

BigHand Limited

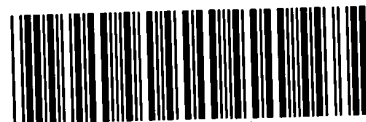
Annual Report and financial statements

Registered number 03128724

31 March 2017

Registered office: 27 Union Street, London SE1 1SD

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COMPANIES HOUSE

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Strategic report

The Directors present their Strategic report for the year ended 31 March 2017.

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

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a debt. In addition, the Company manages this risk, by monitoring cash flow projection on a monthly 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 £8,275,000 (2016: loss of £6,207,000). There was forgiveness of intercompany debt in the year ended 31st March 2016 charged to the profit and loss account.

In the year to 31 March 2017 the Company generated revenues of £20.6m compared to £18.8m in 2016 an increase of 9.5%.

EBITDA* has grown in the year by £0.9m to £10m (2016: £9.1m) and reflects a high EBITDA margin of 48% (2016: 49%). This reduction in EBITDA margin is attributable to the stepped investment in headcount to support anticipated growth following the release of new products and rollout of BigHand Version 5.

** The Company defines 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

The UK Legal had another successful year, with revenues growing to £13.8m. 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.

A number of our existing Top 100 clients purchased and have adopted our new Products, namely BigHand Now and BigHand SmartNote and a significant proportion of our customer base have upgraded to the Version 5 platform.

UK Healthcare

The Company's UK Healthcare business unit had an excellent year with revenues increasing 33% to £3m.

We were delighted to contract with our first customers for the newly launched BigHand One solution which enables Trusts to further streamline their business processes and rationalise costs.

Product Strategy

Multi product portfolio

2016-17 was important as we saw significant adoption of the new Version 5 solution across our global customer base. These new products streamline processes between Professionals and their support staff enabling busy people to achieve more in less time.

Voice

We have continued to enhance the functionality of the new Version 5 solutions including adding an integration with Mattersphere with the Hub and BigHand SmartNote, which was developed based on customer demand and broadens the addressable market for BigHand SmartNote.

We have also localised our mobile applications to bolster their appeal in overseas markets, and integrated with another key partner Mobile Device Management (Citrix) to address the needs of our Enterprise customers

Delegate & Improve

Our Delegate & Improve ranges were developed in conjunction with our clients, responding to a need to streamline the task delegation process between busy professionals and their support staff, and manage the workloads of the support teams to improve productivity.

2017 had a number of key large scale adoptions of the Delegate and Improve Solutions within UK Top 100 firms who reported major efficiency gains through the use of the software.

Strategic report *(continued)*

Business Unit Performance (continued)

Produce

BigHand Create has now been integrated with both BigHand Voice and iManage Work in response to customer demand, which differentiates this product and unlocks further cross-selling opportunities within our client base.

Investment in development

The Company continues to benefit from the output of our world class Agile development team. Over the last year, a constant flow of new software releases have been delivered to the market. Version 5 has been very well received and a continuous stream of new features added. Integrations across our product families have been created to deliver seamless experiences when using BigHand software.

Increased investment in the products team and continued focus on client engagement has led to an exciting roadmap full of new products and features ensuring the BigHand product portfolio will continue to grow.

Customer Service and Support

Our Client Services teams in the UK 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 93% and our Net Promoter Score ('NPS') exceeded 60 across the year. Our focus on high quality software and support results in exceptional levels of customer retention.

Our Client Services team delivered over 300 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 has now surpassed 150 employees and a key part of the recruitment process for new 'BigHanders' is the assessment of cultural fit as well as future potential.

The Company runs a confidential staff survey each year to gather feedback on key topics, and the results show very positive feedback.

The Company 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 Company continues to improve its reward, recognition, and talent management initiatives for staff.

This positive staff sentiment was re-affirmed publicly this year as BigHand was named in the Top 100 Best Places to Work in the UK.

Strategic report *(continued)*

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

Strategic Outlook

Product Pipeline

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

The extensive consultation with our clients enables BigHand to develop solutions which address their current challenges and ensures they have a compelling return on investment for our clients.

Growth Strategy

As a software technology 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 four product families.

The extensive consultation with our clients enables BigHand to develop solutions which address their 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 and efficiency within our client base. Our new product ranges are designed to provide our clients with solutions in these and related areas and we will continue to collaborate with clients during product development.

This creates a significant opportunity across all of our markets to continue to win new customers for our Enterprise solutions.

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

- Cross-sell & Up-sell to Existing Customers

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

These solutions will continue to assist our customer base to drive efficiency across their operations.

- Small Medium Enterprises Growth

The BigHand Professional product continues to grow dynamically in the large, and previously untapped, SME market.

Strategic report *(continued)*

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.

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: 31-8-2017

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2017.

Principal activities

BigHand Limited provides software for speech, task delegation, document creation and process improvement to the legal, professional services and healthcare markets. The directors expect it to continue to do so in the future.

Directors

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

GM Gilbert
I Churchill
S Toulson

Donations

During the year the Company made charitable donations of £8,500 (2016: nil). The Company made no political donations in either year.

Going concern

The directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. The Company is profitable and has positive net assets. Accordingly, they continue to adopt the going concern basis in preparing the report and accounts.

Disclosure of information to auditors

Having made enquiries of fellow directors and of the Company's auditors, each person who is a director at the date of approving this directors' report confirms that to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and each director has taken all the 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.

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.

Post Balance Sheet Event

On 18th July 2017 BH Bidco Limited, an intermediate company, undertook a refinancing in order to borrow an incremental £12,451,000 of bank debt. BH Bidco Limited used some of this funding to settle £10,000,000 of existing intercompany debt with the Company. The Company then paid a dividend of £10,750,000 to Bighand Holdings Limited.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Signed on behalf of the directors



S Toulson

Director

Dated: 31. 8. 2017

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of BigHand Limited

We have audited the financial statements of BigHand Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.
- the Strategic Report and the 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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



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

31/3/17

Profit and loss account
for the year ended 31 March 2017

	<i>Note</i>	2017 £'000	<i>*Restated</i> 2016 £'000
Turnover	2	21,050	18,759
Cost of sales	3	(2,327)	(2,042)
Gross profit		18,723	16,717
Administrative expenses	3	(9,946)	(23,770)
Operating Profit / (Loss)	4	8,777	(7,053)
Attributable to:			
Operating profit before depreciation, amortisation and exceptional items		9,986	9,156
Depreciation		(450)	(362)
Exceptional items	4	(759)	(15,847)
Income from investments		-	1,526
Interest receivable	7	966	505
Interest payable and similar charges	7	(244)	(73)
Profit / (loss) before taxation		9,499	(5,095)
Tax on profit	8	(1,224)	(1,112)
Profit / (Loss) for the financial year		8,275	(6,207)

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

Statement of comprehensive income
for the year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Profit/ (Loss) for the financial year		8,275	(6,207)
Total comprehensive Profit/(Loss) related to the year		8,275	(6,207)

Balance sheet
as at 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	356	424
Intangible assets	10	512	330
Investments	11	298	298
		<hr/> 1,166	<hr/> 1,052
Current assets			
Stocks	12	137	81
Debtors	13	23,916	16,916
Cash at bank and in hand		6,039	8,138
		<hr/> 30,092	<hr/> 25,135
Creditors: amounts falling due within one year	15	(15,630)	(12,917)
		<hr/> 14,462	<hr/> 12,218
Net current assets			
		<hr/> 15,628	<hr/> 13,270
Net assets		<hr/> <hr/> 15,628	<hr/> <hr/> 13,270
Capital and reserves			
Called-up equity share capital	16	1	1
Share premium account		71	71
Profit and loss account		15,556	13,198
		<hr/> 15,628	<hr/> 13,270
Total equity		<hr/> <hr/> 15,628	<hr/> <hr/> 13,270

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


S Toulson

Director

Dated: 31. 5. 2017

Company registered number: 03128724

Statement of Changes in Equity
for the year ended 31 March 2017

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
31 March 2015	1	71	30,024	30,096
Loss for the year 2016	-	-	(6,207)	(6,207)
Dividends paid	-	-	(10,619)	(10,619)
31 March 2016	1	71	13,198	13,270
Profit for the year 2017	-	-	8,275	8,275
Dividends paid	-	-	(5,917)	(5,917)
31 March 2017	1	71	15,556	15,628

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

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 Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of BH Topco Limited. The results of the Company are included in the consolidated financial statements of BH Topco Limited, which are publically 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 2017. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- 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.

Going Concern

During the year the Company made profits of £8.2m and as at the balance sheet date the Company had net assets of £15.6m. The company is supported by its parent companies and the directors are of the opinion that the necessary finance and other facilities available to BigHand Limited will continue to be made available from shareholders and the company will have the funding necessary to continue to trade. The going concern basis in preparing the financial statements is therefore believed to be appropriate.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provision for impairment. The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Finance costs and borrowings

Interest-bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the financial statements (continued)

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of equity (see dividends policy), are dealt with as appropriations in the reconciliation of movements in equity.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	- 25% straight line
Fixtures and fittings	- 25% straight line
Equipment	- 50% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. During the year a change of approach was taken and fixtures and leasehold property improvements were depreciated on a 25% straight line basis.

Dividends on shares presented within equity

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

Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 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:

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, allowances for impairment.

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 prior year.

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover by destination is given below:

	2017 £'000	2016 £'000
United Kingdom	16,042	15,153
Europe	944	970
North America	2,925	1,841
Australia	1,137	765
Africa	2	30
	<u>21,050</u>	<u>18,759</u>

Notes to the financial statements (*continued*)

3 Prior year reclassification

During 2017 the directors have reclassified an amount on the 2016 income statement between cost of sales and administrative expenses related to a transfer pricing adjustment of £1,119,000. The amount was originally included within Cost of Sales, and should have been included within Administrative Expenses to reflect the substance of the transaction. Therefore, the 2016 comparative information has been restated. There is no impact on shareholders' funds or reported profit for the year.

4 Operating profit

	2017 £'000	2016 £'000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of owned fixed assets and intangible assets	450	362
Operating lease rentals – land and buildings	233	233
Net loss/(profit) on foreign currency translation	(5)	(27)
Exceptional Items- professional fees & restructuring (administrative expenses)	774	15,931
Exceptional items- currency losses / (gains) (administrative expenses)	(15)	(57)
<i>Auditor's remuneration:</i>		
- audit of the Company's financial statements	13	13
- audit of the group undertaking's financial statements	21	21
- other services relating to taxation	13	13

In 2017, exceptional costs relating to professional fees, restructuring and currency losses of £759k were incurred. In 2016, BigHand Limited forgave £13,495,000 of intercompany debt owed by group companies and wrote off £2,235,000 of investment in nFlow Software Limited, both of which were treated as exceptional costs in 2016.

5 Particulars of employees

The average number of employees (including directors) during the year was 110 (2016: 97).

	2017 £'000	2016 £'000
<i>The aggregate payroll costs of the above were:</i>		
Wages and salaries	5,039	3,871
Social security costs	579	504
	5,618	4,375

6 Directors' remuneration

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 Bidco Limited through which the directors are remunerated.

Notes to the financial statements (continued)

7 Interest receivable and Interest payable and similar charges

	2017 £'000	2016 £000
Interest receivable		
Interest receivable on intercompany balances	963	505
Bank interest receivable	3	-
	<u>966</u>	<u>505</u>
Interest payable and similar charges		
Bank interest payable	-	(12)
Interest payable on intercompany balances	-	(61)
Foreign exchange losses	(237)	-
Debt Finance Fee Write off	(7)	-
	<u>(244)</u>	<u>(73)</u>

8 Taxation

a) Current Tax

	2017 £000	2016 £000
Current tax:		
<i>UK taxation</i>		
UK corporation tax based on the results for the year	1,288	1,224
Adjustment in respect of prior years	(19)	(138)
	<u>1,269</u>	<u>1,086</u>
Deferred tax		
Origination and reversal of timing differences	(45)	26
	<u>(45)</u>	<u>26</u>
Total deferred tax (note 13)	<u>(45)</u>	<u>26</u>
Total tax expense	<u>1,224</u>	<u>1,112</u>

Notes to the financial statements (continued)

7 Taxation (continued)

(b) Factors affecting current tax credit

The standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit excluding taxation	9,499	(5,094)
Profit using the UK corporation tax rate of 20% (2016: 20%)	1,900	(1,019)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	60	14
Capital allowances for the year in excess of than depreciation	-	29
Non-deductible expenses	(12)	-
Group relief	(705)	(525)
Income not taxable for tax purposes	-	2,751
Adjustments in respect of prior years	(19)	(138)
	1,224	1,112

9 Tangible fixed assets

	Leasehold property £000	Fixtures and fittings £000	Equipment £000	Total £000
Cost:				
At 31 March 2016	369	30	380	779
Additions	38	20	87	145
Disposals	1	-	5	6
At 31 March 2017	408	50	472	930
Accumulated depreciation:				
At 31 March 2016	96	18	241	355
Charge for the year	74	10	128	212
Disposals and adjustments	-	-	7	7
At 31 March 2017	170	28	376	574
Net book value:				
At 31 March 2016	273	12	139	424
At 31 March 2017	238	22	96	356

Notes to the financial statements (continued)

10 Intangible assets

	Computer Software £000
<i>Cost:</i>	
At 31 March 2016	679
Additions	418
Disposals	9
	<hr/>
At 31 March 2017	1,106
	<hr/>
<i>Accumulated depreciation:</i>	
At 31 March 2016	349
Charge for the year	238
Disposals	7
	<hr/>
At 31 March 2017	594
	<hr/>
<i>Net book value:</i>	
At 31 March 2016	330
	<hr/>
At 31 March 2017	512
	<hr/>

11 Investments

	Shares in subsidiary undertaking £000
<i>Cost:</i>	
At 1 April 2016 and 31 March 2017	298
	<hr/>
<i>Net book value:</i>	
At 31 March 2017	298
	<hr/>
At 31 March 2016	298
	<hr/>

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.

Notes to the financial statements (continued)

12 Stocks

	2017 £000	2016 £000
Goods for resale	137	81

13 Debtors

	2017 £000	2016 £000
Trade debtors	3,343	2,996
Amounts owed by group undertakings	19,867	13,438
Other debtors	692	482
Deferred tax	14	-
	<u>23,916</u>	<u>16,916</u>

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2016 the amounts owed by group undertakings had an interest rate of 4% per annum. From 1 April 2016 an interest rate of 6% per annum has been introduced.

14 Deferred tax

The movement in deferred taxation liability in the year was:

	2017 £000	2016 £000
(Liability)/asset brought forward	(31)	(5)
Deferred tax charge	45	(26)
	<u>14</u>	<u>(31)</u>
(Liability)/asset carried forward	<u>14</u>	<u>(31)</u>
	2017 £000	2016 £000
Accelerated/(Decelerated) capital allowances	14	(31)

Notes to the financial statements *(continued)*

15 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	1,068	488
Corporation tax	698	711
Other taxes and social security	443	351
Amounts owed to group undertakings	2,714	1,661
Deferred income	10,057	8,892
Accruals	650	783
Deferred tax (note 14)	-	31
	<u>15,630</u>	<u>12,917</u>

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2016 the amounts owed by group undertakings had an interest rate of 4% per annum. From 1 April 2016 an interest rate of 6% per annum has been introduced.

16 Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid:</i>		
108,748 ordinary shares of £0.01 each	<u>1</u>	<u>1</u>

17 Commitments under operating lease

At 31 March 2016 the Company had commitments under non-cancellable operating leases as set out below.

	Land and buildings 2017 £000	2016 £000
Within one year	233	233
Between two and five years	350	816
	<u>583</u>	<u>1,049</u>

Notes to the financial statements (continued)

18 Guarantees and security

There is a joint guarantee between BH Bidco Limited (intermediate parent undertaking) and BigHand Limited, BigHand Holdings Limited and nFlow Software Limited in respect of bank loans provided to BH 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 subsidiary, BigHand Inc, in respect of the bank loans.

19 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 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 Topco Limited.

20 Ultimate parent company

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

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

The ultimate controlling party is Bridgepoint Advisers 11 Limited.

21 Post Balance Sheet Event

On 18th July 2017 BH Bidco Limited, an intermediate company, undertook a refinancing in order to borrow an incremental £12,451,000 of bank debt. BH Bidco Limited used some of this funding to settle £10,000,000 of existing intercompany debt with The Company. The Company then paid a dividend of £10,750,000 to BigHand Holdings Limited.