

BigHand Limited

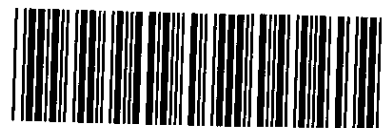
**Unaudited Annual Report and Financial
Statements**

Registered number 03128724

31 March 2021

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 2021.

Business review and results

The profit for the year, after taxation, amounts to £9,468,000 (2020: £12,874,000).

In the year to 31 March 2021 the Company generated revenues of £26.5m compared to £26.3m in 2020 an increase of 1%.

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

Adjusted EBITDA* has increased in the year to £12.4m (2020: £11.5m) and reflects a higher EBITDA margin of 47% (2020: 44%) due to revenue growth and costs remaining relatively flat.

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

On 13th October 2020, the BigHand group of companies, then headed by BH Group Topco Limited, was acquired by Levine Leichtman Capital Partners. As a result of the acquisition, a new holding company structure has been implemented on top of BH Group Topco Limited and the new parent company of the BigHand group is BigHand UK Topco Limited.

Principal activities

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

Principal risks and uncertainties

Financial risk management

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

Cash flow risk

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

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

Credit risk

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

Credit terms are 30 days. 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.

Strategic report *(continued)*

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.

Covid-19

The Directors do not currently believe that COVID-19 will have a material financial impact on the company in the foreseeable future. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic.

Technology / Cyber Risk

The Company's Information Security Committee meets quarterly to assess risks and threats and implement appropriate actions. An Annual Management Review is also held between the Information Security Committee and Senior Management to provide assurance to the Board that significant technology risks to the business are being identified and appropriate mitigations have been implemented, and that the Company's Information Security Management System remains effective.

BigHand has continued carrying out Phishing testing and appropriate training to reduce the risk of the business being caught out by a phishing attack. The business regularly meets its target of 5% or less of staff failing a phishing attack test. BigHand also completed the rollout of Password Manager software, Keeper, in the year, which is in line with NCSC guidance on best practice password security and reduces the risk of a security breach due to password mismanagement.

BigHand recognises that Cyber risk is a threat and mitigates this through investment in best of breed firewall and anti-virus software, and a full and comprehensive backup strategy that if required can be used to restore all services. To compliment the technologies in place the Company also holds a continuous education program for staff awareness, regular penetration and application testing, business continuity plans and disaster recovery plans that cover all business areas, and the scenario-based testing of incident management plans.

Business Interruption Risk

The Company has a framework of operational procedures and business continuity plans that are regularly reviewed, updated and tested. Back-up facilities and contingency plans are in place and are reviewed and tested regularly to ensure that business interruptions are minimised. The Company's IT invests in its infrastructure to ensure that they are able to respond to the needs of the business. Back-up facilities and contingency plans are in place and are reviewed and tested regularly to ensure that data is protected from corruption or unauthorised use.

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.

Strategic report *(continued)*

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.

Product Strategy

Multi product portfolio

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

Investment in Product Development

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

BigHand Now

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

BigHand Document Creation

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

BigHand Business Intelligence

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

BigHand Matter Pricing & Tracking

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

BigHand Voice

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

Customer Service and Support

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

The Company utilises a software application to gather information on a weekly basis to provide independent assurance for customer care. Customer satisfaction with our products and value-added services, exceeded an average of 97% and our Net Promoter Score ('NPS') exceeded 78 across the year. Our focus on high quality software and support results in exceptional levels of customer retention.

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

Strategic report *(continued)*

Staff

A critical contributor to the success of BigHand is the enthusiasm, commitment and talent of our staff. The Group of companies headed by BigHand UK Topco Limited ("the Group"), of which Big Limited is the key trading company, is now 222 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 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. We have done some extensive work around our Employee Value Proposition, ensuring we leverage its strengths and identify enhancements, to support in the attraction and retention of talent. To support this work, we have created engaging video content to showcase our culture and invested in technology to help communicate and amplify our Employer Brand.

The Group runs a confidential staff survey each year, as well as pulse surveys throughout the year, to gather feedback on key topics, and the results show very positive feedback. This positive staff sentiment was re-affirmed publicly again, as BigHand has been named by Great Places to Work® as one of the UK's Best Workplaces™ in the Medium category (organisations with 50-499 employees) in their annual Best Workplaces™ ranking, for a fifth year running. We have also been recognised as a Great Place to Work for our US entity by making the Chicago's Best Workplaces list.

Environmental, Social and Governance

The Group 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, and environmental initiatives to help establish strong environmental performance standards.

The Group 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.

Strategic Outlook

Growth Strategy

BigHand is set up to benefit from the highly supportive industry trends impacting global law firms (including and in some areas accelerated by COVID-19). We have a unique and highly differentiated product portfolio that centres on key law firm focus areas such as how they can improve the productivity of their lawyers and support staff whilst also enhancing overall levels of firm (or matter by matter) profitability.

As a LegalTech software business, product development is the core of what we do. Following extensive consultation with our significant legal client base and prospective customers across our global markets, the Group has mapped out an exciting product roadmap for the future across its product ranges.

The strategic outlook is positive and we have a clearly defined growth strategy:

Strategic report *(continued)*

Complete transition to being a core workflow business

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

We believe there will continue to be strong market drivers towards mobile working, the digitisation of workflows and focus on cost, efficiency, and profitability within our client base. BigHand Now is our workflow solution, which is designed with this in mind, it seeks to ensure work is automatically routed to the right resource to be delivered efficiently.

The impact of COVID-19 has accelerated the interest and rollout of this solution at a number of our large clients as the need for visibility over work and collaborative working becomes even greater.

Cross-sell & Up-sell to Existing Customers

There is an increasing demand (from law firms particularly) to reduce the number of vendors, but to deepen the relationship with those for better value. The breadth of our customer base and the strong relationships we have with them present a great opportunity to offer our customers a single vendor option; we can cross-sell them our new solutions and up-sell our existing product range as client adoption continues.

Matter pricing solution is first choice globally

BigHand Evaluate, our matter pricing, budgeting, and tracking solution already has a solid base of Top Tier law firms realising its value. There is strong demand for this product as law firms want to grow both their top and bottom lines. BigHand offers them a toolkit to improve this significantly whilst embedding a more commercially focused culture among their lawyers, a 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



J Davis
Director

Dated: 17th December 2021

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of BigHand Limited is the provision of software for speech, task delegation, document creation, matter pricing, financial business information 'BI' and process improvement to the legal, professional services and healthcare markets. The directors expect it to continue to do so in the future. During the year the Company paid an interim dividend of £nil (2020: £nil). There is no final dividend (2020: £nil).

Directors

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

GM Gilbert (Resigned 13th October 2020)

S Toulson

J Davis

Donations

During the year the Company made charitable donations of £10,000 (2020: £10,000). The Company made no political donations in the current or preceding year.

Going concern

We have assessed company's ability and have concluded the going concern basis is appropriate. Please see Note 1 for further detail.

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.

Signed on behalf of the directors



J Davis

Director

Dated: 17th December 2021

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

The directors are responsible for preparing the Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Profit and loss account

as at 31 March 2021

	<i>Note</i>	2021 £'000	2020 £'000
Turnover	2	26,466	26,261
Cost of sales		(2,473)	(2,910)
Gross profit		23,993	23,351
Administrative expenses		(15,874)	(14,317)
EBITDA: earnings before non-recurring, acquisition, depreciation, amortisation, finance and tax costs		12,384	11,538
Non-recurring costs	3	(2,650)	(1,279)
Depreciation and amortisation	3	(1,615)	(1,225)
Total costs		(4,265)	(2,504)
Operating profit	3	8,119	9,034
Interest receivable	6	3,760	1,752
Interest payable and similar charges	6	(2,295)	(372)
Net finance expense		1,465	1,380
Profit for the year before taxation		9,584	10,414
Tax on profit for the year	7	(116)	2,460
Profit for the year		9,468	12,874

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

Statement of comprehensive income

for the year ended 31 March 2021

	2021 £'000	2020 £'000
Profit for the financial year	9,468	12,874
Total comprehensive income for the year	9,468	12,874

Balance sheet

as at 31 March 2021

	<i>Note</i>	2021 £'000	2020 £'000
Non-current assets			
Right of Use Assets	10	1,025	1,260
Tangible assets	8	531	513
Intangible assets	9	2,995	1,567
Investments	11	4,312	3,316
Deferred tax asset	14	2,338	2,100
		11,201	8,756
Current assets			
Stocks	12	127	114
Debtors	13	72,258	35,084
Cash at bank and in hand		11,368	11,711
		83,753	46,909
Creditors: amounts falling due within one year	15	(47,933)	(18,163)
Net current assets		35,820	28,746
Creditors: amounts falling due greater than one year	16	(927)	(1,163)
Deferred tax liability	14	(429)	(142)
Net assets		45,665	36,197
Capital and reserves			
Share capital	17	1	1
Share premium		71	71
Profit and loss reserve		45,593	36,125
Total equity		45,665	36,197

For the financial year ending 31st March 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

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



J Davis

Director

Dated: 17th December 2021

Statement of Changes in Equity

for the year ended 31 March 2021

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total Equity £'000
31 March 2017	1	71	15,556	15,628
Profit for the year to 31 March 2018	-	-	8,727	8,727
Total comprehensive income for the year	-	-	8,727	8,727
Dividends paid	-	-	(10,750)	(10,750)
31 March 2018	1	71	13,533	13,605
Profit for the year to 31 March 2019	-	-	9,734	9,734
Total comprehensive income for the year	-	-	9,734	9,734
31 March 2019	1	71	23,267	23,339
Change in accounting policy (see note 1)	-	-	(16)	(16)
Restated as at 01 April 2019	1	71	23,251	23,323
Profit for the year to 31 March 2020	-	-	12,874	12,874
Total comprehensive income for the year	-	-	12,874	12,874
31 March 2020	1	71	36,125	36,197
Profit for the year to 31 March 2021	-	-	9,468	9,468
Total comprehensive income for the year	-	-	9,468	9,468
31 March 2021	1	71	45,593	45,665

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, BigHand UK 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 2021. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- Certain of the requirements of IFRS 15, including disaggregated and total revenue from contracts with customers; explanation of significant changes in contract assets and liabilities; description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred; aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised; and significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Going Concern

During the year the company made profits of £9.5m and as at the balance sheet date the company had net assets of £45.7m.

The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis, which is dependent on the continuing financial and operational support of the Company's ultimate parent undertaking, BigHand UK Topco Limited which has agreed to provide financial support as necessary for a period of at least twelve months from the date of approval of these financial statements of the Company.

Taking into account the position of the ultimate parent, and their assessment of the impact on the Company, the directors are of the view, to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern. The directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the company financial statements. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic.

Estimates and judgements

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

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

Investments in subsidiaries

Management perform annual impairment reviews using forecasted future cash flows for each cash generating unit, the key assumptions included within the forecasts are in note 11.

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

Fair values

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

Notes to the financial statements (continued)

2 Accounting Policies (continued)

Foreign currency translation

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

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

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

Financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

Taxation

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

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

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

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

Investments

Fixed asset investments are recorded at cost less any provision for impairment. The carrying values of fixed asset investments are reviewed for impairment when assets or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

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.

Tangible fixed assets

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

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

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

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

Intangible assets

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

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

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

Inventories

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

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Non-derivative Financial Instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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

Dividends on shares presented within equity

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

Revenue

(i) General

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

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

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

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

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

Revenue (continued)

(ii) Licencing Models

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

(a) Licenced Products

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

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

SaaS

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

(iii) Revenue Recognition by Revenue Type

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

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

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

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

(e) Revenue from professional services (which includes software implementation, training and consultancy services) is recognised in the accounting period in which the services are delivered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services

to be provided (percentage of completion method). Percentage completion is estimated based on the total number of hours performed on the project compared to the total number of hours expected to complete the project. Estimates of completion are revised if circumstances change.

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

Leases

As a lessee

The Company leases various offices and some equipment. At the inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

For leases acquired through business acquisition, the lease liability is measured as if it were a new lease (reassessing its term, lease payments) and the right of use asset is measured at the market rate at the point of acquisition.

The lease liability is measured at amortised cost using the effective interest method, it is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company presents the right-of-use assets that are investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

2 Turnover

An analysis of turnover by destination is given below:

	2021 £'000	2020 £'000
United Kingdom	19,163	20,065
Europe	1,489	1,407
North America	4,291	3,403
Australia	1,494	1,372
Africa	29	14
Total revenues	26,466	26,261

Turnover is categorised as follows

	2021 £'000	2020 £'000
Support and subscription	15,508	14,883
Licence	1,689	2,244
Services	2,091	2,074
IT hardware	541	582
Other	6,637	6,478
Total revenues	26,466	26,261

3 Operating profit

	2021 £'000	2020 £'000
Depreciation on property, plant and equipment	277	286
Depreciation on Right of Use assets	235	234
Amortisation of intangible assets	1,099	705
Net loss/(gain) on foreign currency translation		6
Exceptional items- professional fees & restructuring (administrative expenses)	2,650	1,279
Auditor's remuneration:		
- audit of the Company's financial statements	-	15
- audit of the BigHand UK Topco Limited group financial statements	143	81
- other services relating to taxation	40	-
- corporate finance services	41	-

In 2021, exceptional costs associated with the change in ownership of the BigHand group, refinancing, acquisitions and reorganisation of £2,650k were incurred (2019: £1,279k).

There is no audit fee for the current period as the entity is exempt from requiring an audit.

Notes to the financial statements (continued)

4 Staff numbers & costs including directors

The average number of employees (including directors) during the year, analysed by category, was as follows:-

	2021 £'000	2020 £'000
Administration	44	43
Operations	100	100
	144	143

The average number of employees (including directors) during the year was 144 (2020: 143).

	2021 £'000	2020 £'000
Wages and salaries	7,869	7,661
Social security costs	953	905
Contributions to defined contribution plans	183	156
	9,005	8,722

5 Directors' remuneration

	2021 £'000	2020 £'000
<i>The directors' aggregate remuneration in respect of qualifying services was:</i>		
Remuneration receivable	51	32
<i>Remuneration of highest paid director:</i>		
Remuneration receivable	51	32

The directors of the Company are also directors of a number of subsidiaries of the ultimate parent company. One director was remunerated directly by the Company, another two directors of the company were remunerated by fellow group undertakings of the company, BH Group Topco Limited and BH Group Bidco Limited. Following Group restructuring on the 13th October 2021 one of them resigned and the other two are now remunerated by BigHand UK Bidco Limited. BigHand UK Bidco Ltd does recharge the remuneration cost to BigHand Limited with a 10% mark-up. These directors are also considered to be the key management of the UK Group.

Notes to the financial statements (continued)

6 Interest receivable and interest payable and similar charges

	2021 £'000	2020 £'000
Interest receivable		
Interest receivable on intercompany balances	3,755	1,746
Bank interest receivable	5	6
	3,760	1,752

	2021 £'000	2020 £'000
Interest payable and similar charges		
Bank interest payable	-	(33)
Interest payable on intercompany balances	(1,387)	(213)
Foreign exchange losses	(522)	-
Unwind of discount on deferred consideration	(287)	(60)
Debt Finance Fee	(7)	(5)
Lease interest	(92)	(61)
	(2,295)	(372)

7 Taxation

	2021 £'000	2020 £'000
Current Tax Expense		
UK corporation tax based on the results for the year	-	(2,542)
Adjustment in respect of prior years	67	-
Current Tax Expense	67	(2,542)
Deferred Tax Expense		
Origination & reversal of temporary differences	433	82
Adjustment in respect of prior years	(384)	
Deferred Tax Expense	49	82
Total Tax Expense	116	(2,460)

Factors affecting tax charge

	2021 £'000	2020 £'000
Profit excluding taxation	9,584	10,414
Profit multiplied by standard UK tax rate of 19% (2019: 19%)	1,821	1,979
Patent Box	(519)	(396)
Effects of:		
Expenses not deductible for tax purposes	512	74
Losses being carried forward	-	220
Group relief	(317)	(1,817)
Deductible temporary differences	591	(190)
Adjustments in respect of prior years	(1,972)	(2,330)
	116	(2,460)

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

Notes to the financial statements (continued)

8 Tangible fixed assets

	Leasehold property £'000	Fixtures and Fittings £'000	Equipment £'000	Total £'000
Cost				
Balance at 1 April 2020	811	111	868	1,790
Additions	98	1	196	295
Disposals	(310)	(30)	(385)	(725)
Balance at 31 March 2021	599	82	679	1,360
Depreciation and impairment				
Balance at 1 April 2020	428	68	781	1,277
Depreciation charge for the year	109	18	150	277
Disposals	(310)	(30)	(385)	(725)
Balance at 31 March 2021	227	56	546	829
Net book value				
At 31 March 2020 and 1 April 2020	383	43	87	513
At 31 March 2021	372	26	133	531

9 Intangible assets

	Computer Software £'000
Cost	
Balance at 1 April 2020	3,730
Additions	2,527
Disposals	(687)
Balance at 31 March 2021	5,570
Depreciation and impairment	
Balance at 1 April 2020	2,163
Amortisation charge for the year	1,099
Disposals	(687)
Balance at 31 March 2021	2,575
Net book value	
At 31 March 2020 and 1 April 2020	1,567
At 31 March 2021	2,995

Notes to the financial statements (continued)

10 Right of use assets and lease liabilities

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Non-current right of use assets

	Buildings £'000	Equipment £'000	Total £'000
Cost			
Balance at 1 April 2020 and 31 March 2021	1,354	40	1,394
Depreciation and impairment			
Balance at 1 April 2020	130	4	134
Depreciation charge for the year	227	8	235
Balance at 31 March 2021	357	12	369
Net book value			
At 31 March 2020 and 1 April 2020	1,224	36	1,260
At 31 March 2021	997	28	1,025
			2021 £'000
Lease liabilities			
Less than one year			234
One to five years			927
More than five years			-
			1,161

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'000
Depreciation charge of right-of-use assets	
Buildings	(230)
Equipment	9)
	(239)
 Interest expense (included in finance costs)	 (92)

The total cash outflow for leases in 2021 was £309k.

Notes to the financial statements (continued)

11 Investments

	Shares in subsidiary undertaking £'000
<i>Cost:</i>	
At 1 April 2020	3,316
Acquisition of Mason and Cook Limited (03.11.2020)	996
At 31 March 2021	4,312

On 3rd November 2020 the Company acquired 100% of all classes of the issued ordinary share capital of Mason and Cook Limited, a company incorporated and domiciled in the United Kingdom.

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
Iphelion Limited	England - 27 Union Street, London, SE1 1SD
Mason and Cook 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
Payne Group Inc*	USA - 1218 3rd Avenue, Suite 1900, Seattle, WA 98101-3051
BigHand Software Pty Ltd	Australia - Suite 2 Level 11, 92 Pitt Street, Sydney, NSW 2000, Australia

* Wholly-owned by BigHand Inc

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

The carrying value and impairment are reviewed annually for impairment by projecting cash flow for 5 years. A growth rate aligned with inflation between -11% and +16% is applied for the forecast period of 5 years are based on the strategic plan, and then after 5 years a growth rate of 3% in perpetuity.

Growth rates applied beyond the 5 year forecast period are based on management's assumptions of industry comparatives and past performance of achieving against the industry. Projected cash flows are discounted to present value at rate of 11%. The management has determined the recoverable amount of the cash generating units based on key assumptions; the directors do not believe a reasonably possible change in those assumptions would cause the carrying amount of goodwill to exceed the recoverable amount of that cash generating unit. Management have ensured that assumptions on which its current cash flow projections are based are consistent with past actual outcomes.

Notes to the financial statements (continued)

12 Stocks

	2021 £'000	2020 £'000
Goods for resale	127	114
	127	114

13 Debtors

	2021 £'000	2020 £'000
Trade debtors	4,676	5,082
Amounts owed by group undertakings	65,963	27,306
Other debtors	1,249	1,157
Corporation tax payable	370	1,539
	72,258	35,084

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2021 the amounts owed by group undertakings had an interest rate of 6% per annum (2020: 6%).

14 Deferred tax assets and liabilities

The movement in deferred taxation asset and liability in the year was:

	2021 £'000	2020 £'000
Asset brought forward	2,100	-
Tax value of loss carry-forwards	238	2,100
Asset carried forward	2,338	2,100

	2021 £'000	2020 £'000
Liability brought forward	(142)	(26)
Property, plant and equipment	(294)	(94)
Right of Use asset	7	(22)
Liability carried forward	(429)	(142)

Notes to the financial statements (continued)

15 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	643	832
Other taxes and social security	2,681	2,702
Amounts owed to group undertakings	28,142	20
Contract liability	13,203	12,938
Accruals	3,030	1,219
Deferred consideration	-	235
Lease liability	234	217
	47,933	18,163

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. For the year end 31 March 2021 the amounts owed to group undertakings had an interest rate of 6% per annum (2020: 6%).

16 Creditors: amounts falling due greater than one year

	2021 £'000	2020 £'000
Lease liability	927	1,163
	927	1,163

17 Share capital

	2021 £'000	2020 £'000
<i>Allotted, called up and fully paid:</i>		
108,748 ordinary shares of £0.01 each	1	1
	1	1

18 Guarantees and security

Guarantees have been granted by BigHand UK Midco Limited, BigHand Limited, BigHand Holdings Limited, BH Group Topco Limited, BH Group Midco Limited, BH Group Bidco Limited, BH Topco Limited, BH Midco Limited and BH Bidco Limited in respect of bank loans provided to BigHand UK Bidco Limited. The bank loans are secured by debentures which gives a fixed and floating charge over all the assets of these entities.

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 BigHand UK 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 BigHand UK Topco Limited.



Notes to the financial statements (continued)

20 Ultimate parent company

As at 31 March 2021, the Company's immediate parent company is BigHand Holdings Limited.

As at 13th October 2020, the ultimate controlling party became Levine Leichtman Capital Partners.

The smallest group into which the financial statements are consolidated is BigHand UK Topco Limited. The largest group into which the financial statements of the company are consolidated is Levine Leichtman Capital Partners VI AIV, L.P which has a registered office C/o Maples Corporate Services Limited PO Box 309, Ugland House, Grand Cayman, Cayman Islands KY1-1104.