelling also include the actions, under the control of the Group, that they could take to further reduce the cash outflow expected as the Group expands geographically. On the basis of this financial and operational modelling, the Directors believe that the Group has the capability and the operational agility to react quickly, cut further costs from the business and ensure that the cost base of the business is aligned with its revenue and funding scale. The Board is mindful of general levels of inflation and cost increases that may impact the business. The Group is confident that its capability to adjust its future investment plans and reduce its cost base will sufficiently mitigate any impact from cost inflation.

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.

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

Notes to the unaudited interim financial information

3. Segmental reporting

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

The Group generates revenue from the following activities:

- Establishing services at customer sites (e.g. providing and managing installation services, equipment and providing training on software and services)
- Recurring monthly fees for using the Group's platforms
- Revenue from usage of on-demand services such as internet and telephone usage and other on-demand, variable services

- Revenue from usage or on demand services such as internet and telephone usage and other, on demand, variable services.
- Other ad-hoc services

The Group has one single business reportable segment which is the provision of software and technology platforms that manage their critical infrastructure and business processes, primarily to the flexible workspace industry.

The Group has two main revenue streams, the essensys Platform/Connect and Operate. Given that support for both revenue streams is provided in such a way as to make cost and therefore operating performance impractical, the two revenue streams are combined into a single reportable segment. The essensys plc Group's revenue per revenue stream is as follows:

The Group operates in three main geographic areas, North America; the United Kingdom & Europe; and Asia Pacific region. The Group's revenue per geographical area is as follows:

	<i>Six months ended 31 January 2023 unaudited £'000</i>	<i>Six months ended 31 January 2022 unaudited £'000</i>
North America	8,063	5,948
United Kingdom & Europe	4,501	4,904
Asia Pacific	345	76
	12,909	10,928

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

	<i>Six months ended 31 January 2023 unaudited £'000</i>	<i>Six months ended 31 January 2022 unaudited £'000</i>
Connect/essensys Platform - software enabled infrastructure platform	12,029	10,020
Operate - workspace management software	880	908
	12,909	10,928

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

	<i>Six months ended 31 January 2023 unaudited £'000</i>	<i>Six months ended 31 January 2022 unaudited £'000</i>
Revenue recognised at a point in time	2,281	1,075
Revenue recognised over time	10,628	9,853
	12,909	10,928

Notes to the unaudited interim financial information

3. Segmental reporting (continued)

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

	<i>Six months ended 31 January 2023 unaudited £'000</i>	<i>Six months ended 31 January 2022 unaudited £'000</i>
Customer 1	3,565	2,037

Contract assets and liabilities

Contract asset movements were as follows:

Unaudited	<i>£'000</i>
At 1 August 2022	887
Transfers in the period from contract assets to trade receivables	(556)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	217
Capital asset contract contributions capitalised	10
Capital asset contract contributions released as contract obligations are fulfilled	(2)
Capitalised commission cost released as contract obligations fulfilled	(21)
Commission costs capitalised on contracts	5
At 31 January 2023	540
 Audited	 <i>£'000</i>
At 1 August 2021	345
Transfers in the period from contract assets to trade receivables	(85)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	558
Capital asset contract contributions capitalised	37
Capital asset contract contributions released as contract obligations are fulfilled	(28)
Capitalised commission cost released as contract obligations fulfilled	(111)

Commission costs capitalised on contracts
At 31 July 2022

171
<u>887</u>

Contract liability movements were as follows:

Unaudited	£000
At 1 August 2022	815
Amounts included in contract liabilities that were recognised as revenue during the period	(815)
Cash received and receivables in advance of performance and not recognised as revenue during the period	1,136
At 31 January 2023	<u>1,136</u>
Audited	£000
At 1 August 2021	323
Amounts included in contract liabilities that were recognised as revenue during the period	(323)
Cash received and receivables in advance of performance and not recognised as revenue during the period	815
At 31 July 2022	<u>815</u>

Contract assets are included within 'trade and other receivables' and contract liabilities is shown separately on the face of the statement of financial position. Contract assets arise from the group's revenue contracts, where work is performed in advance of invoicing customers, and contract liabilities arise where revenue is received in advance of work performed. Cumulatively, payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. Capital asset contract contributions represents costs incurred by the Group in the form of customer incentives spread over the life of the customer contract. Commission costs capitalised on contracts represents internal sales commission costs incurred on signing of customer contracts and, in line with the requirements of IFRS15, spread over the life of the customer contract.

Notes to the unaudited interim financial information

4. Loss per share

The loss per share has been calculated using the loss for the period and the weighted average number of ordinary shares outstanding during the period, as follows:

	Six months ended 31 January 2023 unaudited £'000	Six months ended 31 January 2022 unaudited £'000
Loss for the period attributable to equity holders of essensys Group	(7,652)	(4,915)
Weighted average number of ordinary shares	64,385,219	64,385,219
Loss per share	(11.89p)	(7.63p)

As the Group is loss making in both periods presented, the share options over ordinary shares have an anti-dilutive effect and therefore no dilutive loss per share is disclosed.

5. Intangible assets

Unaudited	Assets in course of construction £000	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost						
At 1 August 2022	215	335	13,116	280	1,263	15,209
Transfers	(215)	-	215	-	-	-
Additions	-	-	1,840	-	-	1,840
At 31 January 2023	-	335	15,171	280	1,263	17,049
Amortisation						
At 1 August 2022	-	335	5,550	280	122	6,287
Charge for year	-	-	1,056	-	-	1,056
At 31 January 2023	-	335	6,606	280	122	7,343
Net book value						
At 31 January 2023	-	-	8,565	-	1,141	9,706
At 31 July 2022	215	-	7,566	-	1,141	8,922
Audited	Assets in course of construction £000	Customer relationships £000	Internal software development £000	Software £000	Goodwill £000	Total £000
Cost						
At 1 August 2021	1,412	335	7,832	280	1,263	11,122
Additions	215	-	3,872	-	-	4,087
Transfers	(1,412)	-	1,412	-	-	-
At 31 July 2022	215	335	13,116	280	1,263	15,209
Amortisation						
At 1 August 2021	-	335	4,309	280	-	4,924
Charge for year	-	-	1,241	-	-	1,241
Impairment	-	-	-	-	122	122
At 31 July 2022	-	335	5,550	280	122	6,287

Net book value						
At 31 July 2022	215	-	7,566	-	1,141	8,922
At 31 July 2021	1,412	-	3,523	-	1,263	6,198

Notes to the unaudited interim financial information

6. Property, plant and equipment

Unaudited	<i>Fixtures and fittings £000</i>	<i>Computer equipment £000</i>	<i>Leasehold improvements £000</i>	<i>Total £000</i>
<i>Cost</i>				
At 1 August 2022	242	10,605	686	11,533
Additions	-	421	65	486
Exchange adjustments	-	(23)	-	(23)
At 31 January 2023	242	11,003	751	11,996
<i>Depreciation</i>				
At 1 August 2022	207	8,109	398	8,714
Charge for year	5	588	35	628
Impairment	-	305	-	305
Exchange adjustments	-	(38)	-	(38)
At 31 January 2023	212	8,964	433	9,609
<i>Net book value</i>				
At 31 January 2023	30	2,039	318	2,387
At 31 July 2022	35	2,496	288	2,819
Audited	<i>Fixtures and fittings £000</i>	<i>Computer equipment £000</i>	<i>Leasehold improvements £000</i>	<i>Total £000</i>
<i>Cost</i>				
At 1 August 2021	382	8,387	130	8,899
Additions	34	1,504	3	1,541
Disposals	(188)	-	(33)	(221)
Transfers (note 7)	-	180	584	764
Exchange adjustments	14	534	2	550
At 31 July 2022	242	10,605	686	11,533
<i>Depreciation</i>				
At 1 August 2021	322	7,020	86	7,428
Charge for year	29	564	24	617
Disposals	(152)	-	(33)	(185)
Transfers (note 7)	-	129	318	447
Exchange adjustments	8	396	3	407
At 31 July 2022	207	8,109	398	8,714
<i>Net book value</i>				
At 31 July 2022	35	2,496	288	2,819
At 31 July 2021	60	1,367	44	1,471

As a result of the reorganisation that has centralised the Group's APAC operations in Sydney, Australia and the evolution of the 'capital light' strategy, Management have reviewed the carrying value of assets within the APAC region and have impaired those assets where the carrying value was in excess of their recoverable value resulting in an impairment of £305,000 and as such the impairment charge has been booked in this period.

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

Notes to the unaudited interim financial information

7. Right of use assets

Unaudited	<i>Leasehold property £000</i>	<i>Computer equipment £000</i>	<i>Leasehold improvements £000</i>	<i>Total £000</i>
<i>Cost</i>				
At 1 August 2022	7,049	162	-	7,211
Additions	-	-	-	-
Lease remeasurement	-	-	-	-
Transfers (note 6)	-	-	-	-
Exchange adjustments	(6)	-	-	(6)
At 31 January 2023	7,043	162	-	7,205
<i>Depreciation</i>				
At 1 August 2022	4,567	162	-	4,729
Charge for year	602	-	-	602
Transfers (note 6)	-	-	-	-
Impairment	303	-	-	303
Exchange adjustments	(17)	-	-	(17)
At 31 January 2023	5,455	162	-	5,617
<i>Net book value</i>				
At 31 January 2023	1,588	-	-	1,588
At 31 July 2022	2,482	-	-	2,482

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

As a result of the reorganisation that has centralised the Group's APAC operations in Sydney, Australia and the evolution of the 'capital light' strategy, Management have reviewed the carrying value of the right of use assets within the APAC region and have impaired those assets where the carrying value was in excess of their recoverable value resulting in an impairment of £303,000 and as such the impairment charge has been booked in this period.

The transfers are assets that were classified as right of use assets where the lease term expired and the Group chose to purchase the assets at the end of the lease term, as they were still in active use within the Group. The assets are now listed within note 6.

Notes to the unaudited interim financial information

8. Called up share capital

	As at 31 January 2023 unaudited No.	As at 31 July 2022 audited No.
Allotted, called up and fully paid		
0.25p ordinary shares	64,385,219	64,385,219
	31 January 2023 unaudited £'000	31 July 2022 audited £'000
Allotted, called up and fully paid		
0.25p ordinary shares	161	161

9. Lease liabilities

Unaudited	Leasehold Property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
At 1 August 2022	3,128	-	-	-	3,128
Additions	-	-	-	-	-
Interest expense	79	-	-	-	79
Effect of modifying lease term	-	-	-	-	-
Variable lease payment adjustment	78	-	-	-	78
Lease payments	(858)	-	-	-	(858)
Foreign exchange movements	8	-	-	-	8
At 31 January 2023	2,435	-	-	-	2,435

Analysis by current and non-current:

Unaudited	Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Due within a year	1,454	-	-	-	1,454
Due in more than a year	981	-	-	-	981
	2,435	-	-	-	2,435

Notes to the unaudited interim financial information

9. Lease liabilities (continued)

Audited	Leasehold	Fixtures and	Computer	Leasehold
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	property £000	fittings £000	equipment £000	improvements £000	Total £000
At 1 August 2021	1,841	29	20	45	1,935
Additions	1,061	-	-	-	1,061
Interest expense	145	1	-	1	147
Effect of modifying lease term	877	-	-	-	877
Lease payments	(944)	(30)	(20)	(46)	(1,040)
Foreign exchange movements	148	-	-	-	148
At 31 July 2022	3,128	-	-	-	3,128

Analysis by current and non-current:

Audited

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

10. Financial instruments

Financial assets

Financial assets measured at amortised cost comprise trade receivables, other receivables, accrued income and cash, as follows:

	As at 31 January 2023 unaudited £'000	As at 31 July 2022 audited £'000
Cash and cash equivalents	12,601	24,122
Trade and other receivables	5,307	4,707
	17,908	28,829

Financial liabilities

Financial liabilities measured at amortised cost comprise trade payables, accruals, other payables and lease liabilities, as follows:

	As at 31 January 2023 unaudited £'000	As at 31 July 2022 audited £'000
Trade and other payables	4,551	7,178
Lease liabilities	2,435	3,128
	6,986	10,306

Notes to the unaudited interim financial information

11. Financial instruments (continued)

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

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

The financial risks relate to the following financial instruments:

- < Cash and cash equivalents
- < Trade and other receivables
- < Trade and other payables

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

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. There has been no change to the credit risk in the period.

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises because the Group operates in the United Kingdom, Europe, North America and the Asia Pacific region, whose functional currency is not the same as the presentational currency of the Group. Foreign exchange risk also arises when individual companies within the group enter into transactions denominated in currencies other than their functional currency. Such transactions are kept to a minimum either through the choice of suppliers or presenting sales invoices in the functional currency.

Certain assets of the group companies are denominated in foreign currencies. Similarly, the Group has financial liabilities denominated in those same currencies. In general, the Group seeks to maintain the financial assets and financial liabilities in each of the foreign currencies at a reasonably comparable level, thus providing a natural hedge against foreign exchange risk and reducing foreign exchange exposure to a minimal level.

(ii) Interest rate risk

The Group's interest rate exposure arises mainly from the interest-bearing borrowings. All the Group's facilities were floating rates excluding interest from leases, which exposed the group to cash flow risk. As at 31 January 2023 there are no loans outstanding. Therefore, there is no material exposure to interest rate risk.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash flows for operations. The Group manages its risk to shortage of funds by monitoring forecast and actual cash flows. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the majority of both its borrowings and payables.

10. Post balance sheet events

Following the period end the Group announced a Group reorganisation which positions it for sustainable growth, profitability and a return to cash generation. This includes the simplification of global operations and moves the Group from a regional to a functional structure. The cost of activity undertaken by 31 January 2023 of £521,000 is reflected in the unaudited half year financial information as exceptional costs; the cost of the remaining activity will be recognised in the second half of the financial year ending 31 July 2023.

UNAUDITED INTERIM FINANCIAL INFORMATION OF ESSENSYS PLC

INDEPENDENT REVIEW REPORT TO ESSENSYS PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the London Stock Exchange AIM Rules for Companies.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2023 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related explanatory notes that have been reviewed.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report,

nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with

the London Stock Exchange AIM Rules for Companies which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

In preparing the half-yearly financial report, 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 review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange AIM Rules for Companies for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, UK
27 March 2023

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

^[1] See Revenue section for explanation

^[2] See Adjusted EBITDA explanation below

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