

**BigHand Limited**

**Annual Report and financial statements**

**Registered number 03128724**

**31 March 2018**

**Registered office: 27 Union Street, London SE1 1SD**

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## **Strategic report**

The Directors present their Strategic report for the year ended 31 March 2018.

### **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 £8,727,000 (2017: £8,275,000).

In the year to 31 March 2018 the Company generated revenues of £22.9m compared to £21.1m in 2017 an increase of 9%.

EBITDA\* has grown in the year by £1m to £11m (2017: £10m) and reflects a high EBITDA margin of 48% (2017: 48%).

*\* 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 £14.5m. 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 Improve and a significant proportion of our customer base have upgraded to the Version 5 platform.

We were also delighted to win a major contract with a major bank as we seek to expand into new verticals.

#### UK Healthcare

The Group's UK Healthcare business unit had another excellent year with revenues increasing 14% to £3.4m.

The division continues to win a number of high profile new logos as well as successfully rolling out the BigHand One solution.

### **Product Strategy**

#### **Multi product portfolio**

During the year the company progressed its aim to offer customers a growing solution toolkit 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 four main Product Families:

##### **Delegate**

Our Delegate family 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 to maintain our uniqueness in the space.

##### **Produce**

Continued development work across our Produce range and superior technical architecture is creating demand against a back-drop of competitor market instability. Future planned roadmap will underpin a broader move to agile working and the need to create documentation on the move. Some large scale wins in UK demonstrating the future cross sell potential to our substantial global client base.

## **Strategic report** *(continued)*

### **Business Unit Performance** *(continued)*

#### **Improve**

Research is now well underway for a revamp of our analytics and reporting capability. With Utilisation Reporting being a key requirement for large law firms, building this into the product family will add value in its own right and is complimentary to the Delegate uptake.

During the year work was undertaken to investigate an acquisition in the space to make this product family a new strategic lever for future growth, based around market demand for new operational and financial data.

#### **Voice**

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

#### **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 95% and our Net Promoter Score ('NPS') exceeded 75 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 160 employees and a key part of the recruitment process for new 'BigHanders' is the assessment of cultural fit as well as future potential.

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

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, leaping 20 places up the league table in 2018.

## **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**

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.

#### 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. 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:

12.12.2018

## **Directors' report**

The directors present their report and the financial statements for the year ended 31 March 2018.

### **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. During the year the Company paid an interim dividend of £10,750,000 (2017: £5,917,000). There is no final dividend. (2017: £nil).

### **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 £3,950 (2017: £8,500). 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 £8.7m and as at the balance sheet date the company had net assets of £13.6m. The company is expecting to trade profitably in the foreseeable future based on forecasts.

### **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.

### **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:

12.12.2018

## **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; and
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 2018 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 19 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 2018 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.

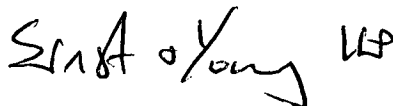
### **Auditor's responsibilities for the audit of the financial statements**

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.



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

14/12/12

**Profit and loss account**  
*for the year ended 31 March 2018*

	Note	2018 £'000	2017 £'000
Turnover	2	22,865	21,050
Cost of sales		(2,318)	(2,327)
<b>Gross profit</b>		<b>20,547</b>	<b>18,723</b>
Administrative expenses		(10,696)	(9,946)
<b>Operating Profit</b>	3	<b>9,851</b>	<b>8,777</b>
Attributable to:			
Operating profit before depreciation, amortisation and exceptional items		11,044	9,986
Depreciation and amortisation	3	(545)	(450)
Exceptional items	3	(648)	(759)
Finance costs			
Interest receivable	6	719	966
Interest payable and similar charges	6	(277)	(244)
<b>Profit before taxation</b>		<b>10,293</b>	<b>9,499</b>
Tax on profit	7	(1,566)	(1,224)
<b>Profit for the financial year</b>		<b>8,727</b>	<b>8,275</b>

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

**Statement of comprehensive income**  
*for the year ended 31 March 2018*

	Note	2018 £000	2017 £000
Profit for the financial year		8,727	8,275
<b>Total comprehensive income related to the year</b>		<b>8,727</b>	<b>8,275</b>

**Balance sheet**  
*as at 31 March 2018*


	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	8	264	356
Intangible assets	9	720	512
Investments	10	298	298
		<hr/> 1,282	<hr/> 1,166
<b>Current assets</b>			
Stocks	11	100	137
Debtors	12	18,931	23,916
Cash at bank and in hand		8,822	6,039
		<hr/> 27,853	<hr/> 30,092
<b>Creditors: amounts falling due within one year</b>	14	<hr/> (15,530)	<hr/> (15,630)
<b>Net current assets</b>		<hr/> 12,323	<hr/> 14,462
<b>Net assets</b>		<hr/> <hr/> 13,605	<hr/> <hr/> 15,628
<b>Capital and reserves</b>			
Called-up equity share capital	15	1	1
Share premium account		71	71
Profit and loss account		13,533	15,556
<b>Total equity</b>		<hr/> <hr/> 13,605	<hr/> <hr/> 15,628

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

**S Toulson**

Director

Dated:

  
12.12.2018

Company registered number: 03128724

**Statement of Changes in Equity**  
*for the year ended 31 March 2018*

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
31 March 2016	1	71	13,198	13,270
Profit for the year 2017	-	-	8,275	8,275
Total comprehensive income for the year	-	-	8,275	8,275
Dividends paid	-	-	(5,917)	(5,917)
31 March 2017	1	71	15,556	15,628
Profit for the year 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

## **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 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 2018. 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 requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 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 and 18A 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
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

#### **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 £8.7m and as at the balance sheet date the company had net assets of £13.6m. The company is expecting to trade profitably in the foreseeable future based on forecasts.

#### **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.

#### **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**

Investment in subsidiaries are recognised at cost less impairment losses. The carrying amount of investments is assessed annually based on forecasted future cash flows for each cash generating unit. Key assumptions relating to forecasts in revenue growth and declined are used, which include discounting back to present value using pre adjusted discount rate.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### Foreign currency translation

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

**Transactions and balances** 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.

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.





## Notes to the financial statements (*continued*)

### **1 Accounting policies (*continued*)**

#### **Revenue (*continued*)**

##### *(ii) Licencing Models*

The company operates two principal software licencing models – (a) a traditional licence and support & maintenance model; (b) a software as a service model (“SaaS”).

##### **(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 Group 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.

##### **(b) 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. Licence revenues from standard products are 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) Support and maintenance revenue from support agreements is recognised on a straight line basis over the period of the support agreement. The support and maintenance is normally billed in advance to the customer and any revenue not recognised in the income statement is included in deferred income in the balance sheet.

(c) SaaS - customers typically enter into agreements on an annual basis. Revenue is recognised on a straight line basis over the length of the contract.

(d) IT equipment - the revenue relating to the sale of IT hardware is recognised on despatch to 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.

#### **Operating lease: the company as lessee**

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the assets are classified as operating leases and rental payable are charged in the income statement on a straight-line basis over the lease term. 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.

## Notes to the financial statements (continued)

### 2 Turnover

An analysis of turnover by destination is given below:

	2018 £'000	2017 £'000
United Kingdom	17,260	16,042
Europe	956	944
North America	3,354	2,925
Australia	1,293	1,137
Africa	2	2
	<u>22,865</u>	<u>21,050</u>

### 3 Operating profit

	2018 £'000	2017 £'000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of fixed assets	199	212
Amortisation of intangible assets	346	238
Operating lease rentals – land and buildings	233	233
Net (gain) on foreign currency translation	(9)	(5)
Exceptional Items- professional fees & restructuring (administrative expenses)	519	774
Exceptional items- currency losses / (gains) (administrative expenses)	129	(15)
<i>Auditor's remuneration:</i>		
- audit of the Company's financial statements	17	13
- other services relating to taxation	13	13
- corporate finance services	50	
	<u>774</u>	<u>815</u>

In 2018, exceptional costs relating to professional fees, restructuring and currency losses of £648k were incurred (2017: £759k).

### 4 Particulars of employees

The average number of employees (including directors) during the year was 122 (2017: 110).

	2018 £'000	2017 £'000
<i>The aggregate payroll costs of the above were:</i>		
Wages and salaries	6,414	5,011
Social security costs	667	579
Contributions to defined contribution plans	35	28
	<u>7,116</u>	<u>5,618</u>

### 5 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)

### 6 Interest receivable and Interest payable and similar charges

	2018 £'000	2017 £'000
<b>Interest receivable</b>		
Interest receivable on intercompany balances	713	963
Bank interest receivable	5	3
	<u>718</u>	<u>966</u>
<b>Interest payable and similar charges</b>		
Bank interest payable	(29)	-
Interest payable on intercompany balances	(17)	-
Foreign exchange losses	(231)	(237)
Debt Finance Fee Write off	-	(7)
	<u>(277)</u>	<u>(244)</u>

### 7 Taxation

#### a) Current Tax

	2018 £000	2017 £000
<b>Current tax:</b>		
<i>UK taxation</i>		
UK corporation tax based on the results for the year	1,479	1,288
Adjustment in respect of prior years	23	(19)
	<u>1,502</u>	<u>1,269</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	64	(45)
	<u>64</u>	<u>(45)</u>
<b>Total deferred tax (note 13)</b>	<u>64</u>	<u>(45)</u>
<b>Total tax expense</b>	<u>1,566</u>	<u>1,224</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 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit excluding taxation	10,294	9,499
Profit using the UK corporation tax rate of 19% (2017: 20%)	2,059	1,900
<i>Effects of:</i>		
Expenses not deductible for tax purposes	177	60
Non-deductible expenses	8	(12)
Group relief	(702)	(705)
Adjustments in respect of prior years	24	(19)
	1,566	1,224

### 8 Tangible fixed assets

	Leasehold property £000	Fixtures and fittings £000	Equipment £000	Total £000
<b>Cost:</b>				
At 31 March 2017	408	50	472	930
Additions	11	9	87	107
At 31 March 2018	419	59	559	1,037
<b>Accumulated depreciation:</b>				
At 31 March 2017	170	28	376	574
Charge for the year	79	11	109	199
At 31 March 2018	249	39	485	773
<b>Net book value:</b>				
At 31 March 2017	238	22	96	356
At 31 March 2018	170	20	74	264

## Notes to the financial statements (continued)

### 9 Intangible assets

	<b>Computer Software £000</b>
<i>Cost:</i>	
At 31 March 2017	1,106
Additions	554
	<hr/>
At 31 March 2018	1,660
	<hr/>
<i>Accumulated depreciation:</i>	
At 31 March 2017	594
Charge for the year	346
	<hr/>
At 31 March 2018	940
	<hr/>
<i>Net book value:</i>	
At 31 March 2017	512
	<hr/>
<b>At 31 March 2018</b>	<b>720</b>
	<hr/> <hr/>

### 10 Investments

	<b>Shares in subsidiary undertaking £000</b>
<i>Cost:</i>	
At 1 April 2017 and 31 March 2018	298
	<hr/>
<i>Net book value:</i>	
<b>At 31 March 2018</b>	<b>298</b>
	<hr/>
At 31 March 2017	298
	<hr/> <hr/>

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

<b>Name</b>	<b>Country of incorporation and registered office address</b>
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)

### 11 Stocks

	2018 £000	2017 £000
Goods for resale	100	137
	<u>100</u>	<u>137</u>

### 12 Debtors

	2018 £000	2017 £000
Trade debtors	3,234	3,343
Amounts owed by group undertakings	14,612	19,867
Other debtors	1,085	692
Deferred tax	-	14
	<u>18,931</u>	<u>23,916</u>

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2018 the amounts owed by group undertakings had an interest rate of 6% per annum (2017: 6%).

### 13 Deferred tax

The movement in deferred taxation liability in the year was:

	2018 £000	2017 £000
Asset/(liability)brought forward	14	(31)
Deferred tax charge	(64)	45
	<u>(50)</u>	<u>14</u>
(Liability)/asset carried forward	(50)	14
	<u>(50)</u>	<u>14</u>

	2018 £000	2017 £000
(Decelerated)/Accelerated capital allowances	(50)	14
	<u>(50)</u>	<u>14</u>

## Notes to the financial statements (continued)

### 14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	732	1,068
Corporation tax	647	698
Other taxes and social security	408	443
Amounts owed to group undertakings	2,259	2,714
Deferred income	10,893	10,057
Accruals	541	650
Deferred tax (note 13)	50	-
	<u>15,530</u>	<u>15,630</u>

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2018 the amounts owed by group undertakings had an interest rate of 6% per annum (2017: 6%).

### 15 Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid:</i>		
108,748 ordinary shares of £0.01 each	<u>1</u>	<u>1</u>

### 16 Commitments under operating leases

At 31 March 2018 the Company had commitments under non-cancellable operating leases as set out below.

	Land and buildings 2018 £000	2017 £000
Within one year	233	233
Between two and five years	117	350
	<u>350</u>	<u>583</u>

### 17 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.

### 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 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.

**Notes to the financial statements** *(continued)*

**19 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.