BigHand Limited

Annual Report and financial statements

Registered number 03128724

31 March 2019

Registered office: 27 Union Street, London SE1 1SD

Contents

Strategic report

The Directors present their Strategic report for the year ended 31 March 2019.

Principal activities

BigHand Limited ("BigHand" or "the Company") provides software for speech, task delegation, document creation and process improvement to the legal, professional services and healthcare markets.

Principal risks and uncertainties

Financial risk management

The Company's activities expose it to a number of financial risks including, cash flow risk, credit risk, liquidity risk and foreign currency risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide principles on the use of financial derivatives to manage these risks. The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Cash flow risk

The Company's cash flow risk is its exposure to variability in cash flows associated with a recognised asset or liability, such as future interest payments on a debt. Interest-bearing liabilities are held at a fixed margin over LIBOR and the Company has interest rate hedging arrangements on bank debt to improve certainty of its future cash flows.

In addition, the Company manages this risk, by monitoring cash flow projections on a regular basis to ensure that appropriate facilities are available to be drawn upon as necessary.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of a provision for doubtful receivables. A provision for impairment is made where there is an identified loss event which is evidence of a reduction in the recoverability of the balance due.

Very few customers receive greater than 30 days credit terms and this minimises the risk of any non-payment. We closely monitor the payment history of all customers and communicate with a customer very early if payment is not received on the due date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets in respect of accounts receivable and carefully managing accounts payable.

Foreign currency risk

Sales outside of the UK are typically made in the local currency relevant to the market. The Company is therefore exposed to movements in the international currency markets against Sterling. These transactions are hedged through a combination of expenditure incurred in the local currency and appropriate financial currency contracts.

Business review and results

The profit for the year, after taxation, amounts to £9,734,000 (2018: £8,727,000).

In the year to 31 March 2019 the Company generated revenues of £24.5m compared to £22.9m in 2018 an increase of 7%.

The Company considers adjusted EBITDA as a key performance indicator and reviews it on a monthly basis.

Adjusted EBITDA* has decreased in the year to £10m (2018: £11m) and reflects a lower EBITDA margin of 41% (2018: 48%) due to continued investment in the business.

** The Company defines adjusted EBITDA as earnings before interest, taxation, depreciation, goodwill amortisation and exceptional items.*

Strategic report *(continued)*

Operations

We specialise in delivering speech, task delegation, document creation and process improvement solutions that help our customers achieve more in less time, without ever compromising on quality.

We have worked with our clients over many years with our highly successful digital dictation solutions and have built on this deep customer knowledge to extend our offering further.

We pride ourselves on actively listening, and responding to our customers' needs and developing productivity enhancing, reliable and easy to use products following active engagement with our clients.

Whether working with large or small organisations, we ensure we support our customers every step of the way.

Our vision is to maintain our position as the industry's preferred, most supportive and helpful technology partner. We are achieving this by harnessing our genuine enthusiasm and skill for helping busy people be more effective.

Our mission is to "make big happen". Internally this is about championing our staff to think big and externally it is about enabling our customers to achieve big. We strive to make big ideas become big achievements. That's the BigHand way.

Business Unit Performance

UK Legal

Our UK Legal business had another successful year, with revenues growing by 8.3% to £15.4m.

The customer base increased in the year with a number of new Enterprise client wins and high levels of new clients for BigHand Professional, our SaaS solution, as this product continues to gain momentum in the market.

UK Healthcare

The Group's UK Healthcare business unit had another excellent year with revenues increasing 16% to £3.9m.

The division had one significant new logo win in the year and was able to demonstrate further success in the roll out of the BigHand One solutions.

Product Strategy

Multi product portfolio

During the year the company progressed its aim to offer customers a growing solution portfolio to enable Operational Excellence.

Investment in Product Development

The Group has continued to spend its time listening to customers and understanding the challenges they face, and turning that into improved and new products and modules across our five products:

BigHand Now

The product continues to develop as the range of customers adopting it progresses extremely well. During the year there were more notable large rollouts in the UK with some superb return on investment results being outlined in co-authored case studies. Helping law firms organise and modernise their support staff is becoming an increasingly topical subject with the mass market keeping a keen eye on the earlier adopters of the technology. Feature and usability enhancements being worked on by the technology team designed to maintain our uniqueness in the space.

BigHand Create

Continued development work and superior technical architecture is creating strong demand, particularly in North America.

BigHand Quantum

Development on BigHand Quantum continues to make it more accessible and streamlined in its delivery. The ongoing pressure on firms to improve how they manage revenue and working capital is driving demand.

Strategic report *(continued)*

Business Unit Performance (continued)

BigHand Evaluate

Having grown the development team focused on Evaluate, we continue to deliver new key features as the market becomes increasingly clear around what they require. With more and more law firms recruiting pricing specialists, the ongoing development roadmap is extremely exciting.

BigHand Voice

We continue to invest in our Voice solutions to ensure we have the market leading digital dictation workflow solution that adheres to the most stringent of security requirements.

Customer Service and Support

Our Client Services teams across the globe continue to deliver best in class delivery and support to our growing customer base.

The Company utilises a software application to gather information on a weekly basis to provide independent assurance for customer care. Customer satisfaction with our products and value-added services, exceeded an average of 96% and our Net Promoter Score ('NPS') exceeded 77 across the year. Our focus on high quality software and support results in exceptional levels of customer retention.

Our Client Services team globally delivered over 1,200 projects during the year, installing new clients and upgrading existing customers.

We continue to invest in client service with a particular focus on the new products that will be deployed in the year ahead.

Staff

A critical contributor to the success of BigHand is the enthusiasm, commitment and talent of our staff. The Group of companies headed by BH Group Topco Limited ("the Group"), of which Big Limited is the key trading company, now has over 180 employees and a key part of the recruitment process for new 'BigHander's' is the assessment of cultural fit as well as future potential.

The Group makes considerable efforts around staff engagement, including regular communications, events, awards for staff achievements, external staff events, innovation competitions, and making time available for the development team to innovate.

In the technology sector, talent is at a premium and the Group continues to improve its reward, recognition, and talent management initiatives for staff.

The Group runs a confidential staff survey each year to gather feedback on key topics, and the results show very positive feedback. This positive staff sentiment was re-affirmed publicly again, as BigHand has been named by Great Places to Work® as one of the UK's Best Workplaces™ in the Medium category (organisations with 50-499 employees) in their annual Best Workplaces™ ranking, for a third year running. In addition, BigHand are also ranked tenth place in the 'UK's Best Workplaces in IT - Medium category'

Environmental, Social and Governance

The Company has continued to develop and implement our Environmental Social and Governance strategy, with progress formerly reported to the Board on a quarterly basis.

These initiatives include robust governance measures to ensure our staff act in an ethical manner in all their dealings with external parties, continued focus on ensuring our high data security standards are maintained, charitable activities to promote staff engagement, and environmental initiatives to help establish strong environmental performance standards.

The Company has an Information Security Committee which meets regularly to assess risks and threats, and implement appropriate actions, as well as a Technology Risk Committee that provides assurance to the Board that significant technology risks to the business are being identified and appropriate mitigations have been implemented.

The Company recertified its ISO 27001 accreditation during the year, and the Voice, Delegate and Improve ranges are HIPAA compliant.

Strategic report _(continued)_

Strategic Outlook

Growth Strategy

As a LegalTech software business, product development is the core of what we do. Following extensive consultation with current and prospective customers across our global markets, the Group has established an exciting product pipeline for the future across its five products.

We develop solutions which address our clients current challenges and ensures they deliver a compelling return on investment for our clients.

The continued growth of the business will be achieved in three areas:

Enterprise Customer Growth

In our core legal market we expect there will be further consolidation between firms, with many of our product offerings being targeted at these firms with their increasingly sophisticated needs.

We believe there will continue to be strong market drivers towards mobile working, the digitisation of workflows and focus on cost, efficiency and profitability within our client base. Our new products are designed to provide our clients with solutions in these and related areas and we will continue to collaborate with clients during product development.

We will continue to explore further opportunities to grow the business in new markets.

Cross-sell & Up-sell to Existing Customers

The breadth of our customer base and the strong relationships we have with them present a great opportunity to cross-sell our new solutions and up-sell our existing product range as client adoption continues to improve.

Small Medium Enterprises Growth

The BigHand Professional product continues to grow dynamically in the large, and previously untapped, SME market. The Business has invested in its global infrastructure to provide local data centres to satisfy concerns about where geographically data is held and information security. This investment gives us further competitive advantage and means SMEs now have access to secure Enterprise level technology.

Acquisitions

We are actively looking for additional acquisitions where there is a strong strategic rationale.

Summary

The Company is well positioned for the future, with a strong product pipeline, deep client relationships and an enthusiastic, talented "BigHander" team.

Signed on behalf of the directors

S Toulson
Director

Dated: 6.12.2019

Directors' report

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

Principal activities

The principal activity of BigHand Limited is the provision of software for speech, task delegation, document creation, matter pricing, financial business information 'BI' and process improvement.to the legal, professional services and healthcare markets. The directors expect it to continue to do so in the future. During the year the Company paid an interim dividend of £nil (2018: £10,750,000). There is no final dividend. (2018: £nil).

Post balance sheet event

On 7th August 2019, the company acquired 100% of the share capital of Iphelion Limited for a total purchase consideration of £2.25m, and an additional £1.5m if revenue targets are achieved in the period to 31st December 2021.

Directors

The directors who served the Company during the year and thereafter were as follows:

GM Gilbert
I Churchill (Resigned 7th November 2019)
S Toulson
J Davis (Appointed 7th November 2019)

Donations

During the year the Company made charitable donations of £10,000 (2017: £3,950). The Company made no political donations in either year.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future.

The financial statements have been prepared on the going concern basis. During the year the company made profits of £9.7m and as at the balance sheet date the company had net assets of £23.2m. The company is expecting to trade profitability in the foreseeable future based on forecasts.

Disclosure of information to auditors

The directors who were members of the Board at the time of approving the Strategic Report and Directors' Report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirm that to the best of each directors' knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Review of business, financial risk management and future development

The review of business, financial risk management and indication of future developments are discussed in Strategic Report.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Signed on behalf of the directors

Sam Tol

S Toulson

Director

Dated: 6. 12. 2019

Statement of directors' responsibilities in respect of the Strategic report, the directors' report and the financial statements

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 their profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

Independent auditor's report to the members of BigHand Limited

Opinion

We have audited the financial statements of BigHand Limited for the year ended 31 March 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 20 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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 directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of BigHand Limited *(continued)*

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Philip Young *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

10 December 2019

Profit and loss account
for the year ended 31 March 2019

	Note	**2019** **£'000**	2018 £'000
Turnover	*2*	**24,565**	22,865
Cost of sales		**(2,958)**	(2,318)
Gross profit		**21,607**	20,547
Administrative expenses		**(13,028)**	(10,696)
EBITDA: earnings before non-recurring, acquisition, depreciation, amortisation, finance and tax costs		**10,147**	11,044
Non-recurring costs	*3*	**(832)**	(648)
Depreciation and amortisation	*3*	**(737)**	(545)
Total costs			
Operating profit	*3*	**8,579**	9,851
Interest receivable	*6*	**1,557**	719
Interest payable and similar charges	*6*	**(224)**	(277)
Net finance expense			
Profit for the year before taxation		**9,912**	10,293
Tax on profit for the year	*7*	**(178)**	(1,566)
Profit for the year		**9,734**	8,727

In both the current and preceding year, the Company had no discontinued operations.

Statement of comprehensive income
for the year ended 31 March 2019

	2019 **£'000**	2018 £000
Profit for the financial year	**9,734**	8,727
Total comprehensive income for the year	**9,734**	8,727

Balance sheet
as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	*8*	**244**	264
Intangible assets	*9*	**1,025**	720
Investments	*10*	**298**	298
		1,567	1,282
Current assets			
Stocks	*11*	**56**	100
Debtors	*12*	**32,395**	18,931
Cash at bank and in hand		**5,878**	8,822
		38,329	27,853
Creditors: amounts falling due within one year	*14*	**(16,557)**	(15,530)
Net current assets		**21,772**	12,323
Net assets		**23,339**	13,605
Capital and reserves			
Share capital	*15*	**1**	1
Share premium		**71**	71
Profit and loss reserve		**23,267**	13,533
Total equity		**23,339**	13,605

These financial statements were approved by the board of directors and signed on their behalf by:

Sam Toulson

S Toulson

Director

Dated: 6. 12. 2019

Company registered number: 03128724

Statement of Changes in Equity
for the year ended 31 March 2019

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
31 March 2017	1	71	15,556	15,628
Profit for the year to 31 March 2018	-	-	8,727	8,727
Total comprehensive income for the year	-	-	8,727	8,727
Dividends paid	-	-	(10,750)	(10,750)
31 March 2018	1	71	13,533	13,605
Profit for the year to 31 March 2019	-	-	9,734	9,734
Total comprehensive income for the year	-	-	9,734	9,734
31 March 2019	**1**	**71**	**23,267**	**23,339**

Notes to the financial statements
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

BigHand Limited is incorporated and domiciled in England and Wales. The Company is private and limited by shares. The Company's financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pound (£000) except when otherwise indicated.

The financial statements contain information about BigHand Limited as an individual entity and do not contain consolidated financial information. The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, BH Group Topco Limited, which are publicly available at Companies House.

The parent company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

During the period the Company adopted "IFRS 15 - Revenue from Contracts with Customers" and "IFRS 9 - Financial Instruments" for the first time. No adjustment was required for either standard on first time adoption except the presentation of 'Deferred revenue' which is presented as 'Contract liability' as required by IFRS 15. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Company financial statements.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future.

The financial statements have been prepared on the going concern basis. During the year the company made profits of £9.7m and as at the balance sheet date the company had net assets of £23.2m. The company is expecting to trade profitability in the foreseeable future based on forecasts.

Estimates and judgements

The preparation of financial statements in conformity with FRS101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors consider the following to be critical estimates and judgements applicable to the financial statements:

Investments in subsidiaries

Management perform annual impairment reviews using forecasted future cash flows for each cash generating unit, the key assumptions included within the forecasts are in note 10.

Management also perform a sensitivity analysis over these key assumptions to ensure they are reasonable and in line with historical experience and applicable circumstances.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Fair values

Management consider the fair values of the identifiable assets and liabilities for each new business combination. The fair values of any intangible assets recognised are considered individually. The method of valuing intangible assets depends upon the class of asset to be recognised. Management have used a discounted cash flow analysis to determine the fair value of intangible assets recognised as part of the business combination in the past

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial instruments

Financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand and short term deposits with a maturity of 3 months or less which are subject to an insignificant risk in changes in value.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax and is recognised in the income statement.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that can be controlled and that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Financial instruments for financial assets and financial liabilities

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible a degree of judgement is required in establishing fair values. Estimation uncertainties arise from assumptions on liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments for financial assets and financial liabilities (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold property over 5 years
- Fixtures and fittings over 4 years
- Equipment over 2 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. The carrying value of fixed assets are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets
Computer software is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of computer software. The estimated useful lives for software is 3 years.

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date. The carrying value of intangible assets are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable.

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Non-derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand and short term deposits with a maturity of 3 months or less which are subject to an insignificant risk in changes in value.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost using the effective interest method.

Dividends on shares presented within equity

Dividend income is recognised when the Company's right to receive payment is established.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue

(i) General

Revenue represents the fair value of the consideration received or receivable from the sales of software and related support and maintenance, IT equipment and professional services, net of discounts and sales taxes.

Revenue is recognised when the Company has fulfilled its performance obligations under the relevant customer contract.

The Company sells a number of products which typically consists of all, or some, of the following types of revenue – licensed products, support and maintenance, subscriptions, equipment sales, and professional services. Where the contract includes multiple elements, the fair value of those elements is based on the relative stand-alone selling prices.

To the extent that invoices are raised to a different pattern than the revenue recognition described below, appropriate adjustments are made through deferred and accrued income to account for revenue when the performance obligations have been met.

The Company has arrangements with some of its clients whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service or good. Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent, revenue is recorded at a net amount reflecting the margin earned.

(ii) Licencing Models

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

(a) Licenced Products

The majority of products are licenced and either installed on the customer's own equipment or hosted by BigHand or a third party. In addition to a licence fee, the Company charges annual support and maintenance fees. The fee charged depends on the level of support service contracted.

The elements for a software order typically include licenced products, IT hardware, professional services for implementation and support and maintenance. The individual elements whilst part of an overall order are charged for and recognised separately. Revenue is recognised as described below.

SaaS
SaaS products are only hosted by BigHand and the customer is provided access to the software over the internet. These products are delivered to the customer as a service over time and no support and maintenance is charged as the single subscription fee covers this. Revenue is recognised as described below.

(iii) Revenue Recognition by Revenue Type

(a) The Company licences software under non-cancellable licence agreements on a perpetual basis. Performance obligations are considered to be met, and revenue is recognised, when a non-cancellable licence agreement has been signed and the software has been made available to the customer, except for where there are uncertainties surrounding product acceptance or there are significant vendor obligations. When this arises revenue recognition is deferred until all material obligations are satisfied. For the majority of contracts, this results in licence revenues being recognised in full at the start of the contract.

(b) Revenue from contracts for software maintenance and support is recognised on a pro rata basis over the contract period, reflecting the Company's obligation to support the relevant software products and update their content over the contract period.

(c) SaaS - customers typically enter into contracts on an annual basis. Revenue is recognised evenly over the period of the contract. Subscription fees include the hosting of the software and support and maintenance.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue (continued)

(d) IT equipment - Revenue from the sale of IT equipment is recognised when the control of the asset has transferred to the buyer, which is the date the equipment is delivered and accepted by the customer.

(e) Revenue from professional services (which includes software implementation, training and consultancy services) is recognised in the accounting period in which the services are delivered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services
to be provided (percentage of completion method). Percentage completion is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Estimates of completion are revised if circumstances change.

(f) Business intelligence solutions – customers are not able to use the software until the data warehouse is built, which requires implementation time to bespoke and install. Revenue is recognised when control is transferred to the customer, on completion of installation when the customer has the use and benefit of the product.

Operating lease: the company as lessee
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Pensions
The Company operates a defined contribution plan. Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Non-recurring costs
The company presents non-recurring costs on the face of the income statement, these are material items of income and expense, which because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance for the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

New and amended standards and interpretations not applied
The following new and amended standards and interpretations in issue are not yet effective and have not been adopted by the Group:

	Effective dates*
IFRS 16 Leases	1 January 2019*

The directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or Company financial statements in the period of initial application. The Directors are currently assessing the impact that IFRS 16 "Leases", which is effective for annual periods beginning on or after 1 January 2019, so for the company will be effective for its financial year staring 1 April 2019, will have on the financial statements, however the impact is likely to be immaterial.

*The Group will normally adopt new standards at the effective date.
+Effective for annual periods beginning on or after this date

Notes to the financial statements *(continued)*

2 Turnover

An analysis of turnover by destination is given below:

	2019 £'000	2018 £'000
United Kingdom	**18,218**	17,260
Europe	**1,036**	956
North America	**3,699**	3,354
Australia	**1,612**	1,293
Africa	**0**	2
Total revenues	**24,565**	22,865

3 Operating profit

	2019 £'000	2018 £'000
Depreciation on property, plant and equipment	**218**	199
Amortisation of intangible assets	**518**	346
Land and buildings operating leases *(note 18)*	**233**	233
Net gain on foreign currency translation	**(3)**	(9)
Exceptional items- professional fees & restructuring (administrative expenses)	**832**	519
Auditor's remuneration:		
- audit of the Company's financial statements	**13**	17
- audit of the parent and subsidiary undertaking's financial statements	**44**	-
- other services relating to taxation	**15**	13
- corporate finance services	**8**	50

In 2019, exceptional costs relating to professional fees and restructuring of £832k were incurred (2018: £648k).

4 Particulars of employees

The average number of employees (including directors) during the year was 139 *(2018: 122)*.

	2019 £'000	2018 £'000
Wages and salaries	**7,465**	6,414
Social security costs	**827**	667
Contributions to defined contribution plans	**95**	35
	8,387	7,116

5 Directors' remuneration

None of the directors received any remuneration for their qualifying services to the Company in the year (2018: £nil).

The directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not believe that it is practicable to apportion the remuneration for their qualifying services between remuneration as directors of the Company and their remuneration as directors of the fellow subsidiary companies. Hence directors' remuneration is disclosed in BH Group Bidco Limited through which the directors are remunerated.

Notes to the financial statements *(continued)*

6 Interest receivable and Interest payable and similar charges

	2019 £'000	2018 £'000
Interest receivable		
Interest receivable on intercompany balances	**1,546**	713
Bank interest receivable	**11**	5
	1,557	718

	2019 £'000	2018 £'000
Interest payable and similar charges		
Bank interest payable	**(5)**	(29)
Interest payable on intercompany balances	**(155)**	(17)
Foreign exchange losses	**(62)**	(231)
Debt Finance Fee	**(2)**	-
	(224)	(277)

7 Taxation

	2019 £'000	2018 £'000
Current Tax Expense		
UK corporation tax based on the results for the year	**281**	1,479
Adjustment in respect of prior years	**(79)**	23
Current Tax Expense	**202**	1,502
Deferred Tax Expense		
Origination & reversal of temporary differences	**(24)**	64
Deferred Tax Expense	**(24)**	64
Total Tax Expense	**178**	1,566

No tax has been recognised in other comprehensive income or directly in equity.

Factors affecting tax charge

	2019 £'000	2018 £'000
Profit excluding taxation	**9,914**	10,294
Profit multiplied by standard UK tax rate of 19% *(2018: 19%)*	**1,883**	2,059
Effects of:		
Expenses not deductible for tax purposes	**102**	177
Non-deductible expenses	**-**	8
Group relief	**(1,723)**	(702)
Deductible temporary differences	**(5)**	-
Adjustments in respect of prior years	**(79)**	24
	178	1,566

Notes to the financial statements *(continued)*

8 Tangible fixed assets

	Leasehold property £'000	Fixtures and Fittings £'000	Equipment £'000	Total £'000
Cost				
Balance at 1 April 2018	419	59	559	1,037
Additions		34	164	198
Balance at 31 March 2019	419	93	723	1,235
Depreciation and impairment				
Balance at 1 April 2018	249	39	485	773
Depreciation charge for the year	72	12	134	218
Balance at 31 March 2019	321	51	619	991
Net book value				
At 31 March 2018 and 1 April 2018	170	20	74	264
At 31 March 2019	**98**	**42**	**104**	**244**

9 Intangible assets

	Computer Software £'000
Cost	
Balance at 1 April 2018	1,660
Additions	823
Balance at 31 March 2019	2,483
Depreciation and impairment	
Balance at 1 April 2018	940
Amortisation charge for the year	518
Balance at 31 March 2019	1,458
Net book value	
At 31 March 2018 and 1 April 2018	720
At 31 March 2019	**1,025**

Notes to the financial statements *(continued)*

10 Investments

	Shares in subsidiary undertaking £'000
Cost:	
At 1 April 2018 and 31 March 2019	298
Net book value:	
At 31 March 2018	298
At 31 March 2019	298

The Company owns 100% of the issued share capital of the companies listed below:

Name	Country of incorporation and registered office address
nFlow Software Limited *	England - 27 Union Street, London, SE1 1SD
BigHand Inc *	USA - 2711 Centerville Road, Suite 400, Wilmington, Newcastle, Delaware 19808, USA / 125S
BigHand Software Inc *	Canada - 199 Bay St. Commerce Court West , Suite 4000, Toronto ON M5L 1A9
BigHand Software Pty Inc *	Australia - Suite 2 Level 11, 92 Pitt Street, Sydney, NSW 2000, Australia

* Wholly-owned by BigHand Inc

The principal activity of all of the companies is the provision of voice productivity solutions to the professional services and healthcare markets.

The carrying value and impairment are reviewed annually for impairment by projecting cash flow for 5 years. A growth rate aligned with inflation between 1-3% is applied for the forecast period of 5 years are based on the strategic plan. Growth rates applied beyond the 5 year forecast period are based on management's assumptions of industry comparatives and past performance of achieving against the industry. Projected cash flows are discounted to present value at rate of 12.5%. The management has determined the recoverable amount of the cash generating units based on key assumptions; the directors do not believe a reasonably possible change in those assumptions would cause the carrying amount of goodwill to exceed the recoverable amount of that cash generating unit.

Management have ensured that assumptions on which its current cash flow projections are based are consistent with past actual outcomes.

11 Stocks

	2019 £'000	2018 £'000
Goods for resale	**56**	100
	56	100

12 Debtors

	2019 £'000	2018 £'000
Trade debtors	**3,670**	3,234
Amounts owed by group undertakings	**27,306**	14,612
Other debtors	**972**	1,085
Corporation tax payable	**447**	-
	32,395	18,931

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2019 the amounts owed by group undertakings had an interest rate of 6% per annum (2018: 6%).

Notes to the financial statements *(continued)*

13 Deferred tax

The movement in deferred taxation liability in the year was:

	2019 £'000	2018 £'000
(Liability)/Asset brought forward	**(50)**	14
Deferred tax charge	**24**	(64)
Liability carried forward	**(26)**	(50)

	2019 £'000	2018 £'000
Decelerated capital allowances	**(26)**	(50)

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**666**	732
Corporation tax payable	**-**	647
Other taxes and social security	**450**	408
Amounts owed to group undertakings	**2,815**	2,259
Contract liability	**11,768**	10,893
Accruals	**832**	541
Deferred tax (note 13)	**26**	50
	16,557	15,530

*Following adoption of IFRS 15, 'Deferred revenue' is now presented as 'Contract liability'.

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2019 the amounts owed to group undertakings had an interest rate of 6% per annum (2018: 6%).

15 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
108,748 ordinary shares of £0.01 each	**1**	1
	1	1

16 Commitments under operating leases

At 31 March 2019 the Company had commitments under non-cancellable operating leases as set out below.

	2019 £'000	2018 £'000
Within one year	**117**	233
Between two and five years	**-**	117
	117	350

Notes to the financial statements *(continued)*

17 Guarantees and security

There is a joint guarantee between BH Group Bidco Limited (intermediate parent undertaking) and DW Reporting Limited, DW Reporting Canada Limited, BigHand Limited, BigHand Holdings Limited, BH Bidco Limited, BH Midco Limited BH Topco Limited, BH Group Midco Limited and nFlow Software Limited in respect of bank loans provided to BH Group Bidco Limited. The bank loans are secured by a debenture which gives a fixed and floating charge over all of the assets of these entities. In addition, BigHand Limited entered into an agreement as a supplement to the debenture to pledge the shares of the capital stock of its subsidiaries, BigHand Inc, BigHand Software Inc and BigHand Software Pty Ltd, in respect of the bank loans.

18 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 'Related party disclosures' (paragraphs 17 and 18a) not to disclose transactions with members of the group headed by BH Group Topco Limited on the grounds that 100% of voting rights of such members are controlled within that group and the financial statements of BigHand Limited is included in the consolidated financial statements of BH Group Topco Limited.

19 Ultimate parent company

The Company's immediate parent company is BigHand Holdings Limited. The Company's ultimate parent company is BH Group Topco Limited.

The smallest and largest group in which the results of the Company will be consolidated will be that headed by BH Group Topco Limited, incorporated in the UK. Copies of the consolidated financial statements of BH Group Topco Limited are available from Companies House.

The ultimate controlling party is Bridgepoint Advisers 11 Limited.

20 Post balance sheet event

On 7th August 2019, the company acquired 100% of the share capital of Iphelion Limited for a total purchase consideration of £2.25m, and an additional £1.5m if revenue targets are achieved in the period to 31st December 2021.