

blueprism®



# Delivering the 21st Century Organisation



Blue Prism Group plc  
Annual Report 2019

As the pioneer in Robotic Process Automation (“RPA”), Blue Prism has emerged as the trusted and secure intelligent automation choice for enterprise-scale organisations.



Now, Blue Prism delivers the connected-RPA platform – supported by our Digital Exchange (“DX”) app store – to join our customers’ operational leaders with accessible, advanced cognitive technologies and a community of experts, researchers and providers. Available on-premise, in the cloud, or as an integrated solution in a hybrid cloud environment, Blue Prism’s connected-RPA can automate and perform mission-critical processes with ease, allowing people the freedom to focus on more creative and meaningful work.

Major enterprise customers

1,677

leverage Blue Prism’s Digital Workforce, empowering their people to automate billions of transactions while returning hundreds of millions of hours of work back to the business.



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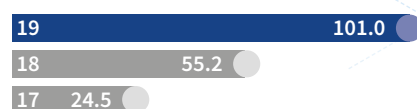
# Highlights 2019

## FINANCIAL HIGHLIGHTS

### Revenue (£'m)

# £101.0m

2018: £55.2m



### Recurring licence revenue (%)

# 96%

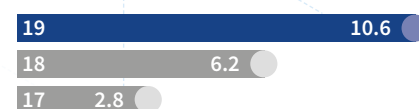
2018: 94%



### Exit monthly recurring revenue (£'m)<sup>1</sup>

# £10.6m

2018: £6.2m



<sup>1</sup> Exit monthly recurring revenue definition changed to reflect the full impact of deals secured in the month.

### Adjusted EBITDA (£'m)<sup>1</sup>

# £(71.9)m

2018: £(21.6)m

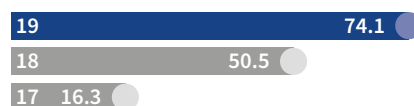


<sup>1</sup> Adjusted EBITDA is the loss for the year after adding back share-based payments and associated taxes, depreciation, amortisation of intangible assets and interest.

### Cash (£'m)<sup>1</sup>

# £74.1m

2018: £50.5m



<sup>1</sup> Cash includes cash on deposit, and cash classified as short-term investments. Short-term investments have been included in cash as the business sees that these can be accessed with limited restrictions and therefore the business treats them as liquid funds.

**About our non-GAAP measures and why we use them**  
Throughout the Strategic Report we quote adjusted non-GAAP measures. Adjusted measures allow management and investors to compare performance without the potentially distorting effects of non-operational and non-cash items. Share-based payments are non-cash in nature and are excluded from adjusted EBITDA. These non-GAAP measures do not detract from statutory measures as equal focus is placed on these throughout this annual report.

## OPERATIONAL HIGHLIGHTS

### Customers

# 1,677

2018: 992

### Customer renewals

# 96%

2018: 97%

### Net retention rate

# 143%

### Upsells

# 1,139

2018: 723

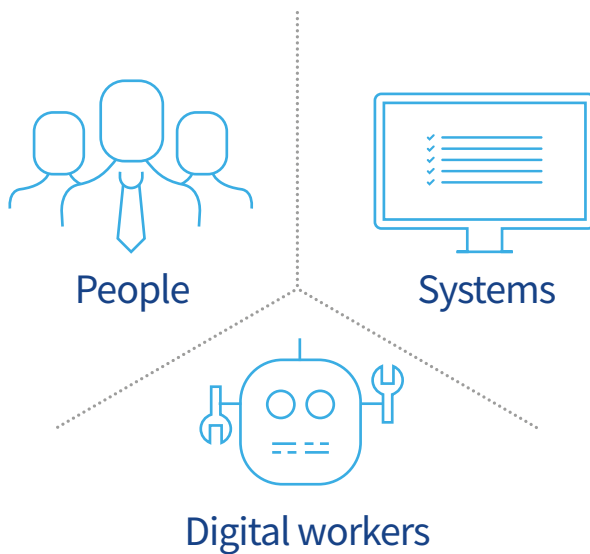
## Company Overview

### OUR VISION

A Digital Worker in every enterprise

#### 21st century organisation

We believe the organisation of the 21st century will be one third people, one third systems and one third Digital Workers



Employees

**1,001**

Sectors covered

**70**

Distribution partners

**153**

Technology partners

**50**

Registered users

**127k**

Growth in revenue

**83%**

Highlights as at the close of the financial year ended 31 October 2019

#### HOW DO WE DO THIS?

We provide our customers with a Digital Workforce that can automate processes by working seamlessly between IT systems and applications. Our Digital Workers are efficient, effective and 100% accurate, and when they incorporate skills from our DX, they become even more intelligent.

#### OUR LOCATIONS

Our teams deliver Digital Workforces from bases across the globe.

SAN FRANCISCO

CHICAGO

WASHINGTON, DC

AUSTIN

NEW YORK

MIAMI

**WHAT ROLE DO WE PLAY?**

In order for a Digital Workforce to truly enable a 21st century organisation, we believe it needs to obey three underlying principles.

**1**

**Business led**

In order to drive innovation within an organisation, Digital Workers need to be managed by business users – so the platform needs to be easy for non-technical users and secure.

**2**

**Controlled and governable**

IT departments need to be confident in the security and governance of the platform in order to allow Digital Workers to work within their organisations.

**3**

**Intelligent**

The Digital Workforce must be capable of embedding and enabling intelligence in order to be an active stakeholder in the 21st century workforce.

**OUR CUSTOMERS**

Our core product was built to provide a Digital Workforce for enterprise-scale businesses. With the acquisition of Thoughtonomy, recently rebranded as Blue Prism Cloud, we broadened our fully integrated automation platform, enabling organisations of any size to deploy Digital Workers on-premise, in the cloud or in a hybrid cloud environment.

We have been very successful at attracting enterprise customers, who use their Digital Workforces every day to drive business outcomes and empower their employees. And, we believe that to truly deliver a 21st century organisation, every one of these customers will need to increase their deployments over time.



## Company Overview

# Creating a Digital Workforce

### DIGITAL ENTREPRENEUR GAP/CONNECTED-RPA

The impact of the digital revolution can be seen in every industry around the globe. With the advent of RPA, today, humans and Digital Workers are working side by side. But, in order to remain competitive, Blue Prism believes that enterprises need more

than RPA. Enterprises need connected-RPA that puts people first. Blue Prism is leading the way toward a connected workforce that merges human ingenuity with the capabilities of today's Digital Workforce to deliver outcomes with greater speed, agility, efficiency and accuracy.

With connected-RPA, our customers can:

- Unburden their processes and their people
- Empower their employees to create and customise automations for unique tasks
- Accomplish greater business success by bridging the human-digital gap





# Our solution

## WHAT IS CONNECTED-RPA?

Blue Prism's connected-RPA is an intelligent automation ecosystem comprised of accessible, advanced technologies, and a community of experts, researchers and providers that enable operational leaders to create and customise innovative automations for common and complex tasks.

## HOW DOES IT WORK?

Our connected-RPA platform is a Digital Workforce Operating System, consisting of a Process Studio to design automation workflows, a Digital Workforce to execute process workflows, and a Control Room for assigning tasks to Digital Workers and scaling the Digital Workforce up or down as market demands dictate. Digital Workers complete tasks according to process workflows,

signing in and out of third-party systems to complete tasks just like humans do. Blue Prism's process workflows can be enhanced with advanced AI and cognitive capabilities through the Blue Prism DX, our online "app store". Downloaded technologies seamlessly integrate via open APIs, meaning users can implement AI in just a few clicks, no coding required.

## Digital workers in action

Our customers are finding innovative use cases for the Digital Workforce all the time. Throughout the report we will highlight case studies to help bring the Digital Workers to life.



### From Europe: John Lewis

John Lewis, a chain of premium department stores and supermarkets in the UK, uses the Digital Workforce to avoid burdening staff with repetitive and lower-value tasks

 For more information  
See pages 10–11



### From North America: H&R Block

H&R Block, an American tax preparation company, uses the Digital Workforce to manage seasonal peaks in their workload

 For more information  
See pages 16–17



### From APAC: University of Sydney

In Australia, the University of Sydney uses the Digital Workforce to help 200 staff manage 70,000 students

 For more information  
See pages 28–29

## Investment Case

We aim to provide the world's leading Digital Workforce, empowering the 21st century organisation.

### 01 MARKET LEADING PRODUCT

Our product offering has been assessed consistently as a market leader by industry analysts, including Gartner. This positions us as one of the “go-to” players when a new customer is considering RPA.

Our focus on enterprise-grade, unattended RPA has resulted in the development of a very strong product with real differentiators when compared to the competition, particularly with regard to security and the ability to scale.

### 02 STRONG GLOBAL GROWTH OPPORTUNITY

RPA offers a high return on investment for customers and can drive gains in efficiency, effectiveness, customer service and job satisfaction.

Our Digital Workers have the potential to play a vital part in the 21st century organisation and, as a result, we see a significant growth opportunity internationally, within both our existing enterprise customer base and the wider market.

### 03 ATTRACTIVE COMMERCIAL MODEL

We have an attractive commercial model, with majority licence-based revenue that drives cash generation.

- Customers typically pay annually in advance
- Despite investments in future growth driving a £(71.9)m adjusted EBITDA loss in 2019, operating cash outflow was lower at £(57.9)m





## 04 DYNAMIC APPROACH TO COGNITIVE AND AI

We leverage a wide range of technology partnerships with leading vendors in the cognitive space.

This allows customers to seamlessly integrate the latest in these and other technologies into their business operations. This approach opens up a wide array of automation opportunities to customers, and allows the product to drive a continually enhancing return on investment.

## 05 CHANNEL RELATIONSHIPS

We work with a range of high-profile distribution partners to win and implement new work.

Leveraging our relationships with principal distribution partners like Accenture and EY, we are able to extend our reach to compete on a truly global scale.

## 06 OUR CUSTOMER BASE

We have 1,677 largely enterprise-grade software customers, with large organisational and IT footprints who are early in their automation journeys.

This represents a significant opportunity over time. We upsold 1,139 times in 2019, while maintaining very high retention rates, demonstrating the potential of this opportunity.

## Market Overview

### ▶ MARKET LANDSCAPE

#### Market overview

The advent of the RPA sector helped business leaders speed up and democratise the automation of processes, allowing customers to unlock significant productivity gains, efficiencies and improvements in customer service. This has meant that the sector has enjoyed very significant market growth to date. Many customers remain in the early stages of their RPA journey, so there is great potential for the market to grow further.

#### Market position

The RPA market is currently served by two main approaches:

- Attended, or desktop RPA: short, often record-and-replay automations aimed at navigating systems via a user's desktop
- Unattended, or autonomous RPA: process automation based on a server or in the cloud, which is controlled centrally and runs automations independently

While working with our very first enterprise customers, Blue Prism realised that unattended solutions offered the security, control and scalability that would be vital to unleash the full transformational benefits of RPA in order to deliver a truly 21st century organisation. As a result, our products focus on unattended RPA.

During 2019, we have also worked to enhance our software to bring "humans into the loop", with the announcement of our Decipher tool, which will interact directly with human workers, and via tools like chatbots and smart forms. We believe this approach can replicate the benefits of attended RPA, without compromising security and productivity.

#### Market share

Blue Prism is widely acknowledged as a market leader within the RPA space, and has one of the largest market shares. 478 of our customers are in the Forbes Global 2000, implying a large coverage of the enterprise market.

#### Market size and potential

There are a range of estimates on market sizing, but the consensus is that the market has potential to grow significantly. We believe that the RPA market has the potential to become a significant software category in time.

#### Market share

# 478

customers are in Forbes Global 2000

#### Market size

# \$10.2bn

HFS estimate of RPA market size by 2022



## ▶ MARKET TRENDS

### ▶ AI/Cognitive technologies

AI, machine learning and other cognitive technologies are increasingly being viewed as a major part of the future technology landscape. These emerging technologies represent a significant opportunity for our customers to further improve their effectiveness, efficiency and customer service. However, if not adopted with due speed and agility, these technologies could represent a threat – with leaner organisations able to use these advances to challenge established markets.

#### OPPORTUNITY FOR BLUE PRISM

RPA can play a vital role in ensuring that these emerging technologies are quickly delivered to business leaders. Used strategically, cognitive technologies can increase the intelligence of the Digital Workforce, opening up new automation opportunities and making Blue Prism even more strategically essential to customers.

#### BLUE PRISM'S RESPONSE

We have built a wide range of technology partnerships to facilitate our customers' use of cognitive technology from market leaders such as Microsoft, Google and Amazon. Assets for these technology partners are available on our DX, which makes it easy to drag and drop these new skills into a process flow. This means that a standard business user can have the power of cognitive technologies at their fingertips. We have also launched a marketing initiative – connected-RPA – to communicate the power of cognitive and Blue Prism's Digital Workforce coming together.

### ▶ Competition

The RPA market is competitive, with more than 40 companies participating globally in some way. These can vary from dedicated RPA providers, like Blue Prism, to businesses who offer RPA as part of a portfolio of other products and services. Industry analysts regard the market leaders within RPA as Blue Prism, UI Path and Automation Anywhere. Throughout 2019, all three players have raised significant amounts of capital to finance their growth ambitions in the exciting RPA marketplace.

#### OPPORTUNITY FOR BLUE PRISM

Competition has helped to increase the awareness of RPA and its benefits to customers. However, the approaches to RPA by the competitor group, and in particular within the other market leaders, varies, with many focusing on a desktop approach. We need to remain proactive in our sales and marketing to ensure that customers appreciate Blue Prism's strengths and value.

#### BLUE PRISM'S RESPONSE

We have made significant investments into our sales and marketing efforts, in particular end-user sales, which help deepen and enhance customer relationships and ensure our differentiators are clear to new and existing customers. Our product has also been a key focus across 2019, with enhanced partnerships with vendors such as Microsoft, and the launch of our learning edition and the announcement of Blue Prism Decipher, which will enhance the cognitive capabilities of the product.

### ▶ The 21st century organisation

Globally, our customers are looking to technology to help identify opportunities for productivity, improve customer service, and deliver more innovative and customised products and services. They need to empower their employees to deliver innovation without restriction and focus on value-added roles where human skill sets can make a difference.

#### OPPORTUNITY FOR BLUE PRISM

Businesses need automation that can enable their employees to implement ideas quickly, and integrate new technology, or respond to business demands in a controlled and governable way.

#### BLUE PRISM'S RESPONSE

One of the key pillars of Blue Prism's RPA is that the software needs to be business led – usable by the members of the business – so that they can be empowered to deliver real change and innovation. By using the Digital Workforce to automate processes, these businesses can also allow their people to focus on adding greater value, fully satisfying their roles, and unleashing human potential.

# John Lewis Partnership United Kingdom

The John Lewis Partnership is the UK's largest employee-owned business – and the parent company of two cherished retail brands: John Lewis & Partners, for high-end retail products, and Waitrose & Partners, for premium groceries.

## CUSTOMER NEED

The rise of pure online retailers has added pressure to the industry and, like any large company, John Lewis wanted to optimise operational efficiencies and increase productivity, while addressing unique retailer challenges, which include streamlining work volume peaks and providing competitive pricing to consumers. Instead of burdening staff with the repetitive and lower-value tasks required to meet these challenges, John Lewis looked to Blue Prism's Digital Workforce as a solution.



**OUR SOLUTION**

Currently, there are more than 40 automated business processes running in John Lewis' contact centre, online, merchandising and buying operations, Waitrose's supply chain, group human resources and finance operations. Key processes being transformed include checks for fraudulent orders, price match requests from customers and returned goods.

**CUSTOMER BENEFIT**

John Lewis experienced significant value from their RPA solution during the Black Friday shopping season in 2018. It is important to the company to provide competitive pricing, so they offer price matching. During Black Friday week, five Digital Workers processed nearly 15,000 price matching queries which saved 62 days of equivalent human resources. In addition, ten Digital Workers performed forensic fraud checks on approximately 20,000 orders during the same week, which reduced fraud and saved the company approximately 100 days of equivalent human resource.

**Efficiency****162**

days of equivalent human resource saved during Black Friday week

**“Blue Prism’s connected-RPA has created a safe system of work. This has enabled the RPA delivery team to independently develop, test and deploy automations quickly, safely, securely and reliably, while allowing the business to find answers to their questions and insights quickly, through the self-serve and automated solutions.”**

**Alec Sutherland**

Partner & Automation Technical Lead (RPA), John Lewis Partnership

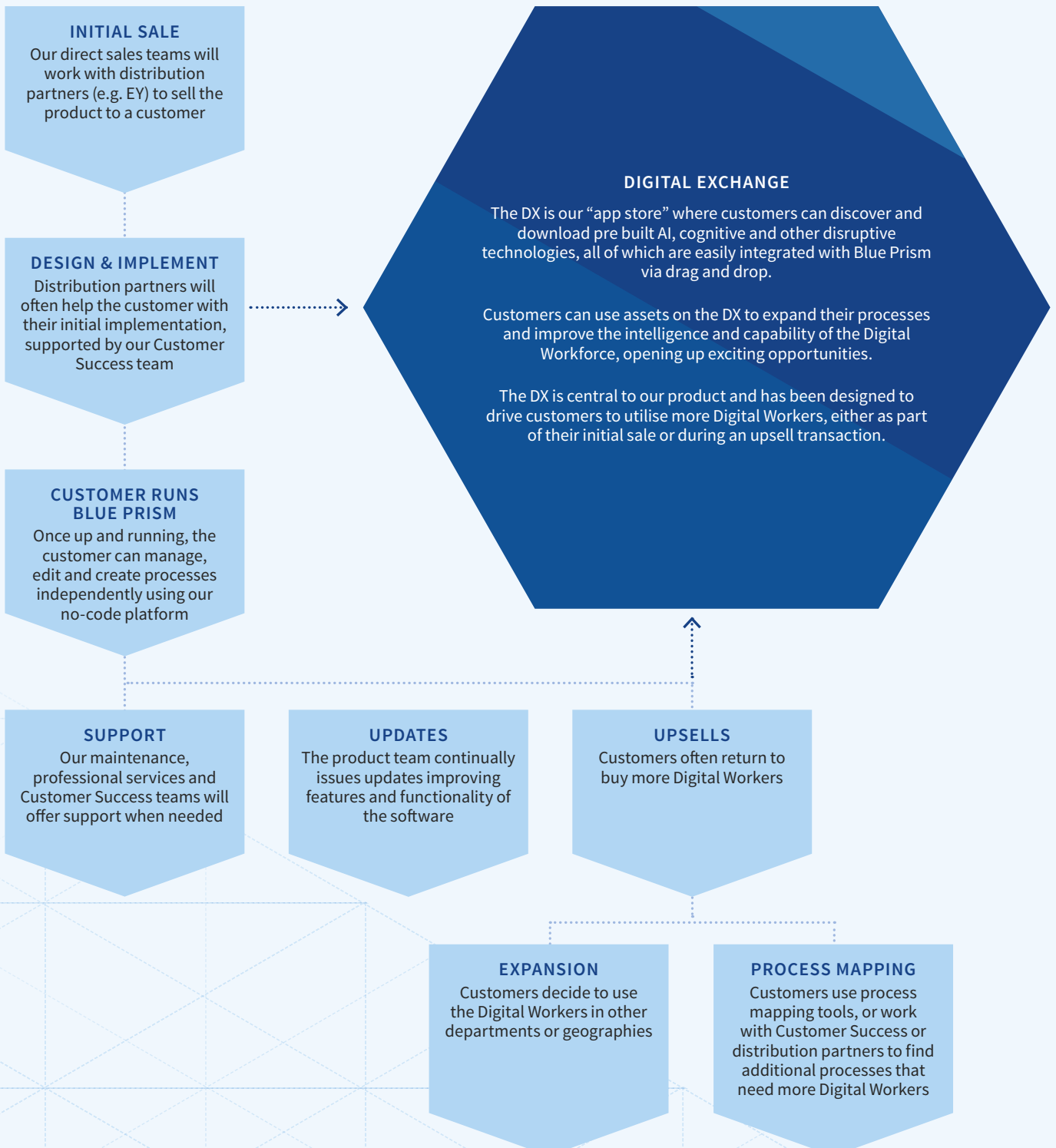




# Business Model

We combine a market-leading RPA software with a dynamic ecosystem of distribution and technology partnerships in order to empower the 21st century organisation.

## WHAT WE DO

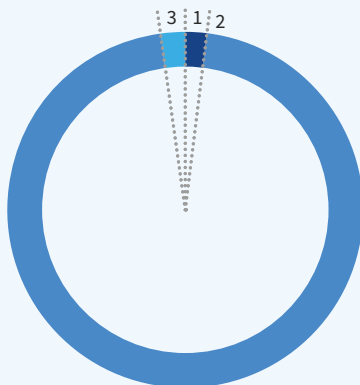




## OUR RESOURCES AND RELATIONSHIPS

- ▶ **People and expertise:** We attract the best talent from across the globe
- ▶ **Market-leading RPA platform:** We provide intelligent automation that is secure, but business led
- ▶ **Technology partnerships:** Deep relationships with leading technology providers such as Microsoft and Google are made accessible via our DX
- ▶ **Strong financials:** Our underlying business model (excluding investments in growth) is inherently cash-generative
- ▶ **Distribution partnerships:** We have a highly aligned distribution partner network that helps to communicate our value proposition

## HOW WE GENERATE REVENUE



- Professional services
- Licences
- Education and other

### Professional services

We provide professional services including advisory and assurance.

### Licence and support and maintenance

We sell software licences for our Digital Workers as well as the rights to future software upgrades, standard maintenance and support. We also sell enhanced support and maintenance which customers can purchase on top of the standard package.

### Education and other

We provide training and education on the optimal deployment of our Digital Workers. Other includes items like sponsorship of our Blue Prism World events.

## CREATING VALUE FOR OUR STAKEHOLDERS

### Employees at financial year ended 31 October 2019

# 1,001

We have just over 1,000 full-time employees globally, largely knowledge workers

### Customers at financial year ended 31 October 2019

# 1,677

We have 1,677 customers who benefit from improved efficiency, customer service and employee satisfaction

### Partners at financial year ended 31 October 2019

# 200+

Our technology partners can use our software as a platform to enable their products, and our distribution partners can earn fees in helping customers with implementation

### Investors

# PRISM.LN

Our investors can invest in a market-leading product in one of the world's fastest growing software marketplaces

### Users at financial year ended 31 October 2019

# 127k users

Skilled users of our products are in demand. We have training programmes in place for universities, and a learning edition available so people can develop the skills to become the drivers of the 21st century workforce

## Our Technology Strategy

A digital backbone for enterprises, Blue Prism is a Digital Workforce platform for intelligent automation with a robust ecosystem that connects organisations with best-in-class technologies.

We have established six core skills that the Digital Workforce needs to deliver true operational agility.



**Knowledge and Insight**



**Visual Perception**



**Learning**



**Planning and Sequencing**



**Problem Solving**



**Collaboration**

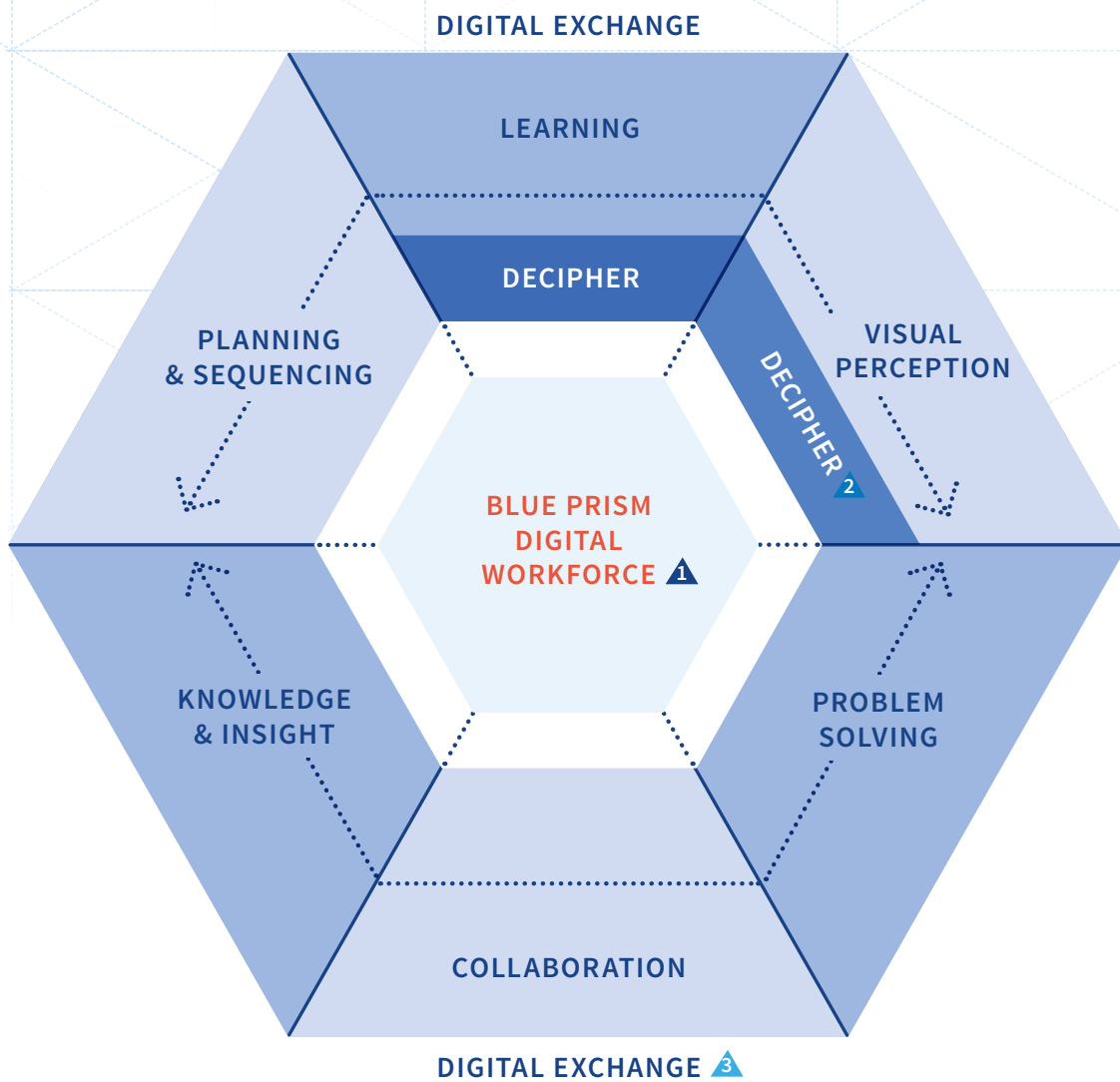
Blue Prism's connected-RPA is a platform providing Digital Workers who form a link between an organisation's legacy infrastructure. Using cognitive technologies can increase the capabilities of the Digital Workers and power the platform further. During 2019, we announced Blue Prism Decipher, which will provide machine learning and vision skills, built into the platform for the first time.

We also recognise that the cognitive sector is exploding, with significant sums being invested in new, innovative technology. Our enterprise customers want access to these developments, and our technology ecosystem, enabled by our DX, means that the Digital Workers can adopt the latest skills into their process flows with ease.

We provide our customers with the power of choice and enable their competitiveness in a rapidly developing digital landscape.



TECHNOLOGY ECOSYSTEMS ENABLED BY THE DIGITAL EXCHANGE



**1**  
The Digital Workforce forms a platform to drive automation.

**2**  
Decipher, which will be available in 2020, builds vision and machine learning skills into the Digital Workforce.

**3**  
The DX provides easy access to our technology ecosystem of vendors like AWS and Google, bringing improved skills to the Digital Workforce.

## H&R Block United States

H&R Block, an American tax preparation company, operates 12,000 retail offices worldwide and files more than 20 million tax returns every year, the majority of which come from the US market.

### CUSTOMER NEED

One of the biggest challenges facing H&R Block is managing work volume during tax season peaks, between January and April. This busy period creates significant demands on H&R Block's resources that include more than 70,000 tax professionals. Resources are continually stretched to maximum capacity when completing tax returns, processing claims and refunding advances. The company needed to find the most efficient way to process large amounts of incoming paperwork and licence renewals, as well as processing and outputting financial data and call centre email responses.



#### OUR SOLUTION

To address the seasonal, operational spikes seen in the tax preparation industry, H&R Block embarked on a process transformation journey in 2017 and selected Blue Prism's flexible connected-RPA to deliver scalability, performance and tangible results. The solution has allowed the company to automate 14 end-to-end processes across finance, back-office and customer service functions. Using Blue Prism's connected-RPA, H&R Block now has a flexible, Digital Workforce operating with "humans in the loop" – ready to pick up the slack when the busy season hits.

#### CUSTOMER BENEFIT

Using the capacity of the Digital Workers, the company can now swiftly reallocate support to the areas of the business that most need assistance, transforming the company's ability to streamline its busy season. This has generated annual labour savings and taken the stress off the company's people. It has also enabled employees to deliver a better customer experience to their end-users because they are able to more easily meet their tax-filing timeframes.

**“The beauty of RPA is we can adjust the Digital Workers on each process as volume fluctuates to make sure that there's enough capacity allocated to each process based on seasonal demands, and that is something that is not possible in the human world.”**

**Asheesh Biyala**

RPA Programme Lead, H&R Block

Call centre

**50%**

reduction in calls to call centre





## Executive Chairman's Statement

We are fundamentally changing the way people work now and in the future, taking the robot out of the human.

### WHY CUSTOMERS USE US

- Our market leading, scalable product
- Our focused enterprise approach: business led, controlled and intelligent
- Our robotic operating model
- Our technology partnerships





## Overview

This has been another year of incredible growth and change. Since Blue Prism's IPO in March 2016 we have gained 1,603 customers worldwide across 70 industrial sectors – and all in a brand-new product category that we invented. These numbers are truly extraordinary.

Our customers are achieving significant returns on their investments in connected-RPA and are increasingly seeing Blue Prism's platform as central to their digital transformation strategies. Testament to this are the many customers who are keen to share their success stories, whether through our Blue Prism Café webinars, our Blue Prism World or Pulse events around the world, or our rapidly-evolving online communities. We continue to work closely with our customers to help them fully realise the benefits of connected-RPA.

During the year we have significantly increased our investments in research and development. This ensures we maintain our innovation leadership in the market, evolving the core platform and expanding the range of complementary technologies available through our DX marketplace and the new opportunities presented by Blue Prism Cloud.

The market continues to grow very strongly and we remain positioned at the forefront continuing to develop technology that retains our strong competitive position as recognised by Gartner, Forrester and other industry commentators.

## The Board

We announced in October some key changes to the Board. I have returned to an operational role as Executive Chairman. Alastair Bathgate continues his crucial role as CEO, with added focus on building relationships with our key customers and partners and promoting the Blue Prism brand. He and I will continue to work jointly to communicate our strategy. Alastair and I have worked closely for many years – before and after the IPO – to build Blue Prism into the successful company it is today, and I look forward to continuing this successful partnership in leading Blue Prism into its next stage of growth. To enable me to devote the necessary time to my new role, and to ensure

due independence is maintained on the Board, we have appointed Chris Batterham as Deputy Chairman. Further detail regarding corporate governance and our respective roles and responsibilities can be found in the Corporate Governance Statement on page 42.

## Our people

We have made significant investments in our people, increasing employee numbers by 532. This has partly been to enable the geographical expansion of our sales and marketing presence, but also due to focused investments in other key areas of the business, such as our customer office to support and enable our customers in their successful deployments, and also our research and development teams to drive our technology leadership.

The Board is supported by a strong and experienced executive team, which has been enhanced during the year by appointments in key roles.

Our people have been crucial to the success of Blue Prism and I would like to thank them on behalf of the Board for all their hard work.

## Outlook

The markets in which we operate are at a point of inflection, as customers realise the early benefits of their investments and accelerate their journey of digital transformation to an unprecedented scale. Never have the set of core product values in which we believe – centred on scale, security, robustness and integrity – been so important.

We acknowledge that we are in an extremely competitive industry and I am very proud that we have been able to maintain our status as a thought leader in RPA, with an extremely loyal and passionate network of customers and partners. In the coming year we will be focused on building on this strong foundation, investing to lead the next stage of development of the market.

**Jason Kingdon**  
Executive Chairman

## Customers since IPO

# 1,603

## New employees in 2019

# 532

## Chief Executive's Statement

We can deliver real, transformational value to our customers, positioning us well for future growth.

**“Every employee of Blue Prism receives share options or awards – they are vested in our long-term performance, and each is a steward of the business.”**

**Alastair Bathgate**  
Chief Executive Officer



## Overview of the year

Blue Prism is in an exciting place. We stand as a highly respected market leader in RPA, a new software category that has every potential to revolutionise the way businesses work today. Our Digital Workforce can power an organisation to drive productivity, significantly improve customer service and unleash their human potential. In time, I see a role for Blue Prism as a cornerstone of the 21st century organisation, which could ultimately be one-third people, one-third systems, and one-third Digital Workers.

2019 has been all about building the organisation that can serve this market and deliver this potential. Using the £100m in funding we raised in January 2019 we have strategically invested in our go-to-market approach, our product and our administrative departments.

While we have been building this organisation the benefits of our previous investments have begun to manifest. We have closed the year with 1,677 customers – an impressive increase on 2018. We also upsold 1,139 times – a testament to the impact of our Digital Workforce and its inherent scalability. We were able to achieve all of this while maintaining very high customer retention metrics.

This commercial progress has driven another year of strong financial growth. Revenues increased by 83% to £101m, and exit monthly run rate revenue ("MRR")<sup>1</sup> – which is the recurring revenue we generated in the last month of the financial year – was £10.6m. This is a particularly important metric, as it demonstrates the real underlying growth driven in the year.

Amongst this very strong organic growth, we also made our first acquisition – Thoughtonomy. Recently rebranded as Blue Prism Cloud, it is a software-as-a-service RPA provider who uses the Blue Prism platform, but hosts in the cloud and has built in some cognitive technologies. It is ideally suited to small and mid-sized businesses and so is an ideal complement to our core enterprise product. It also really informs our cloud approach, which we see as a real opportunity in the future. I'm very excited about this acquisition and the potential it brings.

## Our people and culture

As a business, our mission is to unleash human potential. And key to our potential is our people, who – whether in sales, marketing, product or administrative functions – are vital to seizing the market opportunity we see ahead.

As a result, the majority of our investment across 2019 has been people, and we have grown our employee headcount from 469 at the end of 2018 to just over 1,000. To manage this kind of growth, we have continued to promote our strong cultural framework, which is used extensively in the recruitment process and works as a template for our people in their working lives.

### Our cultural framework:

**Professional.** We strive for excellence in everything we do and apply our expertise to build business benefit

**Robust but respectful.** We challenge assumptions and speak up when something isn't right, building long-term, trusted relationships

**Integrity.** We role model integrity and transparency through straightforward interactions with our clients, partners and colleagues

**Success.** We achieve success through the success of our partners and clients. We celebrate the success of others

**EMpowerment.** We are trusted and empowered to make the right decisions.

Managing a business of this size means that we have to have a great leadership team in place, and we have been continually updating the management team to ensure we have a range of skills and experiences to chaperone the next phase of growth. During the year, we have added a new Chief Sales Officer, Peter O'Neill, and a new Chief Customer Officer, Jon Theuerkauf, both of whom strengthen the team significantly.

Most recently, we announced that Jason Kingdon would be rejoining the business as Executive Chairman, a role he held prior to our IPO in 2016. This is fantastic news for Blue Prism. Jason brings significant experience in commercialising AI and will be integral to helping drive the organisation into its next phase of growth. In his new role, Jason will

take direct responsibility for business operations, including go-to-market functions and products. I remain fully committed to the business and will remain as CEO, with increasing time to focus on my main passion, our customers.

Our employee base sits across multiple geographies, and I and the management team regularly host global updates, along with site visits, to make sure that we keep a coordinated business while empowering local teams to operate in a way that is most appropriate for their markets.

I also passionately believe that people are most engaged when they have a real stake in the business. All of our people participate in some kind of share plan – so that they, as owners, are committed to excellence in a way that furthers the long-term potential of the business and have some buy-in to its future.

## Looking ahead

We are at an exciting point on our journey. The market continues to grow and remains a compelling opportunity. Customers are engaged – we saw 5,000 people attend our Blue Prism World customer forums this year.

The investments we have made into this market are demonstrating results, and we have a significant organisation dedicated to pursuing the future.

We have a clear mission – unleashing human potential – and we increasingly have the organisation to do this. I am more confident than ever that we stand at the beginning of empowering the 21st century organisation.

<sup>1</sup> **Exit monthly run rate revenue:** The amount of recurring software licence revenue recognised in the Group's profit and loss account in the last month of the reporting period, adjusted to reflect the full impact of work won during the month.

## CFO Q&amp;A

Blue Prism has raised £140m in funding for growth initiatives since 2018, with £40m raised in 2018 and £100m raised in 2019. CFO Ijoma Maluza gives some insight into why this money was raised, how it is being used, and the returns we are starting to see.

**Q Why did you raise money? Why not use cash generated by the business?**

**A** The Board will always look to see what decisions they can make that will maximise value. In recent years, we have looked at the latent RPA market, and our position as a market leader, and decided that the time was right to invest more money in growth, to both protect and develop our position.

In both 2018 and 2019, we felt that we should raise funds from the public markets so we could invest ahead of cash generation, as the competitive environment meant that to truly make the most of the market opportunity, we needed to invest today. It has also allowed us to invest while maintaining a strong balance sheet.

**Q What did you spend the money on?**

**A** In 2018 we used the £40m raised to:

- Expand sales and marketing across all of our regions
- Develop and scale our distribution partner network via certification
- Commercialise our technology partner network
- Product development
- Invest in our people, processes and infrastructure

In 2019, we used the £100m raised to build upon the foundations laid in 2018, with investments in:

- Growing sales and partner management globally
- Marketing and lead-generation
- Launching connected-RPA to the market
- R&D and product development
- Establishing a customer success function
- Continuing to invest in our people, processes and infrastructure

**Q How have the investments gone? Are you happy with progress?**

**A** The majority of the investments are in programmes that are designed to offer long-term returns and growth opportunities, however, we are already seeing some very positive results.

We now have over 400 employees in sales and marketing functions. Even though it takes time for a direct salesperson to become effective, they have already contributed to a MRR figure of £10.6m, with £2.3m of that generated within the last six months of the financial year (excluding the MRR contribution from the Thoughtonomy acquisition). This is a clear sign that our investments are beginning to pay off, and we expect the growth in MRR additions to continue as more salespeople become fully effective.

Connected-RPA has been launched successfully, and has helped differentiate Blue Prism and communicate the vital role RPA can play as the platform for enterprise adoption of AI technologies.

We have significantly upgraded our DX so it is easier than ever before to create process flows leveraging our technology partnerships. And, we have also been updating our base platform, with Decipher, a tool that can interpret unstructured data and learn from human feedback, to be available in 2020.

The acquisition of Thoughtonomy – which has provided a cloud based software as a service (SaaS) product, and informed our cloud approach, was also enabled by our funding.

Finally, we have established our customer success function, which looks to help our customer base to implement and scale their Digital Workforces. This is a vital tool in helping customers scale, and one from which we are already seeing positive results.

**Q Who did you raise money from?**

**A** Our fundings were primarily supported by institutional shareholders, and a number of the management team also participated.



**Q** Do you need more money or is that it?

**A** As a public company, the Board is focused on making decisions that maximise value. This involves considering our growth potential, while also remaining conscious of unnecessarily diluting existing shareholder holdings with fundraising rounds.

**Q** You have raised less than the other market leaders. Why is this?

**A** We have tried to build an efficient business from day one. Product engineering has focused on unattended RPA from the start, avoiding any need to repurpose or re-architect a desktop approach, our growth plans have always been focused on areas of maximum return and the commercial model has been designed to maximise cash generation.

Being listed on AIM, we have a duty to use shareholders' money efficiently and effectively, which is something the Board takes seriously.

We, therefore, try to balance the amount of cash we take from the market with the maximum potential return. We are very pleased with the progress we have made to date with our investments in growth and thank our investors for their confidence in Blue Prism and its potential.

▼ **Ijoma Maluza**  
Chief Financial Officer



## Strategy

Our strategy is designed to enhance our position as a market leader in the rapidly growing RPA market. We have three clear strategic goals.

### 1 Win new customers

We have a market-leading product, in a very early market. Our approach is all about delivering scalable RPA capable of driving true business transformation, and we want to win as many customers as possible to our approach.

### 2 Increase business with our existing customers

We have 1,677 customers, the majority of whom are early in their RPA journey. We want to deliver these customers a 21st century organisation and so will work with them to establish new automation opportunities that increase their Digital Worker footprint.

### 3 Renewals

We want lifetime relationships with our customers, with our Digital Workers representing an integral part of a business's operations. In the early market, while deployments remain relatively small, some customer losses are inevitable; however, we aim to minimise these missed opportunities.

During 2019, we have invested heavily in our business in order to further our strategic goals:



#### Win new customers

**REACH:** Our sales organisation is now over 400 people. We have also increased our geographical reach, with four new offices opened in the year.

**MARKETING:** We have employed dedicated field marketers who can target core regions. We also hosted our highly popular Blue Prism World events in London, Orlando and Tokyo, with over 5,000 attendees across all three.

**PRODUCT:** We have made our product much easier to access. We now allow one-year, one-Digital-Worker licences, and a Digital Worker can be downloaded directly from our DX. We have also introduced trial versions, both on-premise and in major cloud vendors, allowing potential customers to explore the product and generating leads for our sales teams.

We also integrated Blue Prism Cloud, formerly Thoughtonomy, into our offering, opening up a new market of customers of any size.



#### Increase business with our existing customers

**REACH:** Increasing our direct salesforce allows a higher touch approach with customers, driving deeper understanding of their specific needs and improved relationships. This helps drive increased demand for Digital Workers.

We have also continued to develop out our customer success function, which works with new and existing customers to manage implementation, advise on how to scale and encourage operational ambitions.

**MARKETING:** We have hosted nine Pulse events, where existing customers talk about their scaling experiences, and offer advice to other customers, covering seven geographies.

**PRODUCT:** We have launched several upgrades to the DX, including private assets and improved drag-and-drop capabilities, making designing complex processes simple for our customers. We have also increased the number of assets available to over 350, with each representing a further opportunity for customers to automate.





## Renewals

**SALES:** The increased resource means increased and more effective targeting of customers, ensuring that renewals are maximised.

Customer success works to encourage full utilisation of the Digital Workforce, but working with customers to find and optimise automation opportunities.

**PRODUCT:** We regularly offer updates to the product, with versions 6.5 and 6.6 launched this year, as well as the addition of significant features, like Blue Prism Decipher. These updates ensure the product remains a market leader and prevents customer dissatisfaction.

The Thoughtonomy platform also provides another option for customers who may have signed up for the full Blue Prism platform, but in reality need an easier product to implement that is externally hosted.

## Thoughtonomy

In July 2019 we acquired Thoughtonomy, a SaaS RPA tool, that broadens our product offering and progresses our cloud-based approaches.

Thoughtonomy, recently rebranded as part of Blue Prism Cloud, uses the Blue Prism platform but provides cloud hosting and various in-built cognitive features, such as natural language processing, image recognition and chatbots. These features make it simple to adopt and so it is ideally situated for smaller customers, from small or mid-tier organisations.

The acquisition has progressed our cloud-based product approach, and the technology and skills we have integrated into the business were essential in launching Blue Prism Cloud and in the launch of multiple, and hybrid, deployment capabilities in November 2019.



## Key Performance Indicators

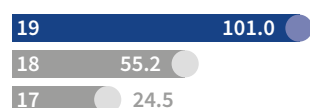
We have a range of financial and non-financial key performance indicators (“KPIs”) to measure business performance, particularly against our strategy.

### ► Financial

#### Revenue

**£101.0m**

+83%



#### Measure

The increase in revenue over the previous financial year.

#### Relevance

As we continue to grow our business and increase our share of a growing market, growth in revenue demonstrates the progress we are making and the health of the market.

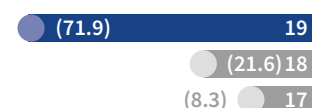
#### Performance

Revenue increased 83% as we grew our customer base and the level of upselling. The adoption of IFRS 15 has also impacted revenue.

#### Adjusted EBITDA

**£(71.9)m**

(233)%



#### Measure

Earnings before interest, tax, depreciation and amortisation in the financial year, adjusted to add back share-based payments and associated taxes.

#### Relevance

Measures the trading position of the business and demonstrates ongoing investments in the future of the business and its growth.

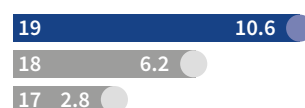
#### Performance

Adjusted EBITDA losses widened as we continued to invest strategically in growth.

#### Exit monthly run rate revenue

**£10.6m**

+71%



#### Measure

The amount of recurring software licence revenue recognised in the Group's profit and loss account in the last month of the reporting period, adjusted to reflect the full impact of work won during the month.

#### Relevance

Indicates the level of licence revenue that the Group would achieve on a monthly basis going forward if there was no new business generated in the future and a 100% renewal rate.

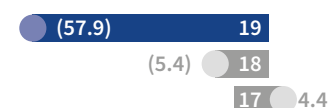
#### Performance

MRR increased significantly and at the end of 2019 was £10.6m.

#### Cash from operations

**£(57.9)m**

(972)%



#### Measure

Cash generated from operations before interest, financing activities or acquisitions.

#### Relevance

Our business model is inherently cash-generative as customers typically pay for their licences a year in advance. This measure is a good indicator of the underlying cash generation of the business. It is also a good indicator of how we are managing our cash cycle.

#### Performance

While the underlying business remains cash generative this was outweighed by investment in future growth.

## ► Non-financial

### America's revenue

# £40.9m

+92%



#### Measure

Revenue from customers in the Americas in the current financial period.

#### Relevance

Measures our performance in the key US and continental America market, which is important strategically and in terms of size.

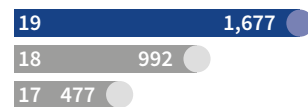
#### Performance

We saw excellent growth across the US as we began to leverage investments in our sales resource and infrastructure.

### Number of customers

# 1,677

+69%



#### Measure

Total number of contracted customers at the close of the financial year ended 31 October 2019.

#### Relevance

A clear indicator of the progress of the business within the market.

Drives existing revenues but also provides a platform for future growth and upsells.

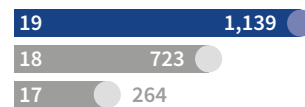
#### Performance

We significantly increased new customers in the year, while retaining 96% of the 992 customers we started the financial year with.

### Upsells

# 1,139

+58%



#### Measure

The number of additional contracts existing customers have entered into during the financial year.

#### Relevance

Measures the strength of customer advocacy, relationships and of Blue Prism's impact on organisations. A key driver of our continued growth and performance.

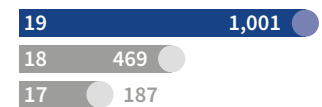
#### Performance

We upsold 1,139 times during 2019, into 544 customers. In particular we saw good early signs from our one-year-one-Digital-Worker contracts, which were launched in the fourth quarter of 2018. 38% of the customers signed up in Q4 2018 have already upsold.

### Number of employees

# 1,001

+113%



#### Measure

Number of employees within the business at the period end.

#### Relevance

As we grow our business to respond to the market opportunity available, we are growing our employee base to make sure we have and are able to attract and retain the right skills and capabilities within the organisation.

#### Performance

We increased our employee base by over 100% as we embraced the global growth opportunity.

## University of Sydney Australia

Founded in 1850, the University of Sydney has over 70,000 enrolled students and is regularly ranked in the top 50 universities worldwide (QS World University Rankings 2020).

### CUSTOMER NEED

The University launched its automation initiative in 2018 with the goal of using automation to improve service levels for staff and students, release staff time back to the business and reduce risks. The University uses automation to reduce the administrative effort of managing manual processes to allow staff to have capacity to respond to more complex inquiries. Automation also enables the University a quick delivery framework for service improvements, giving immediate relief while the larger enterprise-wide transformation projects progress through their life cycle.



**OUR SOLUTION**

The University created an internal business unit to centrally manage the automation programme. To date, over 100 processes University-wide have been automated using Blue Prism's connected-RPA. Automated processes include those that enable students to graduate on time, improve controls such as staff offboarding, enhance responsiveness of inquiries by using automation plus machine learning to triage and respond to helpdesk emails and those that reduce risk, such as assisting in the ordering of hazardous materials for research.

**CUSTOMER BENEFIT**

The University's RPA programme has now been running for just over one year. In the first 18 months, over 500,000 transactions have been processed giving over 20,000 hours back to the business.

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**500,000**

transactions processed over 18 months

**“This is delivering real value across multiple internal processes – optimising service levels and delivering better experiences for both University staff and students.”**

**Wayne Andrews**

Chief Financial Officer, University of Sydney





## Financial Review

2019 has been an excellent year, with our financial performance reflecting the strength of our product offering and the early impact of our investments.

We often mention Adjusted EBITDA. The table below provides a reconciliation between the loss before tax and Adjusted EBITDA.

|                     | 2019<br>£'m   | 2018<br>£'m |
|---------------------|---------------|-------------|
| Loss before tax     | <b>(80.7)</b> | (26.0)      |
| Interest            | <b>(0.7)</b>  | -           |
| Share-based payment | <b>7.2</b>    | 4.0         |
| Amortisation        | <b>1.8</b>    | 0.1         |
| Depreciation        | <b>0.5</b>    | 0.3         |
| Adjusted EBITDA     | <b>(71.9)</b> | (21.6)      |



**IFRS 15**

The Group adopted IFRS 15 “Revenue from contracts with customers” on 1 November 2018. This accounting standard replaced IAS 18 “Revenue”. A table reconciling the impacts of this change in accounting standards is opposite.

In the full year 2018 results released in January 2019, the Group flagged that International Financial Reporting Standards (IFRSs) would impact revenue recognition, EBITDA (via changes to accounting for commissions on sales) and would also create an asset on the balance sheet related to the capitalisation of commissions.

Unless stated otherwise this financial review discusses performance on an IFRS 15 basis.

Prior year comparatives are on an IAS 18 basis and are not restated.

**Revenues**

Recognised revenue for the period increased 83% to £101.0m (FY18: £55.2m).

Group revenue in FY19 is presented in accordance with IFRS 15. Revenue for FY18 has not been restated as IFRS 15 has been implemented using the modified transitional approach with a transition date of 31 October 2018.

Recurring licence revenue, driven by strong sales and upsell activities, accounted for 96% of recognised revenue (FY18: 94%).

Professional services and training revenue decreased slightly to £2.6m (FY18: £3m).

Sponsorship and other revenue, which primarily relates to Blue Prism World events, increased to £1.8m (FY18: £0.5m) primarily due to the increased number and scale of these events during the year, which were hosted across London, Orlando and Tokyo.

The MRR exit run rate is the amount of recurring revenue at the last month of the reporting period. The metric, and its comparator, have been updated to reflect the full month impact of revenues won during the last month of the period so that it accurately reflects the Group’s progress. The MRR recognised as at 31 October 2019 increased by £4.4m to £10.6m (FY18: £6.2m).

Recognised revenues by geography were as detailed in the table opposite.

The acquisition of Thoughtonomy, completed in July 2019, contributed £0.8m in revenue.

The total consideration for the acquisition amounted to £56.6m satisfied by £16.6m in cash and £40.0m in shares in total, of which £4.3m of cash and £26.2m of shares are deferred.

**Reconciliation of IFRS 15 and IAS 18**

|                 | FY19<br>IAS 18 | IFRS 15<br>Impact | FY19<br>IFRS 15 |
|-----------------|----------------|-------------------|-----------------|
| Revenue         | 96.8           | 4.2               | 101.0           |
| Adjusted EBITDA | (92.1)         | 20.2              | (71.9)          |

**Revenue by geography**

|                       | FY 2019 |               | FY 2018 |               |               |
|-----------------------|---------|---------------|---------|---------------|---------------|
|                       | £'m     | % of<br>total | £'m     | % of<br>total | %<br>movement |
| EMEA                  | 47.5    | 47            | 26.8    | 49            | 77            |
| Americas (inc. Latam) | 40.9    | 41            | 21.3    | 39            | 92            |
| APAC                  | 12.6    | 12            | 7.1     | 12            | 77            |
| Total                 | 101.0   | -             | 55.2    | -             | 83            |

**Operating expenses were in the following categories**

| £'m                             | FY19         | FY18        |
|---------------------------------|--------------|-------------|
| General and administrative      | 55.0         | 13.1        |
| Professional services           | 7.1          | 3.5         |
| Sales and marketing             | 105.3        | 64.2        |
| Research & development          | 6.1          | 3.8         |
| <b>Total operating expenses</b> | <b>173.5</b> | <b>81.1</b> |

**Loss from operations**

The Group recorded a loss from operations for the period (including share-based payments) of £81.4m, compared to £26.0m in FY18. The increase primarily related to investment in the Group’s international growth strategy, with significant investments in sales, marketing, product, professional services and underlying business infrastructure as outlined at the time of the equity fundraise in January 2019.

The acquisition of Thoughtonomy contributed £4.2m to the EBITDA loss.

**Cash flow**

Cash and cash equivalents at the period end were £45.5m (31 October 2018: £50.5m). The decrease in cash and cash equivalents relates to the net proceeds from the £100m fundraising in January 2019, underlying cash generation, net of the investments in the Group’s international subsidiaries and growth strategy. In addition the Group invested £28.6m (2018: £nil) in short-term investments.

Cash outflow from use in operations was £(57.5)m. Adjusted EBITDA of £(71.9)m was offset by a £13.8m inflow from movements in working capital. Deferred revenue (excluding the acquisition of Thoughtonomy) has increased by £22.8m in the year.

The outflow was driven by investments in the US, EMEA and APAC regions to scale operations. Investments were primarily driven by headcount combined with a number of investments in infrastructure such as offices. There were also significant one-off investments in new systems required to scale the business sustainably.

**Other comprehensive income**

During the period the translation of the overseas subsidiaries from their local currency into the Group’s reporting currency resulted in an other comprehensive gain of £1.8m (FY18: loss of £(0.7)m).

**Statement of financial position**

Deferred revenue was higher than the prior year at £73.2m (FY18: £47.9m) in line with the growth of the business.

Trade and other receivables increased to £44.3m (FY18: £28.1m). This again was driven by the growth in the business across the year. In addition, costs to obtain contract assets of £28.2m have been recognised in line with the capitalisation of costs of obtaining customer contracts under IFRS 15.

During the period software development costs of £4.6m (FY18: £0.3m) have been capitalised relating to product developments which will give rise to future economic benefits. The product upgrades represented a number of functional upgrades as defined by IFRS 15 as well as some significant product innovations. These costs are being amortised over 18 months.

**Ijoma Maluza**



Chief Financial Officer

**1 Adjusted EBITDA**




Adjusted EBITDA removes the potentially distorting effects of non-operational and non-cash items.

## Principal Risks and Uncertainties

The following principal risks have been updated after completion of our 2019 risk review and management activities. Management notes no material change to the risk environment; however, a number of the risks have been consolidated or clarified for improved disclosure.

| # | Risk  | Description   | Trend  | Mitigation  |
|---|---|---|--|---|
| 1 | <b>Growth strategies and management</b><br>Failure to successfully implement and manage the Group's growth strategies.  | <p>The Group intends to pursue further expansion, either organically or through acquisition, to capitalise on the market opportunities available to the Group.</p> <p>Such growth and expansion may present a number of challenges to the Group, such as:</p> <ul style="list-style-type: none"> <li>• integrating large numbers of people across a wide range of geographies;</li> <li>• dealing with uncertain market, regulatory and/or legal environments;</li> <li>• becoming a multi-product business – offering SaaS (following acquisition of Thoughtonomy) in addition to the on-premise offering;</li> <li>• increased demands on management, support functions, sales and marketing functions and other resources of the Group;</li> <li>• lack of experienced RPA sector sales and marketing workforce due to rapid growth and the significant amount of time required before becoming productive; and</li> <li>• increased operating expenses, resulting lower margins and profitability.</li> </ul>   |    | <p>The Board monitors and manages these growth strategies against market conditions, monthly performance against budgets, and cash available.</p> <p>Our strategic objective to build scalable sales and delivery through developing scalable channels to market as well as processes and structures to support international growth.</p> <p>The Group's strategy is designed to build the organisation and the systems and processes needed to support further growth. There are specific programmes in place and ongoing investments to ensure that these initiatives are successful.</p> |
| 2 | <b>Dependence on channel partners</b><br>Group's results may be negatively affected by an interruption in, or a termination of, its arrangements with its channel partners. | <p>The Group sells a majority of its Digital Workers indirectly through its channel partners. Blue Prism intends to continue using this indirect route to offer its products to the market, and it has established channel partner training and sales academies with the aim of improving the channel partner sales process. However, there can be no guarantee that these channel partners will continue to sell the Group's Digital Workers to their end customers.</p> <p>Some of the Group's channel partners may stop carrying the Group's products for a number of reasons, for example due to developing their own in-house offerings or, in particular, prioritising working with the Group's competitors, including as new companies enter the RPA market. This may lead to a decrease in the Group's business sourced indirectly through channel partners. In addition, the Group has expanded its business into certain jurisdictions, such as APAC, where the channel partner distribution method is not as developed as in other jurisdictions. This may lead to a shortage of partners, in particular those with the necessary experience to work with the Group's products, with which the Group can do business, potentially limiting the extent to which it can grow its business in these jurisdictions.</p> <p>In addition, channel partners serve a key role in educating the Group's clients and potential clients on potential uses for, and implementations of, a Digital Workforce. Any deterioration in the Group's relationship with its channel partners, including if channel partners begin to spend fewer resources in this role, may lead to issues with implementation that may result in customers becoming dissatisfied. Furthermore, there is a risk that one or more of our channel partners could cease operations, due to insolvency for example. Any decrease in this activity may impact the Group's ability to effectively market its products to its end customers.</p> |  | <p>The Group has established a partner certification programme to ensure customers can select a partner suited to their needs.</p> <p>Internal resource is dedicated to partner relationships and education, to ensure the partner network is informed as to the strengths and capabilities of the software, and to assist with sales where necessary.</p> <p>The Group provides a range of benefits to members of its partner programme including sales and marketing support and discounts on licences for resale to end customers.</p>   |

## Trend



-  Increasing
-  No change
-  Decreasing

## ▶ # ▶ Risk

## ▶ Description

## ▶ Trend




## ▶ Mitigation

|  |   |   |  |
|--|---|---|--|
| <p>③ <b>Software reliability and performance</b></p> <p>The Group's software may not perform as expected and/or experience undetected product defects.</p> | <p>The Group's business involves providing customers with reliable software. However, this software is complex and may contain errors or defects that the Group is unable to detect until after deployment or an upgrade, which could adversely affect the performance of the software or lead to a delay in implementation. This may result in the Group failing to meet its customers' performance requirements or otherwise satisfy contract specifications, potentially leading to a decrease in customer satisfaction and, ultimately, customer retention rates. In addition, the detection and subsequent correction of any errors, defects or outages may be costly and time consuming. The Group relies on its reputation as a provider of reliable software, which may be adversely affected by such problems. Any decrease in customer retention or failure to secure new customers due to a deterioration in the Group's reputation may lead to a decrease in revenue which would have a material adverse effect on the Group's reputation, business, prospects, results of operations and financial condition.</p> <p>The Group may also become liable to its customers for damages due to any software defects. The Group endeavours to negotiate limitations on its liability in its customer contracts, however, defects in the software developed and sold by the Group could result in financial liabilities, the loss of a customer, a reduction in business from any particular customer, negative publicity, reduced prospects and/or a distraction to its management team.</p> | <p></p>   | <p>The Group targets significant investment in product R&amp;D, and these investments include performance enhancements, bug fixes and integration of new technologies in the marketplace.</p> <p>Where possible, the Group endeavours to negotiate limitations on its liability in its customer contracts.</p> |
| <p>④ <b>Security breaches</b></p> <p>Security breaches, malware or other "cyber-attacks" or outages could harm the Group by disrupting its systems.</p>    | <p>Any compromise of the Group's systems security could harm its reputation or financial condition and, therefore, its business. Such compromises can result from deliberate attacks or unintentional events and may lead to, amongst other things, third parties gaining unauthorised access to the Group's software for the purpose of misappropriating financial assets, intellectual property or sensitive information, corrupting data, or causing operational disruption. Although the Group employs security measures for its systems, these may not protect against all possible security breaches that could harm the Group's business. There is no guarantee that the Group will be able to prevent such attacks or breaches in the future and, in the case of such an event, there is no guarantee that it will be able to promptly and effectively remedy any damage caused. In particular, the Group's reputation as a reliable and secure software provider is vulnerable to any negative press caused by material IT outages or breaches. Such an event may cause the Group's customers, particularly its enterprise customers, to have less confidence in the Group's products, and may lead them to prefer products offered by competitors.</p> <p>These security risks could also lead to costly litigation, significant financial liabilities and penalties, increased regulatory scrutiny and a loss of confidence in the Group's ability to serve its customers.</p>   | <p></p> | <p>The Group employs security testing measures for the software it deploys and on internal systems. Employees are trained on the risks of phishing and best practice for data security.</p> <p>Where possible the Group endeavours to negotiate limitations on its liability in customer contracts.</p>        |

# Principal Risks and Uncertainties

| # | Risk  | Description   | Trend  | Mitigation   |
|---|---|---|--|--|
| 5 | <p><b>Market and technological changes</b></p> <p>The Group faces competition and technological challenges in a rapidly evolving market.</p>  | <p>The Group faces a significant amount of competition in the rapidly evolving RPA market, from both current and potential competitors, who may have certain advantages over the Group, such as:</p> <ul style="list-style-type: none"> <li>• being incumbent providers at the Group’s prospective customers;</li> <li>• having greater financial resources;</li> <li>• larger marketing budgets;</li> <li>• greater software engineering or other resources than the Group;</li> <li>• greater name recognition in certain jurisdictions;</li> <li>• established relationships as a trusted vendor with particular channel and distribution partners and customers; and</li> <li>• greater customer support resources and larger intellectual property portfolios.</li> </ul> <p>The threat of existing or new competitors seeking to develop software that more successfully competes with the Group’s current software and services, in addition to technological advancements in the AI industry may result in the possibility of technology which may be superior to, or render obsolete or unmarketable, the software which the Group currently offers.</p> <p>There can be no assurance that the Group will be able to compete successfully against current or future competitors or that the competitive pressure the Group faces in the market in which it operates will not materially adversely affect the Group’s business, prospects, results of operations and financial condition.</p> <p>The Group intends to continue developing innovative solutions for its customers but there can be no assurance that the Group will be able successfully to develop new products and expand its business as planned or that these new products will be successful or profitable.</p> |    | <p>The Group continues to invest in R&amp;D and product development with the goal of researching new disruptive technologies and ensuring these are considered in the product roadmap.</p> <p>The Group has a number of technology partnerships, which allow the leverage of other market leading technology alongside or within the Group’s product, and ensuring the product is well linked to emerging technologies.</p> <p>The Group’s Chief Marketing Officer is responsible for ensuring the marketing strategy is robust and competitive.</p> |
| 6 | <p><b>Talent management</b></p> <p>Failure to attract and retain skilled sales, marketing, research and development, other technical employees and senior management personnel could harm the Group’s operations.</p> | <p>As the business grows rapidly this presents a significant challenge in terms of attracting and retaining staff who have the right skills to support the growth of Blue Prism. Competition for sufficiently experienced employees is high, and there is a limited pool of qualified candidates available. Continued growth may cause a significant strain on existing managerial, sales, operational, financial and technical resources.</p> <p>The Group has a small executive team whose skills, knowledge, experience and performance make a large contribution to the success of the Group and failure to retain such individuals could have an adverse effect on customer relations, operations and growth strategies.</p>   |  | <p>The Group aims to attract and retain employees through market competitive remuneration, share options or awards and a positive culture.</p>   |

## Trend

-  Increasing
-  No change
-  Decreasing

| # | Risk   | Description   | Trend  | Mitigation   |
|---|--|---|--|--|
| 7 | <p><b>Brexit</b></p> <p>The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group.</p>  | <p>The process of the United Kingdom's departure from the European Union and the terms of the UK's future relationship with the EU remain uncertain.</p> <p>The Group's head office, product development and many of its business support functions are located in the UK. Regulatory or other new barriers to trade may be implemented that may make it less convenient for the Group's customers and partners to trade with a UK company. Depending on the future regulatory arrangements between the EU and the UK, it may become more difficult for the Group's customers and partners to transfer data to the Group for processing in the UK for product support purposes under the General Data Protection regulation ("GDPR") than it is at present while the UK is automatically deemed to have adequate legal safeguards for the protection of personal data. Many of the Group's contracts with EU customers are governed by English law and subject to the agreed jurisdiction of the English courts, and it may become more complex to enforce such contracts in the future than it is at present should court enforcement be required.</p> <p>The UK represents an important market for the Group's products and services. Financial instability in the UK business environment may result in fewer sales to new and existing customers in the UK market. Many of the Group's sales are under contracts with a duration of three years or more that are priced in currencies other than sterling, including US dollars, euro and Japanese yen. A period of heightened volatility in sterling exchange rates surrounding Brexit may result in significant changes in the Group's revenues or costs when reported in sterling.</p>   |    | <p>Blue Prism's business model does not rely on the physical shipment of goods across borders. There are at present no tariffs on the import of the Group's software to the EU from a non-EU country.</p> <p>The Group has already invested in establishing trading subsidiaries in the EU in France and Germany through which it can trade with EU customers and would have the ability to establish presence in further EU markets should that prove necessary or advantageous. This international investment has already included recruiting staff who are able to provide services locally to the Group's customers in those markets, and additional service staff could be recruited should it prove difficult to serve customers from the UK. Well-established procedures are available under the GDPR to permit the transfer of personal data outside the EU which, although they require certain additional administrative steps, would allow continued transfers of data to be made to the Group in the UK in compliance with GDPR requirements.</p> <p>Subject to certain notice periods, the Group has the ability to vary pricing for future orders under its contractual arrangements with its resellers, which would allow it to mitigate the impact of medium-term exchange rate changes.</p> |
| 8 | <p><b>Intellectual Property</b></p> <p>The Group may be unable to adequately protect its intellectual property and know-how and prevent others from making unauthorised use of its software platform and technology.</p> | <p>The Group has sought and continues to protect its proprietary software, know-how and other intellectual property by the filing of patent applications which have been granted in some jurisdictions and remain pending in others, entering into non-disclosure agreements with employees, independent contractors and third parties in the ordinary course of its business, implementing and maintaining internal and external controls and processes restricting access to the software's underlying source code, and the laws of copyright, trade secrets and confidentiality.</p> <p>It is possible that none of its pending patent applications will result in granted patents or that the Group may be required to narrow the scope of its patent claims compared to those on file currently during the examination process. Any intellectual property, whether or not registered owned and/or used by the Group in the course of its business or in respect of which the Group believes it has rights, may be prejudiced and/or open to challenge by third parties (including where such third parties have or claim to have pre-existing rights in such intellectual property). In any such case, the Group may be prevented from using such intellectual property or it may require the Group to become involved in litigation to protect its intellectual property rights, each of which may have a material adverse effect on the Group's reputation, business, prospects, results of operation and financial condition.</p> <p>Despite precautions which may be taken by the Group to protect its software, unauthorised parties may attempt to copy, or obtain and use, its software and the technology incorporated in them. This risk could increase as the Group enters into new geographical markets, some of which have legal protections that are not as strong as those in the Group's current established principal markets.</p> |  | <p>Loss of intellectual property critical to the Group, its products and its applications preventing the Group from using such intellectual property and potential litigation.</p> <p>This Strategic Report is signed on behalf of the Board</p> <p><b>Alastair Bathgate</b><br/>Chief Executive Officer<br/>23 January 2020</p>   |



## Board of Directors



**Alastair Bathgate (55)**  
Chief Executive Officer  
and Co-Founder

**Appointed to the Board**  
2016

### Experience

Alastair has over 30 years' experience in enterprise software, manufacturing and banking. He co-founded Blue Prism Group in 2001 alongside David Moss, having previously spent eight years in process improvement at Bradford & Bingley Building Society and four years delivering enterprise software solutions to major customers such as Barclays Bank at Lynx Financial Systems.

Alastair has an MBA with distinction from Leeds University Business School.

### Key strengths

- Entrepreneurship
- Business strategy
- Management

### External appointments

None.



**Dr. (Conrad) Jason Kingdon (57)**  
Executive Chairman

**Appointed to the Board**  
2016

### Experience

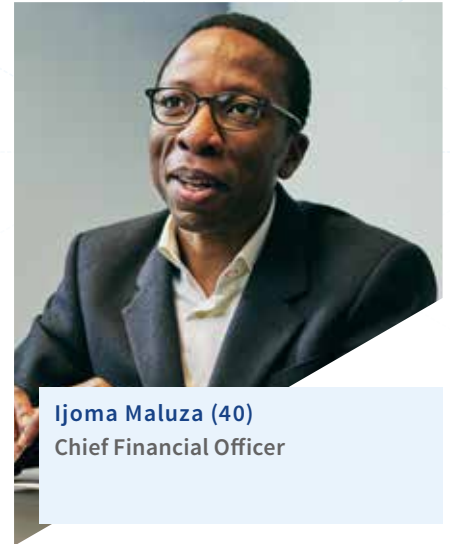
Jason Kingdon has been commercialising AI for over 25 years. He has a PhD from UCL Computer Science, he co-founded UCL's Intelligent Systems Lab in 1992 and pioneered one of the world's first neural-nets for live financial forecasting. He was CEO and co-founder of Searchspace, an inventor of big data analytics, introducing intelligent transaction monitoring to the London Stock Exchange, New York Stock Exchange, Lloyds of London amongst others. After a highly successful exit he set up a private AI research lab being commercialised as Glass.ai. He joined Blue Prism as Executive Chairman in 2008 and later Non-Executive Chairman on the Company's highly successfully London IPO. He's an EY entrepreneur of the year, author and editor of AI books, papers and patents.

### Key strengths

- Technology
- Artificial intelligence
- Data analytics
- Entrepreneurship

### External appointments

Jason is a Non-Executive Director of Glass.ai (Telectica Limited) and of Conception X Limited.



**Ijoma Maluza (40)**  
Chief Financial Officer

**Appointed to the Board**  
2018

### Experience

Ijoma Maluza is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. He has over 10 years of experience in the technology sector and joined Blue Prism from ip.access Limited where he was Chief Financial Officer. Prior to joining ip.access Limited he served as Corporate Strategy and Corporate Development Director of Xchanging plc. Ijoma read Economics at Cambridge University.

### Key strengths

- Finance
- Technology
- Corporate strategy and development
- Investment banking

### External appointments

None.



**Christopher Batterham (64)**  
Non-Executive Director, Deputy  
Chairman and Senior Independent  
Director

**Appointed to the Board**  
2016

#### Experience

Chris qualified as an accountant with Arthur Andersen and has significant experience in senior finance roles across the technology sector. He joined the Board of Blue Prism Group in September 2012 and was previously Financial Officer of Unipalm plc, the first internet company to IPO in the UK, until 2001 and Chief Financial Officer of Searchspace Limited until 2005.

Chris has an MA from Cambridge University and is a Fellow of the Institute of Chartered Accountants in England and Wales.

#### Key strengths

- Finance
- Technology
- Start ups
- Business strategy

#### External appointments

Chris currently serves as Non-Executive Director of NCC Group plc and Nanoco plc.



**Kenneth Lever (66)**  
Non-Executive Director and Chair  
of the Audit Committee

**Appointed to the Board**  
2016

#### Experience

Ken has held senior Executive Director roles at Alfred McAlpine plc, Albright & Wilson plc and Tomkins plc. Ken was Chief Financial Officer of Numonyx in Switzerland from April 2008 to September 2010, and was Chief Executive Officer of Xchanging plc between 2011 and 2015.

#### Key strengths

- Finance
- Leadership and management
- Strategy development
- Strategic financial management

#### External appointments

Ken currently is Group Chairman of Biffa plc and RPS Group plc and a Non-Executive Director of Vertu Motors plc and Gresham House Strategic plc. Ken is also a member of the advisory Board of Alliance Manchester Business School.



**Charmaine Carmichael (49)**  
Non-Executive Director and Chair  
of the Remuneration Committee

**Appointed to the Board**  
2016

#### Experience

Charmaine currently chairs the Remuneration Committee at Blue Prism. She was Global Senior Vice-President at Nokia. Between 2002 and 2008 Charmaine was Managing Director and Vice President, EMEA at Research in Motion (Blackberry). She also led Wayra, the digital accelerator, and was a Non-Executive Director of Wayra UnLtd, a joint venture between the UK Government and Telefónica. She was also a Non-Executive Director of Avanti Communications Plc.

#### Key strengths

- Emerging technologies
- Management
- Global marketing
- Start ups
- Scale up investing

#### External appointments

Charmaine is a partner and Managing Director of BCG Digital Ventures. She is the CEO of Plan B.

Charmaine serves as a Non-Executive Director at GB Group plc and is also the Chairperson of Buzzmove.

## Senior Management



### David Moss

#### Chief Technology Officer and Co-Founder

David is a thought leader and founding technologist in the Robotic Process Automation software sector. David has over 20 years' experience in the enterprise software space and a proven track record of delivering transformational technology products to global blue-chip organisations including Aegon, BNY Mellon, Commerzbank, IBM, ING, Maersk, Nokia, Nordea, Procter & Gamble, Raiffeisen Bank, Siemens, Westpac and Zurich.

### Pat Geary

#### Interim Chief Marketing Officer and Chief Evangelist

Pat has over 35 years of international marketing experience across a range of large multinational and start up software and hardware businesses, including CMO roles at Livestation, the world's first global internet news platform and Searchspace, the world's first enterprise AI software company. Pat's previous experience included international corporate marketing roles at Sequent Computer Corp and DEC. He holds an honours degree in computer science.

### John Warrick

#### General Counsel and Company Secretary

John has 15 years' experience of international corporate and technology law. Having begun his legal career at global law firm Allen & Overy, he has since held a variety of in-house legal roles with General Electric, ADP, and automotive retail software specialist CDK Global. John is admitted as a solicitor in England and Wales and has an MA from Oxford University.

### Linda Dotts

#### Global SVP of Partner Strategy

Linda has significant experience in channel management. Prior to Blue Prism, Linda was Senior Leader of Channels at FICO and Unified Communications at AT&T, Lucent and Avaya. She was also President of Avaya Japan, a highly channel centric division of the company.

Linda has a BS Economics from Arizona State University and an MBA from the University of Hartford.



#### Jon Theuerkauf

##### Chief Customer Officer

Jon has more than 20 years of experience leading global transformation initiatives in the financial services industry. Jon is the former Managing Director of Performance Excellence at BNY Mellon. Prior to this, Jon served as the transformational leader for Auckland Savings Bank, Sberbank, Credit Suisse and HSBC.

Jon holds a Bachelors degree in Psychology from Western Kentucky University and Masters degree in Psychology from University of Kentucky.

#### Peter O'Neill

##### Chief Sales Officer

Peter O'Neill is a recognised sales leader who joined Blue Prism last year to lead the Americas sales team. Prior to joining Blue Prism, Peter served as SVP of Worldwide Sales at Balabit and Global VP of Sales at Corvil Limited. His more than 20 years of executive experience includes building and leading enterprise sales teams. In the new role as CSO, Peter brings continuity and high energy to lead Blue Prism's global sales organisation.

#### Terry Walby

##### Founder and CEO, Thoughtonomy

Terry founded Thoughtonomy, and prior to that spent his career in leadership of technology businesses including IBM, GE Capital, Computacenter and IPsoft.

In July 2019, Blue Prism acquired 100% of the share capital of Thoughtonomy and Terry joined the Blue Prism leadership team.

#### James Mitchell

##### Chief People Officer

James brings over 25 years of experience of transformational leadership of people functions. James' most recent tenure was as HR Director at Rackspace. James previously founded and ran a global performance consultancy focused on working with clients to improve organisational performance through transformation related projects and programmes.

James holds a BA in International Relations alongside postgraduate qualifications in HR.



# Corporate Governance Statement

## ► Board membership and attendance

|                      | Attended/<br>Eligible to attend |
|----------------------|---------------------------------|
| <b>Chair</b>         |                                 |
| Jason Kingdon        | 14/15                           |
| <b>Members</b>       |                                 |
| Alastair Bathgate    | 15/15                           |
| Ijoma Maluza         | 15/15                           |
| Charmaine Carmichael | 11/15                           |
| Chris Batterham      | 14/15                           |
| Ken Lever            | 15/15                           |

## Dear shareholder

I am pleased to report on Blue Prism's governance arrangements during the 2019 financial year. The Board is committed to ensuring standards of governance are proportionate and embedded into the Company's culture.

For the purposes of AIM Rule 26, the recognised corporate governance code that the Board has decided to apply is the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code"). The Board believes the QCA Code provides the most appropriate framework of governance arrangements for the Company, considering the size and stage of development of the Company's business. The following information is provided to explain how the Company complies with the QCA Code, and is laid out according to the QCA Code's ten principles. Where we have deviated from the Code we have stated as such.

**Jason Kingdon**  
Executive Chairman



## PRINCIPLE 1: Establish a strategy and business model which promotes long-term value for shareholders

The Company's business model is designed to promote long-term value for shareholders and all stakeholders. It is explained in detail on pages 12 to 13.

## PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations

The Company actively engages in dialogue with shareholders. The Chief Executive Officer and Chief Financial Officer regularly meet with institutional shareholders and analysts, including after the announcement of full-year and half-year results, and, supported by the Company's Investor Relations function, are responsible for ensuring that their expectations are understood by the Board. The AGM also provides an opportunity for all shareholders to engage and to ask questions of the Board.

## PRINCIPLE 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers the interests of shareholders and all relevant stakeholders in line with section 172 of the Companies Act 2006. The Company focuses on building strong and sustainable relationships with a range of different stakeholders in order to support the long-term success of the Company.

For customers, we host the Blue Prism Community, a global network of Blue Prism users and others with an interest in RPA technology. The Blue Prism Community provides an interactive forum for users to share knowledge and develop their Blue Prism skills, and links in to a regular programme of online and in-person Community events around the world. Customer events include our flagship Blue Prism World event, held this year in London, Orlando and Tokyo. The Blue Prism Community and our regular network of events provide a crucial way for the Company not only to share information with our customers, but also to obtain their feedback and input on the strategic direction of our product development. For our partners, we hold regular dedicated events such as the Partner Forum and Partner Executive Council, at which we share information about our product and solicit feedback and market intelligence.

For employees, we create a motivational and supportive work environment to promote high performance and low turnover. Regular employee engagement events are held through live webinars due to the geographically dispersed nature of the Company's workforce, and the CEO and members of the Executive Leadership Team regularly hold local employee "town hall" meetings when visiting the global offices. All employees share in the creation of long-term shareholder value through participation in the Employee Share Plan.

In the wider community, we operate a range of programmes to support learning, collaboration and innovation in the field of RPA. We believe such educational initiatives are key to enabling societies to respond to the challenge of automation, and to develop the skills needed for the jobs of the future. This year we introduced the Blue Prism Learning Edition and the Blue Prism University, which together provide free-of-charge access to software and online learning materials to enable anyone to learn the skills and certifications they need to develop a rewarding career in RPA. The Blue Prism Academia programme also provides qualifying academic institutions with free access to the Company's software to help develop the intelligent automation skills of the workforce of the future.



#### **PRINCIPLE 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Company is exposed to a number of potential risks which may have a material effect on its reputation, financial or operational performance. The Board has overall responsibility for risk management and internal controls and is fully supported by the Audit Committee. More detail about the identified principal risks and uncertainties can be found on pages 32 to 35.

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The processes to identify and manage the key risks of the Company are an integral part of the internal control environment. Such processes, which are regularly reviewed and improved as necessary, include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, ensuring proper accounting records are maintained, the appointment of senior management and the setting of high standards for health, safety and environmental performance.

The effectiveness of the internal control system and procedures is monitored regularly through a review by management, the results of which are reported to, and considered by, the Audit Committee. The system of internal control comprises those controls established to provide assurance that the assets of the Company are safeguarded against unauthorised use and to ensure the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failing to achieve the business objectives of the Company.

#### **PRINCIPLE 5: Maintain the Board as a well-functioning, balanced team led by the Chair**

The Board consists of an Executive Chairman, two Executive Directors, a Deputy Chairman/Senior Independent Director and two Non-Executive Directors. The biographical details of the Board members can be found on pages 36 to 37.

The Board has determined that Chris Batterham, Charmaine Carmichael and Ken Lever are independent in character and judgement. The Executive Chairman, Jason Kingdon, is not considered to be independent, however the Board considers that his long experience as Chairman of the Board of Blue Prism Limited (which until the IPO was the Parent of the Group of companies) is of benefit to the Board in providing continuity of knowledge and additional industry expertise to the Company. The Company has announced that Dr Jason Kingdon will serve as Executive Chairman and Chris Batterham will be appointed as Deputy Chairman in addition to holding the position of Senior Independent Director. Alastair Bathgate will continue as CEO. The Board meets sufficiently regularly, at least ten times throughout the year. Meetings of the Non-Executive Directors without the Executive Directors being present are held at least annually, both with and without the Executive Chairman.

#### **PRINCIPLE 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Board considers its overall size and current composition to be suitable and to have an appropriate balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities. Composition of the Board will be reviewed at least annually by the Nomination Committee. The Nomination Committee will make recommendations to the Board based on a number of factors including the skills necessary for execution of the Company strategy and the value of diversity.

In order to develop their skills and keep up to date with market developments the Board receive regular training from the Company's Nominated Advisor. All members of the Board have access to the advice and support of the Company Secretary, who is also responsible for facilitating the induction programme for new Directors.

#### **PRINCIPLE 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Nomination Committee is responsible for Board evaluation, and the Committee undertook its first Board evaluation this year. The results have been carefully analysed and communicated to the Board, with an action plan developed & being monitored by the Deputy Chairman/ Senior Independent Director. The results of the Board evaluation process will also be used by the Nomination Committee to inform its approach to succession planning, Board composition and governance.

It is expected that internal or externally facilitated evaluations will be undertaken regularly in future.

#### **PRINCIPLE 8: Promote a corporate culture that is based on ethical values and behaviours**

The Company has defined a set of common values:

- P:** Professional: We strive for excellence in everything we do and apply our expertise to build business benefit
- R:** Robust but respectful: We challenge assumptions and speak up when something isn't right, building long-term, trusted relationships
- I:** Integrity: We role model integrity and transparency through straightforward interactions with our clients, partners and colleagues
- S:** Success: We achieve success through the success of our partners and clients. We celebrate the success of others
- M:** EMpowerment: We are trusted and empowered to make the right decisions

These Blue Prism values are reflected in everything that we do, beginning with the selection criteria used in the employee recruitment process and continuing throughout all elements of the Company's business. The Board ensures that ethical behaviours are expected, and followed, by approving a set of internal policies on matters such as anti-bribery and whistleblowing, and by ensuring that appropriate systems and controls are in place to ensure compliance with those policies. This year we have worked on enhancing the effectiveness of our anti-bribery policy and launching our online "People Book" to ensure policies are easily accessible to all employees.

## Corporate Governance Statement continued

### PRINCIPLE 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Whilst the Board is collectively responsible for defining corporate governance arrangements, the Executive Chairman is ultimately responsible for corporate governance. The governance structures within the Company have been assessed by the Board and are considered appropriate for the size, complexity and risk profile of the Company. This will be reviewed by the Board to ensure governance arrangements continue to be appropriate as the Company changes over time.

There is a formal schedule of matters reserved for the decision of the Board that covers the key areas of the Company's affairs. The schedule includes approval of the Annual Report and any other financial statements, the adoption of the budgets and business plans, material financial commitments, and the release of inside information.

The Executive Chairman, Chief Executive Officer and Deputy Chairman/Senior Independent Director have clearly defined roles and responsibilities.

Further detail regarding the defined roles and responsibilities have been set out in the table below:

| Executive Chairman  | Chief Executive Officer  | Deputy Chairman  |
|---|--|--|
| Direct reporting and leadership responsibility for go-to-market and product functions, as well as corporate and administrative functions.   | Developing strategy for, and overseeing implementation of, strategic programmes.   | Ensuring the Board is effective in holding the Executive Chairman and Executive Directors accountable for delivering the successful execution of the Group's strategy. |
| Jointly with the CEO, communicating Group strategy and performance to all stakeholders, including investors, financial markets, regulators, employees, customers, partners and the media. | Jointly with the Executive Chairman, communicating Group strategy and performance to all stakeholders, including investors, financial markets, regulators, employees, customers, partners and the media. | Providing a sounding board for the Executive Chairman and an intermediary for other Directors and shareholders.  |
| Leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda.  | Fostering beneficial long-term relationships with the Group's customers and partners.  | Ensuring the interests of all stakeholders are adequately reflected in the Board's deliberations.  |

The Board is supported by an Audit Committee, Remuneration Committee and Nomination Committee. Details of Committee composition and copies of their respective terms of reference can be found on our website.

The Board receives support and information from the Executive Leadership Team, which consists of the Group's senior managers.

### PRINCIPLE 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company is committed to open communications with all its shareholders. Communication is primarily through the Company's website and the Annual General Meeting. All shareholders will receive a copy of the Annual Report (electronic or hard copy depending on shareholder preference) and an interim report at the half year is available on the Company's website. Copies of historical Annual Reports and notices of general meetings covering the period since the shares of the Company were admitted to trading on AIM are also available on the Company's website. The Company reports on the responsibilities and activities of each of the Committees in the Annual Report.

# Nomination Committee Report

## ► Membership and attendance

|                      | Attended/<br>Eligible to attend |
|----------------------|---------------------------------|
| <b>Chair</b>         |                                 |
| Jason Kingdon        | 2/2                             |
| <b>Members</b>       |                                 |
| Chris Batterham      | 2/2                             |
| Charmaine Carmichael | 2/2                             |
| Ken Lever            | 2/2                             |

### Key activities

- Leading the search for a new Chairman
- Conducting an internally led Board evaluation
- Recommending role changes for Board members
- Renewing Non-Executive letters of appointment

### Roles and responsibilities

- Undertake a Board evaluation and report on findings to the Board
- Consider, and make recommendations on, the composition of the Board
- Carry out succession planning for the Board and senior management
- Fill Board vacancies when they arise
- Review the time requirement of Non-Executive Directors
- Make recommendations to Board regarding the performance of Directors

## Dear shareholder

This report is prepared jointly by Jason Kingdon, as Chair of the Committee during the year, and by Chris Batterham who, as Senior Independent Director, chaired the Committee for its important work in considering the Chairman succession.

We are pleased to report on the work of the Nomination Committee. The Committee has had a very busy and productive year.

The Committee consists of the three Non-Executive Directors and the Executive Chairman. Jason Kingdon acts as Chair of the Committee. The Company Secretary, John Warrick, acts as Secretary to the Committee.

Biographies for the members of the Committee can be found on pages 36 to 37.

### Responsibilities and Board structure

The Nomination Committee terms of reference are available on the Company's website. These largely follow ICSA's guidance on terms of reference for nomination committees.

The Nomination Committee began the financial year by conducting a search for a successor to Jason as Chairman, following Jason having indicated a desire to step back from his Board role with Blue Prism in order to focus on his other AI projects. This succession process and the search was led by Chris Batterham in his role as Senior Independent Director. Blackwood Group were appointed as executive search agents to assist the Committee.

As the external search progressed during the year, Jason informed the Board that several of his other projects were nearing completion and that he would be available to recommit his time to Blue Prism if appropriate. Taking into account the particular requirements of the current stage of the Group's development and the evolution of its strategy, the Committee recommended to the Board that it was in the Group's interest to ask Jason to assume the role of Executive Chairman. The Committee considered in particular that Jason's deep expertise in the field of AI, combined with his long involvement and familiarity with the operational priorities of the Group's business as Executive Chairman prior to the IPO, meant that he would be uniquely placed to lead the next stage of the Group's development. As announced on 22 October 2019, it was decided that Jason would take on the role of Executive Chairman, with Chris Batterham stepping up to the role of Deputy Chairman in addition to his current role of Senior Independent Director. The executive search agents were therefore stood down. Further detail regarding the respective roles and responsibilities of the Executive Chairman, CEO and Deputy Chairman can be found in the Corporate Governance Statement on page 42.

### Board composition

The Board recognises the importance of a diverse Board and as such the Committee will consider diversity when examining Board composition and when considering new appointments. In all cases the Committee will consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

## Nomination Committee Report continued

### Board evaluation

The Board carried out its first ever Board evaluation during the year. This was internally facilitated and aligned with the ten principles of the Quoted Companies Alliance's Corporate Governance Code, which is the corporate governance code we chose to follow for the purposes of AIM Rule 26.

All members of the Board fully engaged with the Board evaluation and it produced a consistent set of results in terms of both the participants' assessment of the strengths and current state of the Board, and also the priorities for further development. The feedback from the evaluation exercise has been very useful, and a number of actions have been taken or planned as a result of it. In particular, the Board is working with the executive team to develop the approach to reporting to ensure that it keeps pace with the development of the Group's scale of operations. In light of the changes to Board structure during the year, renewed emphasis will also be given in 2020 to longer-term succession planning and the Board has allocated time to ensure this is given due consideration.

I envisage that we will hold an internally facilitated Board evaluation in FY20 but will also consider the merit of an externally facilitated Board evaluation in due course.

The Committee will report further on its progress in next year's Annual Report.

### Jason Kingdon

Chair of the Nomination Committee

and

### Chris Batterham

Acting Chair of the Nomination Committee for the purpose of Chairman succession

# Audit Committee Report

## ► Membership and attendance

|                      | Attended/<br>Eligible to attend |
|----------------------|---------------------------------|
| <b>Chair</b>         |                                 |
| Ken Lever            | 4/4                             |
| <b>Members</b>       |                                 |
| Chris Batterham      | 4/4                             |
| Charmaine Carmichael | 2/4                             |

### Key activities

- Review of the financial statements
- Monitored the effectiveness and independence of BDO
- Agreed the fees and scope of the 2019 audit
- Reviewed the going concern and viability status of the Group
- Reviewed the accounting judgements used in this year's financial statements
- Establishing an internal audit function

### Roles and responsibilities

#### Financial reporting

- Monitor the integrity of the financial statements
- Reviewing and challenging on the application of accounting policies
- Review the narrative of the Annual Report
- Reviews key judgements and estimates used in the presentation of financial statements

#### Internal controls

- Review the effectiveness of the Company's internal financial controls, internal controls and risk management systems
- Review any statements regarding internal controls and risk management to be included in the Annual Report

#### Whistleblowing and fraud

- Review the adequacy and security of the Group's whistleblowing arrangements
- Review the Group's procedure for detecting fraud
- Review the Group's systems and controls for the prevention of bribery and corruption

#### External audit

- Consider and make recommendations to be put to shareholders regarding the appointment, reappointment and removal of the external auditor, as appropriate
- Oversee the selection process for new auditors if an auditor resigns
- Oversee the relationship with the external auditor including terms of engagement, independence and the balance of audit and non-audit work
- Agree the scope of the audit with the external auditor
- Set a policy on the provision of non-audit work by the external auditor

## Dear shareholder

I am pleased to report on the work of the Audit Committee during the 2019 financial year.

The Audit Committee consists of three Non-Executive Directors all of whom are considered independent. The Committee met on four occasions throughout the year. I have acted as Chair of the Committee throughout the financial year. Of the three members serving on the Committee, Chris and I are qualified accountants and have recent and relevant financial experience. Charmaine, having held several senior management positions, has a high level of financial literacy. The Company Secretary, John Warrick, acts as Secretary to this Committee.

Biographies for the members of the Committee can be found on pages 36 to 37.

### Responsibilities

The main responsibilities of the Audit Committee are contained within its terms of reference. The terms of reference largely follow ICSA's guidance on terms of reference for Audit Committees. They have been approved by the Board and are available on our website.

### Audit

Subject to the approval of shareholders, the Audit Committee is responsible for recommending the appointment of the external auditor and setting their remuneration. Our current auditors are BDO LLP and they have held the office of auditor to the Group since 2015. The Committee have reviewed the relationship with the auditor and, having considered its effectiveness and independence, propose that BDO are re-appointed as the Group's auditors at the forthcoming AGM.

The Committee monitors the level of non-audit work the auditors undertake and ensures they do not perform any services that could be perceived as affecting the independence of the auditor. The Committee is satisfied that the level of audit to non-audit work performed by BDO has not affected their independence.

The Committee oversaw a detailed review of revenue recognition policies carried out by management as part of the implementation of IFRS 15. As part of the IFRS 15 implementation assessment management carried out extensive analysis, using both internal and external accounting experts, to identify performance obligations, determine transaction price and allocate the transaction price.

Management identified three performance obligations including the software licence, upgrades and support. Upgrades were deemed a separate performance obligation as they are not considered to be transformative and the software licence has standalone value.

In the absence of directly observable standalone selling prices for each of the performance obligations as is the case with Blue Prism, estimates must be made. Management's judgement is that due to the nature of the product and the relationship between Blue Prism and its customers the upgrade performance obligation accounts for a significant portion of the allocation of the standalone selling price. The allocation between the performance obligations was estimated by looking at margins on each individual obligation and where possible compared against comparable businesses. These were then adjusted where appropriate to better reflect the situational aspects of Blue Prism, where it is as a business in its life cycle, and to take into account specifics of the business as a whole.

The Audit Committee have discussed this position at length and reviewed the position put together by management alongside the



## Audit Committee Report continued

challenges raised by the auditors, and concur the way this is disclosed and reflected in the financial statements best reflects the way in which value is allocated in the separate obligations performed by Blue Prism. The Committee will continue to monitor the application of the Group's revenue accounting policy in 2020 to confirm adherence to the updated Group policy.

The Group is establishing an internal audit function to strengthen our internal control and risk management processes. An initial review and recommendations have been made by internal audit to the Audit Committee. Progress of the internal audit function will be contained in next year's Annual Report.

### **Internal control and risk management**

The Audit Committee regularly receives an update on risk and internal control from executive management. The Committee has assured itself that internal control systems are effective and is satisfied that risks are within the risk appetite of the Group and, where mitigating actions are undertaken, they are proportionate.

### **Acquisition of Thoughtonomy**

Following the completion of this transaction, Thoughtonomy has continued to be responsible for day to day financial operations with oversight from the Group Finance Team.

### **Whistleblowing**

The Audit Committee is responsible for the effectiveness of the Whistleblowing Policy. The Committee will, where appropriate, review the policy and its effectiveness periodically.

Further information on risk management is available on pages 32 to 35.

### **Ken Lever**

Chair of the Audit Committee

# Remuneration Committee Report

## ► Membership and attendance

|                      | Attended/<br>Eligible to attend |
|----------------------|---------------------------------|
| <b>Chair</b>         |                                 |
| Charmaine Carmichael | 3/3                             |
| <b>Members</b>       |                                 |
| Ken Lever            | 3/3                             |
| Chris Batterham      | 2/3                             |

### Key activities

- Set the performance conditions for the 2019 Long Term Incentive Plan
- Approved remuneration packages for senior hires
- Reviewed the effectiveness and appropriateness of existing equity incentive plans for all employees (including Executive Directors)
- Monitored remuneration structures and levels below Board level and considered proposals for bringing key talent into the Group
- Oversaw analysis and preparations for the application of UK gender pay reporting in the Group for 2020

### Roles and responsibilities

- Determining the overall framework and policy for remuneration for Directors and senior managers
- Recommending to the Board any changes to the remuneration policy, or its application, where appropriate
- Determining compensation payments in the case of the termination of an Executive Director
- Agreeing the total remuneration package for each Executive Director, the Company Secretary and other senior managers
- Approving targets for performance-related schemes
- Reviewing the design and application of employee share schemes
- Overseeing major changes to benefit structures across the Group
- Reporting to shareholders on remuneration

## Dear shareholder

I am pleased to present the Remuneration Committee's report for the 2019 financial year.

As outlined in this year's Strategic Report, 2019 has been a year of further significant growth and change in the business and operations of the Group. The Committee has therefore continued to focus its work on the challenges and opportunities presented by that growth, in particular the increase in the scale of the Group's operations.

As an AIM-listed Company, the publication of this report is voluntary. However, we recognise the importance to our investors and the Group's other stakeholders of transparency on pay. Following positive feedback to the introduction of an expanded report in last year's Annual Report, we have therefore decided to continue the approach this year, and this report will be put to an advisory vote at the 2020 AGM as it was at the 2019 AGM. The Committee welcomes all shareholder feedback on remuneration, and I will be available at the AGM to answer any questions that shareholders have on this topic.

### Members of the Committee

The Remuneration Committee consists of three independent Non-Executive Directors. The Company Secretary acts as Secretary to the Committee.

Biographies for the members of the Committee can be found on pages 36 to 37.

Relevant Directors and employees, such as the CEO or Chief People Officer, are invited to meetings where appropriate.

### Responsibilities

The Committee's terms of reference largely follow the best practice guidance issued by ICSA on remuneration committees and are available on the Group's website.

### Performance during 2018/19 and decisions taken during the year

As reflected earlier in this report, the Company performed strongly during the year in terms of sales, revenue, new customers, upsells and renewals.

The salaries of the CEO and CFO were reviewed in the year, and a salary was set for the Executive Chairman, as described in the table overleaf. Executive bonus targets for the year were based on growth in Group revenues. Revenue for the year was £101.0m, an increase of 83% on the previous year. This resulted in annual bonus payments of 106.9% of salary for the CEO and 42.8% of salary for the CFO. Details of bonus targets are set out later in this report.

A Long Term Incentive Plan (LTIP) award of performance shares was made to the CEO and CFO in January 2019. These awards will vest three years from the date of award, subject to the achievement of stretching performance conditions based on Group revenue growth and relative total shareholder return. Details of the 2019 LTIP awards are set out later in this report.

Dr Jason Kingdon was not eligible for a bonus or LTIP award as for the majority of the year he served in a non-executive role.

## Remuneration Committee Report continued

Towards the end of the year, the Committee was required to apply the remuneration policy in setting the terms of Jason Kingdon's appointment as Executive Chairman. This required applying the Group's remuneration policy to the novel circumstances of an Executive Chairman, and to Jason's specific circumstances, being already a substantial shareholder in the Group. Full details of the application of the remuneration policy to the role of Executive Chairman are set out in the policy table below. While Jason was initially appointed with a base salary of £400,000, but without bonus or LTIP participation, following the year end it was agreed with him that his compensation would be rebalanced in alignment with a more typical executive arrangement. This rebalancing resulted in a reduction of base salary to £300,000, with effect from February 2020, alongside the introduction of bonus and LTIP elements consistent with the adopted policy, each of which is described more fully in the table below. The Committee believes that the overall package should ensure strong alignment between Executive Chairman pay and long-term value creation for all shareholders.

In addition to the appointment of the Executive Chairman, there have been a number of other changes to the executive management of the Group immediately below Board level during the year. There have also been several key appointments made to strengthen management at all levels of the Group and to support the global expansion of the Group's business. An important part of the Committee's work this year has therefore been to advise and support the CEO and Executive Chairman in applying the remuneration policy and ensuring appropriate and effective remuneration structures are adopted across the wider executive management of the Group.

Finally, in order to ensure the best balance between short-term and long-term incentives, and optimal deployment of the Group's cash reserves, the Committee has decided to adopt a policy on deferral of annual bonuses into shares in appropriate circumstances. The intention is to apply deferral to any executive bonus that would otherwise exceed 100% of base salary, but deferral may also be adopted in other appropriate cases. Both the CEO's and Executive Chairman's bonus earned in respect of the 2019/20 financial year will be payable entirely in shares, deferred for a year.

### Shareholder consultation and AGM voting

Although there have been no major changes to remuneration policy in the year, the Committee has maintained a dialogue with major shareholders around remuneration matters, in particular the setting of LTIP performance conditions.

We noted that the proxy voting results at the 2019 AGM included a vote of 89.06% in favour and 10.94% against the advisory resolution on last year's Remuneration Report. From our discussions with major shareholders, we understand that in many cases this voting decision was made based on the recommendation of one of the proxy advisory services, which in turn made its recommendation specifically due to the report noting the awards of market value share options without other performance conditions attached that had been made in the 2017/18 financial year. Whilst last year's report did note that the Group's policy had already been changed to exclude the making of any further such awards, we understand that some shareholders wished to express an opinion on the historical awards. We are pleased to confirm that no such awards were made to Executive Directors in 2018/19 and it is not the Group's policy to do so in future.

### Employee share incentives

The Group has always had a policy of using share-based incentives widely across all levels of employees. In the Committee's view this has been not only an important element of the Group's employer proposition, as it seeks to recruit and retain the breadth and depth of talent required to deliver the Board's ambitions for the growth of the business in a highly competitive environment, but also a crucial motivational incentive to reinforce the sense of common purpose among the Group's worldwide employees.

Following consultation with major shareholders, the Committee approved significant changes to the Group's employee share incentive policies at the start of 2019. While continuing to work within the Group's long-term commitments on dilution, the Committee reconfirmed its support for the Group's approach of making share awards to all employees, but the structure of awards was changed in favour of making smaller, but more frequent awards, and to ensure that awards to all senior managers of the Group (not just the level immediately below the Board) contained a substantial element that is conditional on the Group's long-term financial performance.

The feedback the Committee receives from the Group's employees via the executive management continues to be that the Group's approach to share-based incentives is valued by employees and that they find it to be an attractive and motivational reward. I am also pleased to note that levels of take-up of the Group's two employee share purchase plans has continued to be high, with 55% of eligible UK employees saving regularly into the UK SIP and 57% of eligible US employees saving regularly into the US ESPP as of 31 October 2019.

I hope that you find the report helpful and informative and I look forward to receiving feedback from our investors on the information presented.

### Charmaine Carmichael

Chair of the Remuneration Committee

## Remuneration policy

The aim of the Group's remuneration policy for its Executive Directors is to ensure overall remuneration is set at a level that allows the Group to recruit and retain the talent required to deliver on the Board's strategy for the global growth of the Group's business. The Committee is responsible for ensuring that the policy is applied in such a way as to ensure that remuneration is set at a level no higher than is necessary to achieve that aim, and that overall pay is linked closely to performance.

The Committee believes that remuneration policy should be reflective of the high-growth nature of the Group's business. As such, the general strategy aims to set Executive Director remuneration at or below the median of comparable companies for base salary and benefits, but to place greater emphasis on annual bonus and in particular on long-term incentives that ensure pay is linked to performance and that align executive remuneration directly with long-term value creation for shareholders.

The Committee engaged the services of remuneration consultancy h2glenfern during the year. Advice provided by h2glenfern included conducting an update to the benchmarking of overall Executive Director remuneration, as well as advice on structuring remuneration for individual key hires below Board level.

The policy on each element of remuneration is described in more detail below.

| Policy   | Operation in 2019/20   |
|--|--|
| <b>Base salary</b>   |  |
| <ul style="list-style-type: none"> <li>Base salary should be set at a level that is sufficiently competitive to allow the Group to recruit and retain the necessary talent, but also to act as a point of reference for remuneration of other executives and management in the Group.</li> <li>The Committee aims to set base salary at a level that it considers to be at or below the median level for comparable roles.</li> </ul>  | <ul style="list-style-type: none"> <li>Jason Kingdon was appointed as Executive Chairman in October 2019 with a base salary of £400,000. As part of a rebalancing of Executive Chairman remuneration, this will be reduced to £300,000 with effect from February 2020.</li> <li>The salaries of the CEO and CFO were reviewed, and benchmarking data taken into account. In light of the non-typical nature of the CEO role with the appointment of an Executive Chairman, no change was made to the CEO's salary. The CFO's salary was increased to £247,500, (an increase of 12.5%), remaining consistent with the policy after taking account of benchmarking data for comparable roles.</li> </ul>   |
| <b>Pension and benefits</b>  |  |
| <ul style="list-style-type: none"> <li>The Executive Directors receive a range of other customary benefits in addition to base salary, including life assurance, pension contributions, and provision of a car or car allowance.</li> <li>These benefits are in line with those provided to other managers in the Group and are intended to ensure that the Group's overall employment proposition remains competitive.</li> </ul>   | <ul style="list-style-type: none"> <li>Private medical insurance has been added to the benefits programme for all UK employees, including the Executive Directors.</li> <li>The Group matches employee and Director pension contributions up to 5% of base salary. This is consistent with the contributions offered to the majority of the Group's wider UK workforce.</li> </ul>   |
| <b>Annual bonus</b>  |  |
| <ul style="list-style-type: none"> <li>An annual bonus is intended to provide a focused incentive tied to achievement of the Group's annual financial targets.</li> <li>Where a financial target is used, over-achievement against the target is possible, subject always to a maximum cap.</li> <li>No payment will be made under the bonus if revenues are at or below a minimum collar level. Achievement between the target and the collar will result in a downwards adjustment of the bonus on a straight-line basis.</li> <li>Annual bonuses are normally paid in cash following completion of the audit and are subject to customary claw-back provisions.</li> <li>With effect from bonuses set for 2019/20 onwards, where any bonus would exceed 100% of base salary, the Group will normally consider requiring the excess to be paid in shares and subject to a deferral period of at least one year. The facility to use payment in deferred shares may also be adopted in individual cases by agreement with the executive, or where otherwise appropriate.</li> </ul> | <ul style="list-style-type: none"> <li>For 2019/20 the majority (85%) of the annual bonus target will continue to be based on the achievement of a stretching internal target for growth in Group revenues. The target is not being disclosed in advance due to commercial sensitivity.</li> <li>For this year, the Committee has also introduced an element (15%) of the bonus to be targeted on achievement of individual objectives set for each of the Executive Directors, which are linked to specific organisational change and effectiveness outcomes.</li> <li>For each of the Executive Chairman, CEO and CFO the target bonus will be 50% of base salary, with maximum bonus potential being capped at 100%. In the case of the CEO this represents a reduction in both target and maximum potential compared to 2018/19 and aligns his bonus arrangements with those of the other Executive Directors.</li> <li>For both the Executive Chairman and the CEO, the full amount of any bonus payable will be paid shares, deferred for one year.</li> </ul> |

## Remuneration Committee Report continued

### Policy

### Operation in 2019/20

#### Long-Term Incentive Plan

- The LTIP should incentivise and align the Executive Directors with the long-term interests of shareholders in promoting the success of the Group.
- The design of the LTIP should also align with the Group's policy of using a wide distribution of equity incentives among all staff, and the level and structure of awards should sit consistently in that context.
- LTIPs for the Executive Directors are based on performance shares, which are contingent share awards that normally vest after three years, subject to the achievement of stretching performance conditions.
- The Group also operates a share incentive plan ("SIP") for all UK employees under which small awards of shares are made annually. There are no performance conditions to the vesting of SIP awards, but they are subject to a vesting period of three years and to the statutory cap (currently £3,600 per employee). SIP rules require shares to be offered to all eligible UK employees on the same basis. LTIP awards made to the Executive Directors are reduced to the extent they receive SIP awards as qualifying UK employees.
- For 2019/20 the Group will continue the previous year's policy of setting LTIP performance conditions as to two-thirds based on stretching three-year recognised revenue growth rate targets, and one-third based on relative total shareholder return ("TSR") against a specified peer group over three years.
- The revenue target is not being disclosed in advance due to commercial sensitivity. A threshold level is set below which there will be no vesting.
- The peer group for the TSR target is unchanged from last year and comprises the following companies from the software and technology sectors of the LSE main market and AIM: Accesso, Aptitude Software Group, Avast, Aveva, Computacenter, Craneware, EMIS, First Derivatives, GB Group, Kainos, IMI mobile, Iomart, Learning Technologies, Micro Focus, NCC Group, Sage, SDL and Softcat. Median performance will result in threshold 25% vesting and full vesting will require top quartile performance.
- For 2019/20, the Committee expect to approve LTIP awards of 200% of base salary to the Executive Chairman and CEO, and of 150% of base salary to the CFO. In the case of the CEO and CFO, this is unchanged from 2018/19. In the case of the Executive Chairman it is a first LTIP award.



## Annual Report on Remuneration

### Service contracts and letters of appointment

The Executive Directors have signed service contracts that are not fixed in duration and may be terminated by either party with 12 months' notice or less. The terms of employment and service contracts of the Executive Directors are determined by the Committee.

Each Non-Executive Director's letter of appointment was extended in February 2019 for a term of one year and may be terminated by either party on one month's notice. The remuneration of the Non-Executive Directors is determined by the Board.

No Director is involved in the decision-making process for his or her own remuneration.

### Remuneration of Directors for the year ending 31 October 2019

| Director             | Salary/Fees     | Bonus           | Pension        | Other benefits | Total for 2019  | Total for 2018  |
|----------------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|
| Jason Kingdon        | £65,615         | -               | -              | -              | £65,615         | £55,000         |
| Alastair Bathgate    | £199,200        | £213,830        | £5,943         | £9,383         | £428,356        | £375,462        |
| Ijoma Maluza         | £214,583        | £94,085         | £10,479        | £9,829         | £328,976        | £253,116        |
| Chris Batterham      | £53,591         | -               | -              | -              | £53,591         | £50,000         |
| Charmaine Carmichael | £53,437         | -               | -              | -              | £53,437         | £50,000         |
| Ken Lever            | £53,437         | -               | -              | -              | £53,437         | £50,000         |
| <b>Total</b>         | <b>£639,863</b> | <b>£307,915</b> | <b>£16,422</b> | <b>£19,212</b> | <b>£983,412</b> | <b>£833,578</b> |

### Salaries

There was no change to the CEO's salary of £200,000 during the year. The base salary of the CFO was increased to £220,000 at the start of the year, following the benchmarking exercise that was reported on in 2018's report.

Jason Kingdon was appointed as Executive Chairman in October 2019 with a base salary of £400,000. After year end this was reduced as described in the policy table above.

The fees for each of the Non-Executive Directors were increased by £5,000 to £55,000 in February 2019. These fees include allowances in respect of chairing the Audit and Remuneration Committees, in the case of Ken Lever and Charmaine Carmichael respectively, and in respect of acting as Senior Independent Director in the case of Chris Batterham.

The fees payable to Chris Batterham were increased to £60,000 upon his appointment as Deputy Chairman in October 2019 to take account of the increased responsibilities and time commitment associated with that role.

### Bonuses 2018/19

Executive bonuses for 2018/19 were based solely on recognised revenue goals. The threshold target, at which a bonus of approximately 78% of individuals' on-target bonus amounts would be paid, was £92.1m and a further target of £118.1m, at which on-target amounts would be paid. This resulted in annual bonus payments of 106.9% of salary for the CEO and 42.8% of salary for the CFO.

The Executive Directors' bonuses were due for payment in January 2020.

Jason Kingdon was not entitled to receive a bonus for the year, for the majority of which he served in a non-executive capacity.

## Remuneration Committee Report continued

### Share incentives

Under the umbrella employee share plan adopted by the Group at its IPO in March 2016, various types of share or option awards are possible, including market value share options, nil-cost options and contingent share awards.

An award of performance shares was made to the senior management of the Group in January 2019, including Alastair Bathgate and Ijoma Maluza. Performance shares are contingent share awards, the vesting of which is linked to achievement of one or more performance conditions. The conditions include a revenue performance target and a total shareholder return performance target.

Alastair Bathgate and Ijoma Maluza also each received a small award under the Group's all-employee SIP. SIP rules require shares to be offered to all eligible UK employees on the same terms, and in February 2019 an award of 1.7% of salary was made to all eligible UK employees. This resulted in an award of 278 shares to Alastair Bathgate and 305 shares to Ijoma Maluza. The awards of performance shares that would otherwise have been made to them under the LTIP were reduced by a corresponding amount. Due to SIP requirements for equal terms, unlike the performance shares the SIP awards were not subject to performance conditions, but they were subject to a three year vesting period.

The total share awards and share options held by the Executive Directors at 31 October 2019 were as follows:

| Director          | Type of award                         | Number  | Date of award    | Vesting date     | Lapse date       | Exercise price |
|-------------------|---------------------------------------|---------|------------------|------------------|------------------|----------------|
| Alastair Bathgate | Market value share option             | 497,436 | 18 March 2016    | 18 March 2019    | 18 March 2026    | £0.78          |
|                   | Market value share option             | 6,418   | 28 February 2018 | 28 February 2021 | 28 February 2028 | £15.58         |
|                   | Performance shares (contingent award) | 33,027  | 31 January 2019  | 31 January 2022  | 31 January 2032  | Nil            |
|                   | SIP                                   | 278     | 31 January 2019  | 31 January 2022  | 31 January 2032  | Nil            |
| Ijoma Maluza      | Market value share option             | 41,284  | 31 January 2018  | 31 January 2021  | 31 January 2028  | £13.60         |
|                   | Performance shares (contingent award) | 27,177  | 31 January 2019  | 31 January 2022  | 31 January 2032  | Nil            |
|                   | SIP                                   | 305     | 31 January 2019  | 31 January 2022  | 31 January 2032  | Nil            |
| Jason Kingdon     | No award made                         |         |                  |                  |                  |                |

### Directors' interests in shares

The interests held as at 31 October 2019 by each Director who served during the financial year were as follows:

| Director             | Shares beneficially owned | Unvested share options | Performance shares/SIP | Total     |
|----------------------|---------------------------|------------------------|------------------------|-----------|
| Jason Kingdon        | 5,729,822                 | -                      | -                      | 5,729,822 |
| Alastair Bathgate    | 4,675,951                 | 503,854                | 33,305                 | 5,213,110 |
| Ijoma Maluza         | 1,088                     | 41,284                 | 27,482                 | 69,854    |
| Chris Batterham      | 224,000                   | -                      | -                      | 224,000   |
| Charmaine Carmichael | 361,262                   | -                      | -                      | 361,262   |
| Ken Lever            | 42,737                    | -                      | -                      | 42,737    |

## Directors' Report

The following information is provided in the Strategic Report (on pages 1 to 35) and is incorporated into the Directors' Report by way of reference:

- Likely future developments in the business
- Research & development activities
- Business developments
- Details of branches outside the UK
- Details of any important post-year events

Information on financial risks and uncertainties is contained within the risk report on pages 32 to 35.

### Directors and their interests

The following individuals served as Directors within the 2019 financial year:

Jason Kingdon  
Alastair Bathgate  
Ijoma Maluza  
Charmaine Carmichael  
Ken Lever  
Chris Batterham

The rules concerning the powers, appointment and removal of a Director are contained in the Articles of Association which are available on our website ([www.blueprism.com](http://www.blueprism.com)).

Directors' interests and shareholdings are contained within the Remuneration Report on pages 47 to 52. No changes took place between 31 October 2019 and the date of this report.

### Dividends

No dividends have been recommended by Directors or paid to shareholders in this financial year.

### Disclosure to external auditor

In accordance with section 418 of the Companies Act 2006, the Directors of the Company confirm that the external auditor have been provided with all relevant information within the Directors' knowledge. The Directors have taken all reasonable steps to ascertain relevant information and ensure the auditors were made aware of such information.

### Directors' indemnities

The Group maintains appropriate Directors' and Officers' insurance and has done so throughout the financial year. This policy is still in place as at the date of this report.

On 3 October 2019 the Company made qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) covering Directors of the Company. These provisions remain in force at the time of this report. In accordance with the Companies Act 2006, the deeds of indemnity are available for inspection.

### Political donations

No political donations have been made during the 2019 financial year (2018: nil).

### Employees

The Company operates an equal opportunities policy which includes those who are classed as disabled. Individuals who identify as disabled are given equal opportunities with other employees in relation to training, development and promotion.

Further detail on how we communicate with our employees is provided in the Corporate Governance Statement on pages 40 to 42.

### Share capital

As at 31 October 2019 Blue Prism had 81,016,206 Ordinary Shares (£0.01) in issue listed on AIM. These shares hold the right to vote at a general meeting. The closing market price on the 31 October 2019 was 822.50p (2018: 1734p).

### Shares to be issued

The Company is required to issue shares in subsequent years as part of Thoughtonomy representing £26.2m of deferred consideration. Further details of shares to be issued are provided in notes 18 and 19 of the financial statements.

The Company also has 105,269,845 of deferred shares that do not have any voting rights. There are no specific restrictions on the transfer of shares. The Articles of Association for the Company can be accessed on the website at [www.blueprism.com](http://www.blueprism.com).

The Company has not purchased any of its own shares during the year.

Details of the number of share options held under the employee scheme is available in note 19 to the financial statements.

An updated version of our major shareholders table is available on our website ([www.blueprism.com](http://www.blueprism.com)).

By order of the Board

### John Warrick

Company Secretary  
23 January 2020

## Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and 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 Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 the financial statements comply with the requirements of 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.

### Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Independent Auditor's Report

## Opinion

We have audited the financial statements of Blue Prism Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 October 2019 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the Company statement of financial position, the Company statement of cash flows, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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. We are independent of the Group and the Parent 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 as applied to listed entities, 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 Group's or the Parent 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition

**Key audit matter** International Standards on Auditing (UK) (ISAs (UK)) note that there is a presumed significant audit risk arising from inappropriate or incorrect recognition of revenue unless conditions exist that permit the rebuttal of that risk.

Due to the different elements of the contracts entered into by the Group and the length of those contracts also varying, the key risk of material misstatement arises both from the recognition of revenue around the year end (cut-off) and the revenue recognition policy itself, as detailed within note 1 of these financial statements, ensuring it is in line with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Cut-off risk arises around the correct apportionment of revenue to the correct accounting period and subsequent amount deferred at the year end.

This is the first year of IFRS 15 adoption for the Group, and there is a risk that the new standard may not be applied correctly, as significant judgement is involved in applying the standard to contracts entered into, specifically over the identification and fair valuing of performance obligations. As highlighted in note 1 to the financial statements, the Group has adopted IFRS 15 under the modified retrospective method as such the comparative information is disclosed under IAS 18. The impact of the adoption of IFRS 15 resulted in defining three performance obligations, one of which (licences) has a point in time recognition criteria on delivery of a licence key with no further obligations for the licence element after this. The remaining two obligations, upgrades and maintenance, are deferred over the period as both of these performance obligations lead to an "over time" delivery. The other impact is that costs to obtain a contract asset are capitalised as opposed to being expensed on commencing a customer relationship, and these are now amortised over that contract period.



# Independent Auditor's Report continued

## Revenue recognition

### How the key audit matter was addressed by our audit scope

Our procedures included reviewing the Group's adopted revenue recognition policy in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers. We both discussed with and challenged management on the assumptions and estimates taken in their transition paper. We compared the policy adopted to IFRS 15, and audited models prepared by management calculating the allocation of contractual value against the different performance obligations, including benchmarking margins used in the calculation, through the above, we have challenged management on significant judgement and estimates used in assessing whether performance obligations are distinct, forming their qualitative allocation of the contract value across performance obligations and ensuring disclosures of these policies and judgements are complete and accurate in these financial statements. We have sample tested the application of this policy throughout the revenue population. The impact of IFRS 15 was considerable. The quantitative impact of transition to the current year was to recognise a movement of £12.2m to increase opening reserves, which is driven from a decrease of £4.4m to prior year revenues, and a decrease to prior year costs of £16.6m, both based on the adoption described above.

We have audited on a sample basis the overlay used to record the IFRS 15 adjustments in the financial systems, and have ensured that the treatment seen is in line with both the new accounting policy for revenue and also in compliance with IFRS 15.

Furthermore, we have performed specific substantive testing over each revenue stream, including the following:

- Generating expectations of contract revenue recognised during the period based upon both ongoing contracts entered into in the prior period and contracts entered into during the current period, taking into consideration the revenue days applicable to the financial year. Inputs into this calculation have been tested substantively including selecting a sample of items and tracing to source documentation such as customer contracts. We have also traced from the source listing of revenue generating items back into the population used to generate expectations to ensure completeness. For those contracts spanning over the year end, a sample of the balances deferred were recalculated.
- Critically reviewing the existence and accuracy of deferred revenue balances shown in the statement of financial position at year end to ensure no material misstatements were identified by vouching a sample of deferred revenue calculation inputs to supporting documentation.

### Key observations

As a result of the audit work carried out over revenue, we have not identified any material misstatements either individually or in aggregate.

## Commissions payable

### Key audit matter

Blue Prism Group provide commission to sales personnel who are involved in sales contracts with new and existing customers to the business. Commission payments are made for new wins or for upsells or renewals. This commission is accrued from the point at which a contract is signed, and is paid upon receipt of the cash from the first invoice raised against the contract as detailed in the policy for commissions within note 1 of the financial statements (costs of obtaining contract assets).

Each sale will earn commission for a number of sales people who were involved in its origination, and each sales person will have an agreed rate of commission earned for each deal, which may differ throughout the year from customer to customer depending on the significance of the contract. An additional consideration is the proportion of the contract value to which the commission rate is applied. This can range from the total contract value to half of the total contract value.

The commission calculation is therefore complex, given the number of contracts that one employee may work on, the number of different rates that can be agreed, and the agreed proportion of total contract value to which these are applied over.

There is therefore a risk of misstatement of the year end accrual for commissions payable and the cost to obtain a contract asset balance at the year end.

### How the key audit matter was addressed by our audit scope

The focus of the audit for the completeness of commissions payable at year end and expense for the year included confirmations from a sample of sales employees with regards to the amount they earned in commission during the year from the contracts that they were involved with and the amount they had actually received in commission payments during the year against the total payable. This provided audit evidence over both the income and the contract asset balance for the year, and the amounts outstanding at the year end included in the commissions accrual.

Furthermore, given the inputs feeding into this calculation are factual, we have performed the following specific substantive testing to further support the overall confirmations:

- Sampled the sales workforce substantively, looking at the breakdown of commissions earned for the sample, and agreed the rates applied to signed commission statements agreed as part of the rate setting exercise for a sales person's performance for the year.
- For the sample identified, we agreed the total contract values of the sales.
- Compared payments made in the year against the brought forward position and commissions earned to recalculate the closing position.
- Recalculated the amortisation of the cost to obtain contract assets during the year.

### Key observations

As a result of our work around commissions, we have not identified any instances of material misstatement, either individually or in aggregate.

**Acquisition accounting****Key audit matter**

During the current year Blue Prism Group have for the first time acquired a group, Thoughtonomy.

There is significant judgement involved in the fair value adjustments to the acquisition balance sheet, and the allocation of the purchase price to the separately identifiable intangible assets.

There is also a risk that the acquisition balance sheet is materially misstated due to the incorrect cut-off of transactions at the acquisition date.

In addition there is a risk around the disclosures relating to the acquisition both quantitatively as well as the disclosure of significant judgements and estimates relating to the acquisition.

**How the key audit matter was addressed by our audit scope**

We have obtained the valuation report prepared by management's expert and engaged our in-house valuation team to review the report along with the assumptions utilised to arrive at the final position.

We have specifically performed the following audit work:

- Forecasts used in forming the valuation were audited by comparing to the forecasts used by management for going concern consideration, and by comparing profit margins and cost ratios to current performance.
- Assumptions specific to the Thoughtonomy business were assessed through discussion with management as to the basis of these assumptions, and why these were deemed true and fair. Where possible, benchmarking or external confirmations were obtained for these assumptions.
- Other inputs used to form discount rates were benchmarked to other comparable entities, and formulas were reperfomed.
- Accuracy of the calculations in obtaining the final valuation were confirmed through reperformance.

We have audited the disclosures around the business combination and IFRS 3 purchase price allocation through reading all available legal documentation setting out the transaction (including the SPA), obtaining expert advice through our valuations team to test the inputs used in modelling the intangible values, and reperforming calculations to ensure they are arithmetically accurate.

We have further performed testing on the acquisition balance sheet which included testing balances above a threshold at the date of acquisition and testing a sample of items for cut-off around the acquisition date.

We have performed disclosure checks to IFRS 15 to ensure the disclosures in the financial statements are complete and accurate.

We have tested the fair value adjustments on deferred revenue and trade receivables balance at the date of acquisition.

**Key observations**

As a result of our work on acquisitions, specific testing on the acquisition balance sheet, audit work on intangibles acquired, and other work noted above, we have not found any instances of material misstatement in this area, either individually or in aggregate.

## Independent Auditor's Report continued

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage we set an overall level of materiality for the financial statements as a whole based on our understanding of the elements of the financial statements that are likely to be of greatest significance to users. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

### Materiality

Planning materiality for the Group as a whole was set at £1,514,000 (2018: £830,000), which represents approximately 1.5% (2018: 1.5%) of Group revenue. Revenue provides us with a consistent year on year basis for determining materiality and has been concluded as the most relevant performance measure to the stakeholders of the Group, while also providing a more stable measure year on year when compared to the Group loss before tax. Parent Company materiality has been set at £1,057,000, reflecting 1.5% (2018: 1.5%) of total assets of the entity, capped at 75% of Group materiality, which has been deemed the most suitable benchmark for a non-trading holding Parent Company.

### Performance materiality

Based upon our assessment of the risks within the Group and the Group's control environment, performance materiality for the financial statements has been set at £984,000 (2018: £570,000), being 65% (2018: 70%) of planning materiality. Parent Company performance materiality has been set at £740,000, reflecting 70% (2018: 75%) of planning materiality.

Performance materiality levels used for the two key components identified within the Group were based upon the same benchmarks and percentages detailed for the Group, due to each component being consistent in both nature, audit risks identified and control environment to the Group as a whole. In the current year, the range of planning materiality and performance materiality allocated to components was £850,000 to £640,000 (2018: £510,000 to £310,000) and £553,000 to £416,000 (2018: £357,000 to £217,000) respectively.

### Reporting threshold

The reporting threshold is the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £45,000 (2018: £24,000), which is set at 3% (2018: 3%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at the Group level.

In determining the scope of our audit we considered the size and nature of each component within the Group to determine the level of work to be performed at each in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole.

We obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of Group journals and other adjustments performed on consolidation.

The audit work was focussed on significant risk areas and the significant time across these areas was on key audit matters, performing the audit work described above.

### Classification of component

Three components were identified as significant (defined as those that contributed greater than 15% of Group revenue) and have been audited for Group reporting purposes.

The three significant components audited for Group reporting purposes accounted for 96% (2018: 100%) of the Group's revenue, 82% (2018: 55%) of the Group's loss before tax and 90% (2018: 53%) of the Group's total assets and have been subject to a full scope audit. The Group audit team carried out these audits using materiality levels specified above.

Significant costs were also identified in eight further components, which were tested substantively to component materiality as part of the Group audit by the Group audit team. Total coverage over the cost base of the Group tested after these eight components were taken into account amounted to 95%.

The remaining five components, which were not identified as significant, have been reviewed, by the Group audit team, for Group reporting purposes, using analytic procedures to corroborate the conclusions reached that there were no significant risks of material misstatement of the aggregated financial information of those components.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Opinions on other matters 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Independent auditor's report continued

### **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: [www.frc.org.uk/auditorsresponsibilities](http://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Nicole Martin (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor  
London  
23 January 2020

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



## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 October 2019

|   | Note | 2019<br>£'m<br>Total | 2018<br>£'m<br>Total |
|---|------|----------------------|----------------------|
| <b>Revenue</b>  | 4    | <b>101.0</b>         | 55.2                 |
| Cost of sales   | 5    | (8.5)                | -                    |
| <b>Gross profit</b>   |      | <b>92.5</b>          | 55.2                 |
| Operating expenses  | 6    | (173.5)              | (81.1)               |
| Operating expenses before share based payments                    |      | (166.3)              | (77.1)               |
| Share based payments  |      | (7.2)                | (4.0)                |
| Net impairment losses on financial assets                         | 13   | (0.7)                | (0.1)                |
| Other operating income/tax credits                                |      | 0.3                  | -                    |
| <b>Operating loss</b>   |      | <b>(81.4)</b>        | (26.0)               |
| Interest received on bank deposits                                |      | 0.7                  | -                    |
| <b>Loss before tax</b>  |      | <b>(80.7)</b>        | (26.0)               |
| Income tax credit/(expense)                                       | 8    | 2.5                  | (0.2)                |
| <b>Loss after tax</b>   |      | <b>(78.2)</b>        | (26.2)               |
| <b>Other comprehensive income/(loss)</b>                          |      |                      |                      |
| Exchange gains/(losses) on translation of foreign operations      |      | 1.8                  | (0.7)                |
| <b>Total other comprehensive income/(loss)</b>                    |      | <b>1.8</b>           | (0.7)                |
| <b>Total comprehensive loss for the year</b>                      |      | <b>(76.4)</b>        | (26.9)               |
| Basic and diluted loss per share attributable to shareholders (p) | 9    | (104.96)             | (39.96)              |

The notes on pages 65 to 88 form part of these financial statements.

# Consolidated Statement of Financial Position

## at 31 October 2019

|  | Note | 2019<br>£'m  | 2018<br>£'m |
|--|------|--------------|-------------|
| <b>Non-current assets</b>                  |      |              |             |
| Intangible assets                          | 10   | 65.7         | 0.2         |
| Cost to obtain contract assets             | 14   | 16.0         | –           |
| Property, plant and equipment              | 11   | 1.6          | 0.9         |
| <b>Total non-current assets</b>            |      | <b>83.3</b>  | 1.1         |
| <b>Current assets</b>                      |      |              |             |
| Cost to obtain contract assets             | 14   | 12.2         | –           |
| Corporation tax receivable                 | 15   | 1.0          | –           |
| Trade and other receivables                | 13   | 44.3         | 28.1        |
| Cash and cash equivalents                  | 23   | 45.5         | 50.5        |
| Short term investments                     | 23   | 28.6         | –           |
| <b>Total current assets</b>                |      | <b>131.6</b> | 78.6        |
| <b>Total assets</b>                        |      | <b>214.9</b> | 79.7        |
| <b>Current liabilities</b>                 |      |              |             |
| Trade and other payables                   | 16   | 41.9         | 20.0        |
| Deferred revenue                           | 14   | 67.3         | 42.1        |
| Deferred consideration                     | 25   | 4.3          | –           |
| <b>Total current liabilities</b>           |      | <b>113.5</b> | 62.1        |
| Deferred tax                               | 17   | –            | –           |
| Deferred revenue                           | 14   | 5.9          | 5.8         |
| <b>Total non-current liabilities</b>       |      | <b>5.9</b>   | 5.8         |
| <b>Total liabilities</b>                   |      | <b>119.4</b> | 67.9        |
| <b>Net assets</b>                          |      | <b>95.5</b>  | 11.8        |
| <b>Equity attributable to shareholders</b> |      |              |             |
| Called up share capital                    | 18   | 1.9          | 1.7         |
| Share premium                              | 18   | 150.3        | 50.2        |
| Shares to be issued                        | 18   | 26.2         | –           |
| Other reserves                             | 20   | 13.8         | –           |
| Merger reserve                             | 20   | 0.4          | 0.4         |
| Foreign exchange reserve                   | 20   | 1.4          | (0.4)       |
| Share based payment reserve                | 20   | 11.8         | 4.2         |
| Accumulated losses                         |      | (110.3)      | (44.3)      |
|  |      | <b>95.5</b>  | 11.8        |

The financial statements on pages 61 to 94 were approved and authorised for issue by the Board of Directors on 23 January 2020 and were signed on its behalf by:

**Ijoma Maluza**  
Director

The notes on pages 65 to 88 form part of these financial statements.

# Consolidated Statement of Cash Flows

## for the year ended 31 October 2019

|  | Note | 2019<br>£'m | 2018<br>£'m |
|--|------|-------------|-------------|
| <b>Cash flows from operating activities</b>                    |      |             |             |
| Loss after tax   |      | (78.2)      | (26.2)      |
| <i>Adjustments for:</i>  |      |             |             |
| Amortisation of intangible fixed assets                        | 10   | 1.8         | 0.1         |
| Depreciation of property, plant and equipment                  | 11   | 0.5         | 0.3         |
| Loss on disposal of property, plant and equipment              | 11   | 0.2         | -           |
| Finance income   |      | (0.7)       | -           |
| Share-based payment expense                                    | 19   | 7.6         | 3.0         |
| Income tax (credit)/expense                                    | 8    | (2.5)       | 0.2         |
|  |      | (71.3)      | (22.6)      |
| Increase in trade and other receivables                        | 13   | (11.5)      | (13.1)      |
| Increase in cost to obtain contract assets                     | 14   | (16.0)      | -           |
| Increase in trade and other payables                           | 16   | 18.5        | 9.7         |
| Increase in deferred revenue                                   | 14   | 22.8        | 20.6        |
|  |      | (57.5)      | (5.4)       |
| <b>Cash used in operations</b>                                 |      |             |             |
| Income taxes paid  |      | (0.4)       | -           |
|  |      | (57.9)      | (5.4)       |
| <b>Net cash flows used in operating activities</b>             |      |             |             |
| <b>Investing activities</b>                                    |      |             |             |
| Payment of software development costs                          | 10   | (4.6)       | (0.3)       |
| Purchases of property, plant and equipment                     | 11   | (1.3)       | (0.8)       |
| Investment in short term investments                           | 23   | (28.6)      | -           |
| Acquisition of subsidiary Thoughtonomy, net of cash acquired   | 25   | (10.4)      | -           |
| Interest received  |      | 0.7         | -           |
|  |      | (44.2)      | (1.1)       |
| <b>Net cash used in investing activities</b>                   |      |             |             |
| <b>Financing activities</b>                                    |      |             |             |
| Issue of ordinary shares                                       |      | 103.1       | 41.9        |
| Issue costs  |      | (2.8)       | (1.3)       |
| Repayment of bank loan   |      | (2.5)       | -           |
|  |      | 97.8        | 40.6        |
| <b>Net cash from financing activities</b>                      |      |             |             |
| <b>Net increase/(decrease) in cash and cash equivalents</b>    |      |             |             |
|  |      | (4.3)       | 34.1        |
| <b>Cash and cash equivalents at beginning of year</b>          |      |             |             |
|  |      | 50.5        | 16.3        |
| <b>Effect of foreign exchange on cash and cash equivalents</b> |      |             |             |
|  |      | (0.7)       | 0.1         |
| <b>Cash and cash equivalents at end of year</b>                |      |             |             |
|  | 23   | 45.5        | 50.5        |

The notes on pages 65 to 88 form part of these financial statements.

# Consolidated Statement of Changes in Equity

## for the year ended 31 October 2019

|   | Share capital<br>£'m | Share premium<br>£'m | Share based payment reserve<br>£'m | Shares to be issued<br>£'m | Other reserves<br>£'m | Foreign exchange reserve<br>£'m | Merger reserve<br>£'m | Accumulated losses<br>£'m | Total equity<br>£'m |
|---|----------------------|----------------------|------------------------------------|----------------------------|-----------------------|---------------------------------|-----------------------|---------------------------|---------------------|
| <b>Equity as at 31 October 2017</b>                         | 1.7                  | 9.6                  | 1.3                                | -                          | -                     | 0.3                             | 0.4                   | (18.1)                    | (4.8)               |
| <b>Comprehensive loss for 2018</b>                          |                      |                      |                                    |                            |                       |                                 |                       |                           |                     |
| Loss after tax  | -                    | -                    | -                                  | -                          | -                     | -                               | -                     | (26.2)                    | (26.2)              |
| Other comprehensive loss                                    | -                    | -                    | -                                  | -                          | -                     | (0.7)                           | -                     | -                         | (0.7)               |
| <b>Total comprehensive loss for the year</b>                | -                    | -                    | -                                  | -                          | -                     | (0.7)                           | -                     | (26.2)                    | (26.9)              |
| <b>Contributions by and distributions to owners</b>         |                      |                      |                                    |                            |                       |                                 |                       |                           |                     |
| Exercise of options   | -                    | 1.9                  | -                                  | -                          | -                     | -                               | -                     | -                         | 1.9                 |
| Issue of shares – placing                                   | -                    | 40.0                 | -                                  | -                          | -                     | -                               | -                     | -                         | 40.0                |
| Cost of share issue   | -                    | (1.3)                | -                                  | -                          | -                     | -                               | -                     | -                         | (1.3)               |
| Share based payments  | -                    | -                    | 3.0                                | -                          | -                     | -                               | -                     | -                         | 3.0                 |
| Forfeit of share options                                    | -                    | -                    | (0.1)                              | -                          | -                     | -                               | -                     | -                         | (0.1)               |
| <b>Equity as at 31 October 2018 as originally presented</b> | 1.7                  | 50.2                 | 4.2                                | -                          | -                     | (0.4)                           | 0.4                   | (44.3)                    | 11.8                |
| Impact of initial adoption of IFRS 15 and 9 (note 1)        | -                    | -                    | -                                  | -                          | -                     | -                               | -                     | 12.2                      | 12.2                |
| <b>Equity as at 1 November 2018</b>                         | 1.7                  | 50.2                 | 4.2                                | -                          | -                     | (0.4)                           | 0.4                   | (32.1)                    | 24.0                |
| <b>Comprehensive loss for 2019</b>                          |                      |                      |                                    |                            |                       |                                 |                       |                           |                     |
| Loss after tax  | -                    | -                    | -                                  | -                          | -                     | -                               | -                     | (78.2)                    | (78.2)              |
| Other comprehensive income                                  | -                    | -                    | -                                  | -                          | -                     | 1.8                             | -                     | -                         | 1.8                 |
| <b>Total comprehensive loss for the year</b>                | -                    | -                    | -                                  | -                          | -                     | 1.8                             | -                     | (78.2)                    | (76.4)              |
| <b>Contributions by and distributions to owners</b>         |                      |                      |                                    |                            |                       |                                 |                       |                           |                     |
| Exercise of options   | 0.1                  | 3.0                  | -                                  | -                          | -                     | -                               | -                     | -                         | 3.1                 |
| Issue of shares – placing                                   | 0.1                  | 99.9                 | -                                  | -                          | -                     | -                               | -                     | -                         | 100.0               |
| Cost of placing   | -                    | (2.8)                | -                                  | -                          | -                     | -                               | -                     | -                         | (2.8)               |
| Issue of shares – acquisition of subsidiary                 | -                    | -                    | -                                  | -                          | 13.8                  | -                               | -                     | -                         | 13.8                |
| Shares to be issued – acquisition of subsidiary             | -                    | -                    | -                                  | 26.2                       | -                     | -                               | -                     | -                         | 26.2                |
| Share based payments  | -                    | -                    | 9.6                                | -                          | -                     | -                               | -                     | -                         | 9.6                 |
| Forfeit of share options                                    | -                    | -                    | (2.0)                              | -                          | -                     | -                               | -                     | -                         | (2.0)               |
| <b>Equity as at 31 October 2019</b>                         | <b>1.9</b>           | <b>150.3</b>         | <b>11.8</b>                        | <b>26.2</b>                | <b>13.8</b>           | <b>1.4</b>                      | <b>0.4</b>            | <b>(110.3)</b>            | <b>95.5</b>         |

The notes on pages 65 to 88 form part of these financial statements.

# Notes forming part of the Financial Statements

## for the year ended 31 October 2019

### 1 Accounting policies

#### Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations which have been issued by the International Accounting Standards Board (“IASB”), as adopted by the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group’s accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 2.

All figures presented are rounded to the nearest £m to one decimal place, unless stated otherwise.

#### New or amended accounting standards

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 October 2018 as described in the annual financial statements with the exception of the adoption of IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’, the impact of which has been detailed below.

#### a) New standards, interpretations and amendments effective from 1 November 2018

##### IFRS 15 Revenue from Contract with Customers

IFRS 15 replaces IAS 18 and establishes a single framework for revenue recognition. IFRS 15 establishes a five step approach with the core principle that revenue is recognised to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Group is entitled in exchange for those goods or services. The Group has adopted the “modified approach” to the adoption of IFRS 15 meaning the Group has adopted the new rules cumulatively, recognising the impact on transition on balances at 1 November 2018. The prior year comparatives have not been restated and the Group has also not quantified the effect of the new policies on any contract completed prior to the transition date, being 1 November 2018.

The financial impact of the policy changes explained below on the Group’s consolidated balance sheet at 1 November 2018, the date of transition, are summarised in the table on page 66.

The effects of the implementation of IFRS 15 on the results for the period ended 31 October 2019 are as follows:

- Increase in opening reserves of £12.2m and recognition of £12.2m cost to obtain contract assets arising from the capitalisation of historically expensed sales commissions, this is the FY18 impact
- Increase in revenues of £4.2m as the recognition policy is different under IFRS 15, to reflect the performance obligation of licence delivery
- Decrease in sales and marketing costs of £16.0m due to the capitalisation of sales commissions, net of amortisation costs
- Non-current cost to obtain contract assets of £16.0m and current cost to obtain contract assets of £12.2m have been recognised, giving a total increase of £28.2m of cost to obtain contract assets, being sales commissions unamortised at 31 October 2019
- Cost of sales, amortisation moved from operating expense to cost of sales giving rise to a reduction in operating expenditure.

#### Differences between IFRS 15 and previous accounting policies under IAS 18

There are differences between the Group’s accounting policies under IFRS 15 and its previous accounting policies under IAS 18. The most significant of these are as follows:

##### i) Identification of performance obligations and allocation of the contract value across the performance obligation

IFRS 15 introduces a concept of performance obligations and also the requirement to allocate the contract value across the performance obligations identified. IFRS 15 provides greater guidance on how to allocate the contract values across the performance obligations whereas under previous accounting policies no separate performance obligations were identified and there was less guidance on how to allocate value across any performance obligation. This requires changes in the way the transaction price is allocated to separately identifiable components within a contract, which can impact the timing of recognising revenue. IFRS 15 provides guidance on how to allocate the transaction price across the respective performance obligations. As a result, the revenue recognition pattern changes for the licence performance obligation. However, it is clear under the guidance of IFRS 15 that there is a separate performance obligation and the residual value model guidance outlines how to allocate this value in conjunction with management’s judgements.

Licence fee revenues, support revenues and upgrade revenues are bundled together as the revenue streams have no identifiable amounts attributed to them as standalone items (due to the specific nature of the software and the specific nature of the support, service and maintenance).

When the Group enters into a contract with a customer, services deliverable under the contract are identified as separate performance obligations to the extent the customer can benefit from the services on their own and that the separate services are considered distinct. Where individual services do not meet the criteria to be identified as separate obligations they are aggregated with other services in the contract until a separate obligation is identified.

As a result, the revenue recognition pattern changes for software licence contracts, which combine the delivery of software, support and maintenance services and the obligation to deliver, in the future, unspecified software upgrades.



# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 1 Accounting policies continued

Under previous accounting policies, the Group recognised the entire price as revenue on a straight-line basis over the subscription term. Under IFRS 15, a portion of the transaction price will be recognised upon delivery of the initial software (the licence) at the outset of the arrangement with the remainder recognised over the term of the contract as licences; upgrades and support are deemed to be separate performance obligations.

Upgrades and support are recognised over the contract term as there are no specific guaranteed upgrades and support is a stand ready obligation.

#### ii) Cost to obtain contract assets

Under IFRS 15 all incremental costs of obtaining a contract with a customer including sales commissions paid to sales personnel are recognised as an asset on the balance sheet.

The capitalised cost to obtain contract assets are amortised on a straight line basis over the period during which the related revenue is recognised.

The amortisation periods depend on the period of the contract but is typically three years. Amortisation of the cost to obtain contract assets is reported within cost of sales.

Under previous policies, cost to obtain contract assets were expensed in full within operating expenses at the time of the contract award.

As a result, compared to previous policies the amount recognised as an asset under IFRS 15 increases and the recognition of costs included in cost of sales is deferred.

#### iii) Cost of obtaining customer contracts

The Group incurs certain costs to obtain customer contracts in the form of commissions paid to sales employees. Under previous policies, costs to obtain a contract are recognised through the income statement when the customer contract is won within sales and marketing expenditure. Under IFRS 15, the costs of obtaining a contract with a customer are recognised as an asset on the balance sheet. They are then subsequently amortised over the period during which the related revenue is recognised, within cost of sales. Upgrades and support are recognised over the license term as there are no specified guaranteed upgrades and support is a stand ready obligation.

### Quantitative impact of policy changes on consolidated balance sheet at 31 October 2019

|                                      | On transition to IFRS 15 at<br>1 November 2018        |                                | During the year ended<br>31 October 2019   |   | Total<br>impact<br>£'m |
|--------------------------------------|---|--------------------------------|--|---|------------------------|
|                                      | Costs of<br>obtaining<br>customer<br>contracts<br>£'m | Impact on<br>transition<br>£'m | Timing of<br>recognising<br>revenue<br>£'m | Costs of<br>obtaining<br>customer<br>contracts<br>£'m |                        |
| <b>Non-current assets</b>            |   |                                |  |   |                        |
| Cost to obtain contract assets       | 7.1   | <b>7.1</b>                     | –  | 8.9   | <b>16.0</b>            |
| <b>Total non-current assets</b>      | 7.1   | <b>7.1</b>                     | –  | 8.9   | <b>16.0</b>            |
| <b>Current assets</b>                |   |                                |  |   |                        |
| Cost to obtain contract assets       | 5.1   | <b>5.1</b>                     | –  | 7.1   | <b>12.2</b>            |
| <b>Total current assets</b>          | 5.1   | <b>5.1</b>                     | –  | 7.1   | <b>12.2</b>            |
| <b>Total assets</b>                  | 12.2  | <b>12.2</b>                    | –  | 16.0  | <b>28.2</b>            |
| <b>Current liabilities</b>           |   |                                |  |   |                        |
| Deferred revenue                     | –   | –                              | 3.9  | –   | <b>3.9</b>             |
| <b>Total current liabilities</b>     | –   | –                              | 3.9  | –   | <b>3.9</b>             |
| <b>Non-current liabilities</b>       |   |                                |  |   |                        |
| Deferred revenue                     | –   | –                              | 0.3  | –   | <b>0.3</b>             |
| <b>Total non-current liabilities</b> | –   | –                              | 0.3  | –   | <b>0.3</b>             |
| <b>Total liabilities</b>             | –   | –                              | 4.2  | –   | <b>4.2</b>             |
| <b>Net assets/(net liabilities)</b>  | 12.2  | <b>12.2</b>                    | 4.2  | 16.0  | <b>32.4</b>            |
| <b>Total equity</b>                  | 12.2  | <b>12.2</b>                    | 4.2  | 16.0  | <b>32.4</b>            |

**1 Accounting policies** *continued***Quantitative impact of policy changes on consolidated income statement**

|                       | Statutory as reported under IFRS 15<br>£'m | Impact of IFRS 15<br>£'m | Statutory under IAS 18<br>£'m |
|-----------------------|--|--------------------------|-------------------------------|
| <b>Revenue</b>        | 101.0                                      | (4.2)                    | 96.8                          |
| <b>Operating loss</b> | (81.4)                                     | (20.2)                   | (101.6)                       |

**Primary Statements under IAS 18**

The Group's consolidated financial statements for the year ended 31 October 2019 are prepared in accordance with IFRS 15; comparative periods have not been restated. Where there are differences between the primary consolidated financial statements presented in accordance with IFRS 15 and comparable presentation under the Group's previous revenue accounting policy (in accordance with IAS 18 Revenue), the effects are disclosed above.

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments and introduces three categories of financial instruments being fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortised cost. There were previously four categories under IAS 39 being fair value through profit and loss, available-for-sale, loans and receivables and held-to-maturity. There have been no changes in the measurement bases for the Group's financial assets or liabilities as a result of the adoption of IFRS 9.

IFRS 9 has also introduced a new impairment model which is based on assessing changes in credit quality from initial recognition of a financial instrument. The model requires expected credit losses ("ECLs") to be determined, being a probability weighted estimate of the difference between cash flows that are due in accordance with the contract and the cash flows that are expected to be received. As a result, the Group has implemented a forward looking credit loss model in contrast to the historical incurred credit loss model which was previously applied under IAS 39.

**b) New standards, interpretations and amendments not yet effective****IFRS 16 Leases**

IFRS 16 Leases has been issued but is not effective for the year ending 31 October 2019.

IFRS 16 will become effective for the Group for the financial year commencing on 1 November 2019, replacing the existing lease accounting standard IAS 17.

The adoption method will be the modified retrospective method with no restatement of FY19 numbers and a right of use asset equal to the lease liability plus or minus any prepayment or accrual will be recognised.

The new standard will impact the accounting for leases in which the Group is the lessee. The Group currently accounts for these leases as operating leases, with rentals payable charged to the income statement on a straight-line basis as an operating expense. Under the new standard, the Group will recognise additional lease assets and lease liabilities on the statement of financial position to account for the right to use the leased items and the obligation to make future lease payments. The costs of the leases will be recognised in the income statement split between depreciation of the lease asset and a finance charge on the lease liability.

The Directors are assessing the impact of this standard and the possible impact of any leases being capitalised on the balance sheet. The Group currently estimates that on transition it will recognise right of use assets of £7.0m and lease liabilities of £6.0m. Assuming the Group's lease portfolio remains unchanged the operating expense for the year ending 31 October 2020 is expected to reduce by £0.1m and finance costs to increase by £0.4m.

The Group will elect to apply the exemptions available for short-term leases with a lease term of 12 months or less and leases of low value.

**Basis of consolidation**

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The financial statements of the Group have been prepared on a going concern basis and in accordance with IFRS and their interpretations which have been issued by the IASB, as adopted by the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

**Revenue recognition****Licence and support revenue**

Software licence revenue represents fees earned from the licence of our software to customers. Licences of our product are delivered by providing our customers with a licence key that enables them to access the software.

The performance obligations inherent in a licence sale include the delivery of the licence key in addition to maintenance, standard support and upgrades over the licence term. A portion of revenue from licences is recognised at the point in time that the licence key is delivered. The remaining revenue is recognised on a straight line basis over the licence term as these performance obligations are satisfied.

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 1 Accounting policies continued

Software support revenue represents fees earned from providing customers with support services at standard and premium rates, which includes unspecified future software updates and upgrades. Upgrades are released at multiple points throughout the year as available. These benefits are received and continued over the contract term. Revenues from upgrade and support services are recognised on a straight line basis over the contract term.

Revenue in respect of the licence performance obligation is recognised for the full contract term at contract inception. Revenue for upgrades and support and maintenance are recognised on a straight line basis over the contract term.

Revenue from SAAS cloud offerings where the Group's performance obligation is the grant of a right to continuously access a cloud offering for a certain term is recognised based on time elapsed and thus rateably over the term. In the prior year revenue was bundled and recognised on a straight line basis under IAS 18.

In the previous year under IAS 18, licence fee revenues, support revenues, and maintenance revenues were bundled together, as the revenue streams had no identifiable amounts attributed to them as standalone items (due to the specific nature of the software and the specific nature of the support services and maintenance).

In the previous year under IAS 18 revenue for these licences, support, and maintenance were recognised on an accruals basis; when invoiced in advance, the income is deferred in the statement of financial position and recognised in the income statement over the length of the licence and maintenance period. This policy was consistently applied across all customers and contracts.

#### *Professional services and training*

Professional services and training revenue are typically recognised over time. Where the Group stands ready to provide the service (such as access to learning content), revenue is recognised based on time elapsed and thus rateably over the service period. Consumption-based services, for example separately identifiable professional services, are recognised over time as the services are utilised, typically following the percentage-of-completion method or rateably.

#### *Sponsorship and other revenue*

Revenue is recognised from Blue Prism World events. This mainly relates to sponsorship revenue received from various partners and external organisations participating in the events. Revenue is recognised at the time of the event taking place.

#### *Cost of sales*

Cost of sales includes the amortisation of research and development costs in respect of product upgrades and the amortisation of cost to obtain contract asset costs in respect of sales commissions paid to sales personnel. Costs which are directly attributable to revenue and as requested by IFRS 15 performance obligations are included in cost of sales.

Incremental research and development costs are amortised over 18 months within cost of sales. Research and development costs are capitalised as intangible assets.

#### *Costs of obtaining customer contracts*

The Group incurs certain costs to obtain customer contracts in the form of commissions paid to sales employees. The commission costs of obtaining any contract with a customer are recognised as an asset on the balance sheet. They are then subsequently amortised over the period during which the related revenue is recognised with the cost reflected in cost of sales. Other directly attributable costs are expensed as incurred.

#### *Billing arrangements*

The Group bills licence and support annually in advance. Professional services, training, sponsorship and other revenue is billed in line with contractual arrangements. In the event that the Group invoices in advance for the full contract term and if this was greater than one year, consideration would be given as to whether there was a financing component of the given contract. However, this did not occur in FY19.

#### *Foreign currency*

Transactions entered into by Group entities in a currency other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency monetary items are translated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The assets and liabilities of the Group's subsidiaries outside the UK are translated into sterling using period-end exchange rates. Income and expense items are translated at the average exchange rates for the period. Where differences arise between these rates, they are recognised in other comprehensive income and the translation reserve.

At the balance sheet date the non-sterling balances of the overseas entities are retranslated and the foreign exchange gain or loss is shown as other comprehensive income and recorded in the foreign exchange reserve.

## 1 Accounting policies continued

### Trade receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. These are stated net of any provision for impairment. Impairment provisions are recognised when there is objective evidence that the Blue Prism Group will be unable to collect all of the amounts due. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

### Cash and cash equivalents

Cash and cash equivalents includes cash and deposits with banks, and other short term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

### Short term investments

Investments on deposit with longer term maturities are classified as short term investments and are readily available if the interest earned is waived.

### Financial assets

The Group classifies its financial assets in the following categories:

- (i) Fair value through profit and loss
- (ii) Financial assets at amortised cost and
- (iii) Fair value through other comprehensive income

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At each balance sheet date included in the financial information, the Group held only items classified as financial assets at amortised cost.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

### Impairment of financial assets

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime ECLs. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within net impairment losses on financial assets in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The expected loss rates are based on the Group's historical credit losses experienced over the last period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. Under the general approach, at each reporting date, the Group determines whether there has been a significant increase in credit risk since initial recognition and whether the receivable is credit impaired. This determines whether the receivable is in Stage 1, Stage 2 or Stage 3, which in turn determines the amount of ECL to be recognised i.e. 12-month ECL or lifetime ECL.

### Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through income statement.

### Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Share-based payments

Where equity settled share options or awards are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 1 Accounting policies continued

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

Where employers' social security is payable on the exercise of a share option or award, an estimate of the amount due is accrued over the expected exercise period. The accrual is then reviewed and amended at each subsequent balance sheet date under IFRS 2.

#### Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

#### Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

#### Deferred taxation

Deferred tax is recognised in respect of relevant temporary differences that have originated but not reversed at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The deferred tax assets and liabilities are not discounted.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:

Computer equipment – straight line over 3 years  
Fixtures and fittings – straight line over 5 years  
Leasehold improvements – straight line over 5 years

#### Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

#### Criteria for recognition of software development costs

Internally-generated RPA development costs qualify for capitalisation when Blue Prism can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The existence of a market or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during development.

Generally, commercial viability of new RPA innovations and product enhancements is not proven until development issues have been resolved through testing pre-launch versions. Blue Prism assesses the eligibility of development costs for capitalisation on a project-by-project basis.

Until the point of commercial viability this is deemed as research and is expensed in the income statement.

Development costs which are incurred after the release of internally-generated RPA or costs which are incurred in order to enhance existing RPA products are expensed in the period in which they are incurred and included within research and development expense in the consolidated statement of profit or loss and other comprehensive income.

Where indications of impairment of intangible assets are identified by management, an impairment review is undertaken.

#### Amortisation of intangible assets

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of internally generated RPA. Blue Prism currently only has internally generated intangible assets with finite lives.



## 1 Accounting policies continued

The estimated useful life of intangible assets is:

- 18 months to 2 years for internally generated RPA development assets
- 5 years for technology assets acquired in the business combination with Thoughtonomy
- 10 years for customer relationships acquired in the business combination with Thoughtonomy

### Business combinations

When the Group completes a business combination, the consideration transferred for the acquisition and the identifiable assets and liabilities acquired are recognised at their fair values. The amount by which the consideration exceeds the net assets acquired is recognised as goodwill. The application of accounting policies to business combinations involves the use of estimates.

During the year, the Group acquired Thoughtonomy Ltd and its subsidiary, Thoughtonomy Inc.

Estimates were required in the measurement of the deferred consideration payable as part of the acquisition. These are documented in note 25.

Where intangible assets have been separately identified and valued as part of the acquisition, these have been recognised on the balance sheet and amortised over their estimated useful life.

### Goodwill impairment

Goodwill is the excess of consideration over the net assets at acquisition. It is tested for impairment annually.

Due to the proximity of the acquisition date of Thoughtonomy to the date of approval of the financial statements, management's assessment of the recoverability of the goodwill arising on acquisition of Thoughtonomy for the year ended 31 October 2019 was based on the valuation at acquisition and a detailed impairment review has therefore not been performed.

### Research and development taxation credits

Tax credits for research and development activities relate to government tax incentives in certain operating territories. The tax credits are recognised within other operating income when the tax credits are received by the Company.

## 2 Key accounting estimates and judgements

The Group makes certain estimates and judgements regarding the future which are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Revenue recognition

Management has conducted a detailed review of revenue recognition policies as part of the implementation of IFRS 15 to identify performance obligations, determine transaction price and allocate the transaction price.

Management identified three performance obligations including the software licence, upgrades and support. Upgrades were deemed a separate performance obligation as they are not considered to be transformative and the software licence has standalone value.

In the absence of directly observable and standalone selling prices for each of the performance obligations, estimates must be made. Management's judgement is that due to the nature of the product and the relationship between Blue Prism and its customers the upgrade performance obligation accounts for a significant portion of the allocations of the transaction selling price. The allocation between the performance obligations was estimated by looking at margins on each individual performance obligation and where possible compared against comparable businesses. These were then adjusted where appropriate to better reflect the situational aspects of Blue Prism, where it is as a business in its life cycle, and to take into account specifics of the business as a whole.

### Research and development

Under IAS 38, research and development costs, internally generated technology should be capitalised if the capitalisation criteria are met. Estimates and judgements are made with regard to assessing the expected future economic benefits, the economic useful life and the level of completion of the asset. Under IAS 38, at the point where activities no longer relate to development but to maintenance, capitalisation is to be discontinued.

The key judgements here are defining the cut-off point between when research ends and development starts, and reliably measuring the expenditure attributable to the asset. An assessment is made when looking at the costs incurred and criteria for development costs, including the commercial and technical viability of the costs being assured. The main cost attributed to research and development is that of payroll, with the research and development team tasked with other aspects of quality assurance, customer support, project management, along with other tasks.

£4.6m of development costs were capitalised during the year. The increase is driven by the ongoing growth in the business combined with significant functional product upgrades and investment in the core Blue Prism product during the year.

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 2 Key accounting estimates and judgements continued

#### Impact of acquisition

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interest issued. Acquisition related costs are expensed as incurred in the income statement. Identifiable assets acquired and identifiable liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination of fair values often requires significant judgement and the use of estimates. The fair value of the acquired intangible assets is determined by taking into consideration IFRS 3. The excess of the consideration transferred over the fair value of the identifiable net assets is recorded as goodwill.

Subsequently the identified intangible assets are carried at cost less accumulated amortisation and impairment charges. The main intangible assets recognised as a result of the Thoughtonomy acquisition are technology assets and customer relationships. Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives. The estimated useful life is a critical estimate based on management judgement.

The carrying value of intangibles is reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

#### Impairment testing

A key judgement is the ongoing appropriateness of the cash-generating units (“CGUs”) for the purpose of impairment testing.

Goodwill of £39.9m is recognised in the Group’s consolidated balance sheet at 31 October 2019 in respect of Thoughtonomy. In addition to goodwill other intangible assets of £21.9m are recognised within the Thoughtonomy CGU at 31 October 2019.

The recoverable amount of the Thoughtonomy CGU is determined as the higher of its fair value less costs of disposal and its value in use. In determining value in use, consideration needs to be given to future cash flows discounted to their present value.

Due to the proximity of the acquisition date to the date of approval of the financial statements, management’s assessment of the recoverability of the Group’s investment and goodwill in Thoughtonomy for the year ended 31 October 2019 was based on data used to measure the valuation at the acquisition date. Management has reviewed both the cash flows prepared at the time of acquisition and also the budget for the year ending 31 October 2020. As part of the acquisition accounting a purchase price allocation exercise has been undertaken and the forecasts and judgements included as part of this exercise remain unchanged. There have been no changes to any of the key assumptions on which management has based its determination of the valuation of Thoughtonomy assets and liabilities.

Any changes to the purchase price accounting will be reflected in the hindsight period and recorded in the financial statements for the year ending 31 October 2020.

### 3 Financial instruments – risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group’s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group’s exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### Capital risk management

The Group manages its capital to ensure that all Group entities will be able to continue on a going concern basis while maximising its long term return to shareholders. The capital structure of the Group consists of Company equity only, comprising issued capital, share premium, reserves and retained earnings. The Group is not exposed to any externally imposed capital requirements and has no borrowings.

#### Financial instruments by category

##### Financial assets

|                                       | 2019<br>£'m  | 2018<br>£'m |
|---------------------------------------|--------------|-------------|
| Trade receivables                     | 34.7         | 22.5        |
| Other receivables excluding other tax | 3.1          | 0.5         |
| Cash and cash equivalents             | 45.5         | 50.5        |
| Short term investments                | 28.6         | –           |
| <b>Total financial assets</b>         | <b>111.9</b> | <b>73.5</b> |

##### Financial liabilities

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Trade payables  | 9.9         | 4.1         |
| Other payables and accruals excluding other tax and social security | 28.3        | 13.7        |
| Deferred consideration  | 4.3         | –           |
| <b>Total financial liabilities</b>                                  | <b>42.5</b> | <b>17.8</b> |

### 3 Financial instruments – risk management continued

#### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 13.

#### Cash at bank and short-term deposits

The Group's cash is held on deposit with the Group's principal bankers.

#### Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency, with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

During the year the Group's potential exposure to currency risk has increased due to the increased level of business in overseas operations. The Group is predominantly exposed to currency risk on the balances held in working capital within the Group and the exposure is concentrated therefore in the movement of the US dollar against sterling. The effect of a strengthening and weakening of 10% of the US dollar against sterling at the reporting date on the working capital balances held at this date, on the basis that all other variables remained constant, would have resulted in the following pre-tax profit or (loss) impact for the year as follows:

|                       | 10%<br>strengthening<br>£'m | 10%<br>weakening<br>£'m |
|-----------------------|-----------------------------|-------------------------|
| US dollar to sterling | 0.5                         | (0.5)                   |

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

The maximum exposure to liquidity risk is the trade payables and cost to obtain contract assets accrued at the year end, these are all current and expected to be settled within 90 days of the year end. All other liabilities fall due within 12 months of the year end.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances for at least 12 months from the date of signing these financial statements.

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 4 Segmental analysis

The Group has one operating segment being the licensing of Robotic Process Automation (RPA) software used to automate routine, rules-based back office processes.

The Group operates across three regions: EMEA, The Americas and APAC. The Board of Directors only monitors revenue on this basis. Business performance is otherwise monitored by reference to total results against budget. Revenue for each of the geographical areas is as follows:

|                                      | 2019<br>£'m  | 2018<br>£'m |
|--------------------------------------|--------------|-------------|
| Revenue from EMEA operations         | 47.5         | 26.8        |
| Revenue from The Americas operations | 40.9         | 21.3        |
| Revenue from APAC operations         | 12.6         | 7.1         |
| <b>Total</b>                         | <b>101.0</b> | <b>55.2</b> |

Revenues comprising more than 10% of the Group revenues are from the following countries:

|                           | 2019<br>£'m  | 2018<br>£'m |
|---------------------------|--------------|-------------|
| UK                        | 23.5         | 13.1        |
| US                        | 32.8         | 16.6        |
| Europe                    | 21.8         | 11.3        |
| Canada                    | 6.2          | 3.0         |
| Asia-Pacific              | 7.3          | 3.8         |
| Australia and New Zealand | 5.3          | 3.2         |
| Rest of world             | 4.1          | 4.2         |
| <b>Total</b>              | <b>101.0</b> | <b>55.2</b> |

The Group derives revenue from three sources, over time and at a point in time, in the following major categories:

|                                      | 2019<br>£'m<br>Over time | 2019<br>£'m<br>At a point<br>in time | 2018<br>£'m<br>Over time | 2018<br>£'m<br>At a point<br>in time |
|--------------------------------------|--------------------------|--------------------------------------|--------------------------|--------------------------------------|
| <b>Timing of revenue recognition</b> |                          |                                      |                          |                                      |
| Licence and support                  | 92.4                     | 4.2                                  | 51.7                     | –                                    |
| Professional services and training   | 2.6                      | –                                    | 3.0                      | –                                    |
| Sponsorship and other revenue        | –                        | 1.8                                  | –                        | 0.5                                  |
| <b>Total</b>                         | <b>95.0</b>              | <b>6.0</b>                           | <b>54.7</b>              | <b>0.5</b>                           |

There are no customers who generate 10% or more of the Group's revenues.

Assets, liabilities and sources of revenue are not analysed by geography as the business performance measure utilised by the chief operating decision maker, the Board of Directors, is the total business result.

### 5 Cost of sales

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Amortisation of cost to obtain contract assets | 7.6         | –           |
| Amortisation of development asset              | 0.9         | –           |
| <b>Total cost of sales</b>                     | <b>8.5</b>  | <b>–</b>    |

## 6 Operating loss

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Operating loss is stated after charging:   |             |             |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 0.2         | 0.1         |
| Fees payable to the Company's auditor for other services:                            |             |             |
| Audit of the accounts of subsidiaries  | 0.1         | 0.1         |
| Audit-related assurance services   | 0.1         | -           |
| Tax services   | 0.1         | -           |
| Depreciation of property, plant and equipment (note 11)                              | 0.5         | 0.3         |
| Amortisation of intangible fixed assets (note 10)                                    | 1.8         | 0.1         |
| Amortisation of cost to obtain contract assets (note 14)                             | 7.6         | -           |
| Loss on disposal of property, plant and equipment (note 11)                          | 0.2         | -           |
| Staff costs excluding share based payments (note 7)                                  | 100.0       | 57.5        |
| Share based payments (note 19)   | 7.2         | 4.0         |
| Travel and entertaining  | 18.8        | 8.1         |
| Legal costs in respect of contracts  | 0.9         | 1.0         |
| Research and development expense including staff costs                               | 6.1         | 3.8         |
| Marketing expense  | 21.7        | 6.3         |
| Operating lease expense  | 3.8         | 2.0         |

## 7 Staff costs

|   | 2019<br>£'m  | 2018<br>£'m |
|---|--------------|-------------|
| Staff costs (including Directors' emoluments) comprise: |              |             |
| Wages and salaries                                      | 80.9         | 44.1        |
| Social security contributions and similar taxes         | 8.8          | 3.4         |
| Share based payment expense                             | 7.2          | 4.0         |
| Pension costs   | 2.1          | 1.4         |
| Recruitment costs                                       | 6.8          | 3.3         |
| Other staff costs                                       | 1.4          | 1.3         |
| <b>Total staff costs</b>                                | <b>107.2</b> | <b>57.5</b> |

Staff costs include sales commissions in the amount of £4.5m relating to guaranteed commissions and non costs to obtain contract assets commissions.

In the prior year all sales commissions amounting to £15.4m were expensed in full at the time of booking a contract. In the current year sales commissions have been capitalised and are amortised over the contract term which is why the FY19 sales commission expense is less than the FY18 expense. As disclosed in note 14, cost to obtain contract assets of £23.6m (2018: £nil) have been capitalised during the year as part of the IFRS 15 transition.

Other staff costs are made up of assignment costs and other miscellaneous staff costs.

Average monthly number of employees (including Directors) during the period.

|                     | 2019<br>Number | 2018<br>Number |
|---------------------|----------------|----------------|
| Directors           | 6              | 7              |
| <b>Staff</b>        |                |                |
| Administration      | 89             | 28             |
| Sales and marketing | 488            | 222            |
| Technical services  | 151            | 61             |
|                     | <b>734</b>     | <b>318</b>     |

The remuneration of the Directors including the remuneration of the highest paid Director is shown in the Remuneration Committee report on page 51. The highest paid Director earned £428,356 (2018: £375,462).



# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 7 Staff costs continued

#### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on pages 36 to 37.

|                            | 2019<br>£'m | 2018<br>£'m |
|----------------------------|-------------|-------------|
| Salary                     | 2.5         | 1.6         |
| Bonuses                    | 1.0         | 0.7         |
| Commission                 | 0.3         | 0.5         |
| Pension contributions      | 0.1         | 0.1         |
| Employers NI contributions | 0.8         | 0.3         |
| Car allowances             | 0.1         | 0.1         |
|                            | <b>4.8</b>  | <b>3.3</b>  |

The profit and loss charge in respect of the share options and share awards issued to the key management personnel for the year ended 31 October 2019 is £0.6m (2018: £0.2m).

### 8 Income tax expense

|  | 2019<br>£'m  | 2018<br>£'m |
|--|--------------|-------------|
| <b>Current tax expense</b>                                   |              |             |
| Current tax on loss for the year                             | 0.9          | -           |
| Adjustment for current tax of prior periods                  | (0.3)        | 0.2         |
| <b>Total current tax</b>                                     | <b>0.6</b>   | <b>0.2</b>  |
| <b>Deferred tax expense</b>                                  |              |             |
| Deferred tax credit in respect of intangible assets acquired | (3.1)        | -           |
| <b>Total deferred tax</b>                                    | <b>(3.1)</b> | <b>-</b>    |
| <b>Total income tax (credit)/expense</b>                     | <b>(2.5)</b> | <b>0.2</b>  |

No deferred tax asset has been recognised in the year ended 31 October 2019 (2018: £nil) in relation to tax losses available due to the uncertainty of their utilisation in the near future.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

|   | 2019<br>£'m  | 2018<br>£'m |
|---|--------------|-------------|
| Loss before tax                                   | (80.7)       | (26.0)      |
| Tax at domestic rate 19% (2018: 19%)              | (15.3)       | (4.9)       |
| Effects of:                                       |              |             |
| Expenses not deductible for tax purposes          | 2.4          | 1.4         |
| Share options exercised in the period             | (3.0)        | (0.4)       |
| Deferred tax not recognised                       | 16.1         | 4.6         |
| Foreign tax on UK income                          | 0.7          | (0.4)       |
| Deferred tax liability released during the period | (3.1)        | -           |
| Adjustments in respect of prior years             | (0.3)        | (0.1)       |
| <b>Total income tax (credit)/expense</b>          | <b>(2.5)</b> | <b>0.2</b>  |

The Group has tax losses of approximately £155.6m (2018: £43.2m) to carry forward against future profits. The tax value of such losses amounted to £26.5m (2018: £5.5m). The UK tax losses have no expiry date. US tax losses expire after 20 years if not utilised.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. On the basis there is insufficient evidence that future taxable profits will be available to utilise the tax losses (note 17), no deferred tax asset has been recognised in respect of the trading losses carried forward.

**9 Basic and diluted loss per share**

|   |                 |             |
|---|-----------------|-------------|
| Numerator   | 2019<br>£'m     | 2018<br>£'m |
| Loss for the year and earnings used in basic EPS    | <b>(78.2)</b>   | (26.2)      |
| Denominator   | 000             | 000         |
| Weighted average number of shares used in basic EPS | <b>74,499</b>   | 65,560      |
| Basic and diluted losses per share (pence)          | <b>(104.96)</b> | (39.96)     |
| Denominator   | 000             | 000         |
| Potential diluted number of shares                  | <b>87,305</b>   | 86,489      |

As the inclusion of potential ordinary shares would be anti-dilutive and decrease the loss per share, they are not included in the calculation of diluted loss per share.

**10 Intangible fixed assets**

| Cost   | Goodwill<br>£'m | Customer<br>relationships<br>£'m | Technology<br>£'m | Development<br>asset<br>£'m | Total<br>£'m |
|--|-----------------|----------------------------------|-------------------|-----------------------------|--------------|
| <b>At 1 November 2017</b>                      | -               | -                                | -                 | -                           | -            |
| Additions                                      | -               | -                                | -                 | 0.3                         | 0.3          |
| <b>At 31 October 2018</b>                      | -               | -                                | -                 | 0.3                         | 0.3          |
| <b>At 1 November 2018</b>                      | -               | -                                | -                 | 0.3                         | 0.3          |
| Additions                                      | -               | -                                | -                 | 4.6                         | 4.6          |
| Arising on business combinations               | 39.9            | 12.6                             | 10.2              | -                           | 62.7         |
| <b>At 31 October 2019</b>                      | <b>39.9</b>     | <b>12.6</b>                      | <b>10.2</b>       | <b>4.9</b>                  | <b>67.6</b>  |
| <b>Accumulated amortisation and impairment</b> | <b>£'m</b>      | <b>£'m</b>                       | <b>£'m</b>        | <b>£'m</b>                  | <b>£'m</b>   |
| <b>At 1 November 2017</b>                      | -               | -                                | -                 | -                           | -            |
| Amortisation                                   | -               | -                                | -                 | 0.1                         | 0.1          |
| <b>At 31 October 2018</b>                      | -               | -                                | -                 | 0.1                         | 0.1          |
| <b>At 1 November 2018</b>                      | -               | -                                | -                 | 0.1                         | 0.1          |
| Amortisation                                   | -               | 0.3                              | 0.6               | 0.9                         | 1.8          |
| <b>At 31 October 2019</b>                      | -               | <b>0.3</b>                       | <b>0.6</b>        | <b>1.0</b>                  | <b>1.9</b>   |
| <b>Net book value</b>                          |                 |                                  |                   |                             |              |
| At 31 October 2018                             | -               | -                                | -                 | 0.2                         | 0.2          |
| <b>At 31 October 2019</b>                      | <b>39.9</b>     | <b>12.3</b>                      | <b>9.6</b>        | <b>3.9</b>                  | <b>65.7</b>  |

On the 17 July 2019, the Group acquired 100% of the share capital of the Thoughtonomy group. The acquisition is discussed further at note 25.

Goodwill has arisen on the acquisition of the Thoughtonomy group during the financial year.

The technology relates to the work performed by the Thoughtonomy group to date, to develop the platform used to deploy the products and services offered by the Group. The customer relationships arose on the long term contracts subscribed directly by customers or by third parties.

Amortisation of £0.9m (2018: £nil) is included in cost of sales and £0.9m (2018: £0.1m) is included in operating expenses.

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 11 Property, plant and equipment

| Cost   | Computer equipment | Leasehold improvements | Fixtures and fittings | Total      |
|--|--------------------|------------------------|-----------------------|------------|
|  | £'m                | £'m                    | £'m                   | £'m        |
| <b>At 1 November 2017</b>                      | 0.6                | –                      | –                     | 0.6        |
| Additions                                      | 0.6                | 0.1                    | 0.1                   | 0.8        |
| Disposals                                      | (0.1)              | –                      | –                     | (0.1)      |
| <b>At 31 October 2018</b>                      | 1.1                | 0.1                    | 0.1                   | 1.3        |
| <b>At 1 November 2018</b>                      | 1.1                | 0.1                    | 0.1                   | 1.3        |
| Additions                                      | 0.8                | 0.1                    | 0.4                   | 1.3        |
| Acquired in business combinations              | 0.1                | –                      | –                     | 0.1        |
| Disposals                                      | (0.5)              | –                      | –                     | (0.5)      |
| <b>At 31 October 2019</b>                      | <b>1.5</b>         | <b>0.2</b>             | <b>0.5</b>            | <b>2.2</b> |
| <b>Accumulated depreciation and impairment</b> | £'m                | £'m                    | £'m                   | £'m        |
| <b>At 1 November 2017</b>                      | 0.2                | –                      | –                     | 0.2        |
| Depreciation                                   | 0.3                | –                      | –                     | 0.3        |
| Disposals                                      | (0.1)              | –                      | –                     | (0.1)      |
| <b>At 31 October 2018</b>                      | 0.4                | –                      | –                     | 0.4        |
| <b>At 1 November 2018</b>                      | 0.4                | –                      | –                     | 0.4        |
| Depreciation                                   | 0.4                | –                      | 0.1                   | 0.5        |
| Disposals                                      | (0.3)              | –                      | –                     | (0.3)      |
| <b>At 31 October 2019</b>                      | <b>0.5</b>         | <b>–</b>               | <b>0.1</b>            | <b>0.6</b> |
| <b>Net book value</b>                          |                    |                        |                       |            |
| At 31 October 2018                             | 0.7                | 0.1                    | 0.1                   | 0.9        |
| <b>At 31 October 2019</b>                      | <b>1.0</b>         | <b>0.2</b>             | <b>0.4</b>            | <b>1.6</b> |

### 12 Subsidiaries

The principal subsidiaries of Blue Prism Group plc, all of which have been included in these consolidated financial statements, are as follows:

| Name  | Country of incorporation and principal place of business | Status  | Proportion of ownership interest at 31 October |      |
|---|--|---------|--|------|
|   |  |         | 2019   | 2018 |
| Blue Prism Limited                          | United Kingdom   | Trading | 100%   | 100% |
| Blue Prism Software Inc <sup>1</sup>        | United States  | Trading | 100%   | 100% |
| Blue Prism Pty Ltd <sup>1</sup>             | Australia  | Trading | 100%   | 100% |
| Blue Prism K.K. <sup>1</sup>                | Japan  | Trading | 100%   | 100% |
| Blue Prism India Pvt Ltd <sup>2</sup>       | India  | Trading | 100%   | 100% |
| Blue Prism GmbH <sup>1</sup>                | Germany  | Trading | 100%   | 100% |
| Blue Prism SARL <sup>1</sup>                | France   | Trading | 100%   | 100% |
| Blue Prism Pte. Ltd <sup>1</sup>            | Singapore  | Trading | 100%   | 100% |
| Blue Prism HK Limited <sup>1</sup>          | Hong Kong  | Trading | 100%   | 100% |
| Blue Prism Software Canada Inc <sup>1</sup> | Canada   | Trading | 100%   | n/a  |
| Blue Prism FZ-LLC <sup>1</sup>              | Dubai  | Trading | 100%   | n/a  |
| Blue Prism LLC <sup>2</sup>                 | Russia   | Trading | 100%   | n/a  |
| Blue Prism AB <sup>1</sup>                  | Sweden   | Trading | 100%   | n/a  |
| Thoughtonomy Ltd                            | United Kingdom   | Trading | 100%   | n/a  |
| Thoughtonomy Inc <sup>1</sup>               | United States  | Trading | 100%   | n/a  |

<sup>1</sup> Indirectly held

<sup>2</sup> Held directly 1% by Blue Prism Group plc and 99% by Blue Prism Limited

**12 Subsidiaries** continued

The registered addresses of each of the subsidiaries are shown below:

| Name                           | Registered address   |
|--------------------------------|--|
| Blue Prism Limited             | 2 Cinnamon Park, Crab Lane, Fearnhead, Warrington, England, WA2 0XP                          |
| Blue Prism Software Inc        | 1688 Meridian Avenue, Suite 700 Miami Beach, Florida, 33139                                  |
| Blue Prism Pty Ltd             | Level 16, 201 Elizabeth Street, Sydney, NSW 2000   |
| Blue Prism K.K.                | Tokyo Club Building, 11F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo                              |
| Blue Prism India Pvt Ltd       | 2nd Floor, Plot No. 19/4&27, Varthur Hobli, Bangalore 560103                                 |
| Blue Prism GmbH                | Maximilianstraße 54, 80538 München   |
| Blue Prism SARL                | 50 Rue de la Victoire, 75009 Paris   |
| Blue Prism Pte. Ltd            | 38 Beach Road, South Beach Tower, #29-11, Singapore, 189767                                  |
| Blue Prism HK Limited          | 31/F., Tower Two, Times Square, Matheson Street, Causeway Bay, Hong Kong                     |
| Blue Prism Software Canada Inc | 1200 Waterfront Centre, 200 Burrard Street, Vancouver BC V6C 3L6                             |
| Blue Prism FZ-LLC              | Exclusive Desk No 31, Floor 1, Building 12, Dubai, United Arab Emirates                      |
| Blue Prism LLC                 | 16A, Building 1, 8th Floor, Room 40, Leningradskoe Shosse, Moscow                            |
| Blue Prism AB                  | Sergels Torg 12, 111 57 Stockholm  |
| Thoughtonomy Ltd               | International House, 1 St. Katharines Way, London, E1W 1UN                                   |
| Thoughtonomy Inc               | Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801 |

**13 Trade and other receivables**

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Trade receivables                                   | 35.4        | 22.6        |
| Less: provision for impairment of trade receivables | (0.7)       | (0.1)       |
| Trade receivables – net                             | 34.7        | 22.5        |
| Prepayments   | 6.5         | 4.2         |
| Accrued revenue                                     | 0.6         | 0.3         |
| Other taxes   | 0.5         | 0.2         |
| Accrued interest                                    | 0.2         | –           |
| Other receivables                                   | 1.8         | 0.9         |
| <b>Total trade and other receivables</b>            | <b>44.3</b> | <b>28.1</b> |

As at 31 October 2018 trade receivables of £7.8m were past due but not impaired. They relate to customers with no default history. An impairment charge of £0.7m (2018: £0.1m) was recognised in the year relating to aged receivables.

The Group applies the IFRS 9 simplified approach to measuring ECLs using a lifetime ECL provision for trade receivables and costs to obtain contract assets. To measure ECLs on a collective basis, trade receivables and costs to obtain contract assets are grouped based on similar credit risk and aging. The Group has not applied the ECL matrix against costs to obtain contract assets as there is no credit loss associated with the balance. The Group applies the general impairment model within IFRS 9 to other receivables. Due to the nature of assets within this balance no ECL has been recognised.

The expected loss rates are based on the Group's historical credit losses experienced over the last financial year prior to the year end.

**Expected credit loss allowance on trade receivables**

|   | <30 Days | 31–60 Days | 61–90 Days | >90 Days | Total |
|---|----------|------------|------------|----------|-------|
| Gross trade receivables (£'m)                 | 25.9     | 4.6        | 1.7        | 3.2      | 35.4  |
| Less: Specifically impaired receivables (£'m) | –        | –          | –          | (0.6)    | (0.6) |
| Net trade receivables (£'m)                   | 25.9     | 4.6        | 1.7        | 2.6      | 34.8  |
| Expected credit loss rate                     | 0.01%    | 0.01%      | 0.01%      | 2.48%    |       |
| Expected credit loss (£'m)                    | –        | –          | –          | (0.1)    | (0.1) |
| Net carrying amount (£'m)                     | 25.9     | 4.6        | 1.7        | 2.5      | 34.7  |

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Opening provision for impairment of trade receivables | 0.1         | –           |
| Increase during the year                              | 0.7         | 0.1         |
| Receivable written off during the year                | (0.1)       | –           |
| Closing provision for impairment of trade receivables | 0.7         | 0.1         |

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 14 Cost to obtain contract assets and deferred revenue

| Costs to obtain contract assets  | £'m         |
|--|-------------|
| Initial recognition of cost to obtain contract assets on adoption of IFRS 15     | 12.2        |
| Cost to obtain contracts with customers during the period                        | 23.6        |
| Amortisation of cost to obtain contract assets in line with contract performance | (7.6)       |
| <b>At 31 October 2019</b>  | <b>28.2</b> |

Cost to obtain contract assets consist of commission payable to sales employees and are amortised over the period of the customer contract to which they relate.

As the Group has adopted IFRS 15 using the modified approach, the 2018 comparative cost to obtain contract assets have not been restated.

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Current cost to obtain contract assets     | 12.2        | –           |
| Non-current cost to obtain contract assets | 16.0        | –           |
|  | <b>28.2</b> | –           |

| Deferred revenue   | £'m         |
|--|-------------|
| At 31 October 2018   | 47.9        |
| Changes due to business combinations                                       | 2.5         |
| Release of brought forward deferred revenue                                | (42.1)      |
| Contracts invoiced in advance of performance and not recognised as revenue | 64.9        |
| <b>At 31 October 2019</b>  | <b>73.2</b> |

Deferred revenue represents amounts invoiced in advance in line with contractual arrangements and will be amortised in future periods in line with the fulfilment of the respective performance obligations. The Group expects to recognise most of the deferred revenue balance within one year of the balance sheet date with a small amount being recognised as greater than one year.

The Group has amounts relating to the remaining term of customer contracts which have not been invoiced and are therefore not included in the deferred revenue balance greater than one year. There are support and upgrade performance obligations attached to the remaining term of customer contracts not yet invoiced, as contracts are typically invoiced annually in advance.

In total, the Group has £177.4m in aggregate allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 October 2019.

The entity expects to recognise this amount in the periods: less than 12 months £37.4m, 1–2 years £69.0m and 2–3 years £71.0m.

|                              | 2019<br>£'m | 2018<br>£'m |
|------------------------------|-------------|-------------|
| Current deferred revenue     | 67.3        | 42.1        |
| Non-current deferred revenue | 5.9         | 5.8         |
|                              | <b>73.2</b> | 47.9        |

### 15 Corporation tax receivable

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Corporation tax receivable              | 1.0         | –           |
| <b>Total corporation tax receivable</b> | <b>1.0</b>  | –           |

Corporation tax receivable consists of refunds due for research and development tax credits.

### 16 Trade and other payables

|                                       | 2019<br>£'m | 2018<br>£'m |
|---------------------------------------|-------------|-------------|
| Trade payables                        | 9.9         | 4.1         |
| Other payables                        | 4.7         | 1.1         |
| Accruals                              | 27.3        | 14.8        |
| <b>Total trade and other payables</b> | <b>41.9</b> | 20.0        |



**17 Deferred tax**

The elements of the deferred taxation are as follows:

|                               | 2019<br>£'m | 2018<br>£'m |
|-------------------------------|-------------|-------------|
| Deferred tax assets on losses | (4.3)       | -           |
| Intangible assets             | 4.3         | -           |
| <b>Deferred tax liability</b> | -           | -           |

The movement on deferred taxation is as follows:

|                                      | 2019<br>£'m | 2018<br>£'m |
|--------------------------------------|-------------|-------------|
| Arising on business combination      | 3.1         | -           |
| Current year income statement credit | (3.1)       | -           |
| <b>Deferred tax liability</b>        | -           | -           |

No deferred tax asset has been recognised in the year ended 31 October 2019 (2018: £nil) in relation to trading losses available due to the uncertainty of their utilisation in the near future. The deferred tax liability arising on acquisition is made up of a liability of £4.3m in respect of intangible assets and £1.2m in respect of brought forward losses.

**18 Share capital**

|                                   | 2019<br>£'m | 2018<br>£'m |
|-----------------------------------|-------------|-------------|
| <b>Allotted and fully paid up</b> |             |             |
| Ordinary share capital            | 0.8         | 0.6         |
| Deferred shares                   | 1.1         | 1.1         |
| <b>Total</b>                      | <b>1.9</b>  | <b>1.7</b>  |

|  | Issued and fully paid |                      |                      |
|--|-----------------------|----------------------|----------------------|
|  | Number                | Share capital<br>£'m | Share premium<br>£'m |
| <b>Total ordinary shares at 31 October 2017</b>                  | 62,664,219            | 0.6                  | 9.6                  |
| Share options exercised in the year                              | 1,157,141             | -                    | 1.9                  |
| Shares issued under the Company Share Investment Plan            | 17,466                | -                    | -                    |
| Shares issued under the Company Employee Stock Purchase Plan     | 33,969                | -                    | -                    |
| Shares placed in the year  | 3,174,604             | -                    | 40.0                 |
| Cost of share placing  | -                     | -                    | (1.3)                |
| <b>Total ordinary shares at 31 October 2018</b>                  | 67,047,399            | 0.6                  | 50.2                 |
| Share options exercised in the year                              | 1,756,512             | -                    | 2.6                  |
| Shares issued under the Company Share Investment Plan            | 18,281                | -                    | -                    |
| Shares issued under the Company Employee Stock Purchase Plan     | 27,758                | -                    | 0.4                  |
| Shares issued under the Company Employee Benefit Trust (note 20) | 1,979,335             | 0.1                  | -                    |
| Shares issued to acquire subsidiary Thoughtonomy                 | 1,096,011             | -                    | -                    |
| Shares placed in the year  | 9,090,910             | 0.1                  | 99.9                 |
| Cost of share placing  | -                     | -                    | (2.8)                |
| <b>Total ordinary shares at 31 October 2019</b>                  | <b>81,016,206</b>     | <b>0.8</b>           | <b>150.3</b>         |

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 18 Share capital continued

During the year, shares under the Company Share Investment Plan were issued at par £0.01 and shares under the Employee Stock Purchase Plan were issued at £15.73.

The Company issued shares to the Employee Benefit Trust to cover the awards made in the year, disclosed in note 19. The excess of shares issued over awards outstanding will be used to satisfy future awards.

On the acquisition of the Thoughtonomy group the Company issued 1,096,011 shares in consideration giving rise to an other reserve of £13.8m.

#### Deferred shares

As part of the Group restructure in 2016, the preference shares of £1.00 each and the B preference shares of £1.00 held by shareholders were converted into Ordinary Shares and deferred shares of £0.01. The conversion resulted in those shares converting into 2,994,755 Ordinary Shares and 105,269,845 deferred shares of £0.01 as follows:

|                 | Number of<br>deferred shares | Nominal value £ |
|-----------------|------------------------------|-----------------|
| Deferred shares | 105,269,845                  | 1,052,698       |

The deferred shares carry no voting rights, no rights to income and the right to a return of a maximum of £0.001 on a winding up of the Company.

#### Shares to be issued

As part of the acquisition of Thoughtonomy, the Group is required to issue approximately £26.2m of deferred consideration in the form of ordinary share capital to the former owners.

The shares will be issued in stages between 2021 and 2022.

The deferred consideration is represented by 2,159,827 Ordinary Shares of £0.01 as follows:

|                     | Number of<br>shares | Nominal value £ |
|---------------------|---------------------|-----------------|
| Shares to be issued | 2,159,827           | 21,598          |

### 19 Share options and share awards

#### Share options

The Group operates an Employee Share Plan and a Non-Employee Share Plan (together the "Share Plans"). The Employee Share Plan is administered by the Remuneration Committee of the Board and the Non-Employee Share Plan is administered by the Board. Awards under the Share Plans take the form of options to acquire Ordinary Shares with an exercise price equal to the market value of an Ordinary Share on the date of grant. All employees of the Group may be granted awards under the Employee Share Plan. Non-Executive Directors and consultants of the Group may be granted awards under the Non-Employee Share Plan. All options under the Share Plans are ten year options. The Employee Share Plan options for staff vest over a three year period, one third each year. Directors options under the Employee Share Plan vest at the end of the three year period. Options awarded under the Non-Employee Share Plan vest over three years, one third each year.

On the acquisition of the Thoughtonomy group the Company issued 1,096,011 shares in consideration, giving rise to an other reserve of £13.8m.

The Group also operates a Company Share Option Plan (the "CSOP"). The CSOP is administered by the Remuneration Committee of the Board. The CSOP has been designed so as to be capable of being certified as a "Schedule 4 CSOP" (as described in schedule 4 of the Income Tax (Earnings and Pensions) Act 2003). The rules of the CSOP have been drafted so as to mirror those of the Employee Share Plan save where a different approach is required to ensure that the CSOP may qualify as a Schedule 4 CSOP. The Awards under the CSOP take the form of options to acquire Ordinary Shares with an exercise price equal to the market value of an Ordinary Share on the date of grant. The CSOP is used in conjunction with the Employee Share Plan when making awards to the Group's UK employees, such that for staff the total number of options in an award (under the Employee Share Plan and CSOP combined) vest over a three year period, one third each year, although the relative proportions of options due to vest under the CSOP and the Employee Share Plan may vary from year to year. Directors' options under the CSOP vest at the end of the three year period from the date of grant.

For the Group's UK employees, the Company operates a Share Incentive Plan (the "SIP"). The SIP has been designed so as to be capable of being certified as a "Schedule 2 SIP" (as described in schedule 2 of the Income Tax (Earnings and Pensions) Act 2003). The SIP is open to all of the Group's UK employees. Participating employees may elect to save funds by means of deductions from pre-tax salary up to a maximum contribution per employee of £1,800 per tax year. Funds thus deducted are held for the benefit of the employee under a UK resident trust established for the purpose (the "SIP Trust"). The trustee of the SIP Trust uses the accumulated funds each month to make market purchases of Ordinary Shares to be held under the SIP Trust for the employee ("Partnership Shares"). For each Partnership Share purchased under the SIP, the Company awards one free matching Ordinary Share, also to be held under the SIP Trust (a "Matching Share"). Matching Shares must normally be retained within the SIP Trust for three years from the date they are awarded.

**19 Share options and share awards** *continued*

For the Group's US employees, the Company operates an Employee Stock Purchase Plan (the "ESPP"). The ESPP is designed to be a qualified employee stock purchase plan within the meaning of Section 423 of the US Internal Revenue Code of 1986. Participating employees may elect to save funds by means of deductions from post-tax salary to be accumulated towards the purchase of Ordinary Shares up to a maximum contribution per employee of \$25,000 per tax year. Funds are accumulated during a series of "offering periods", normally of six months each, at the end of which the employee may use the accumulated funds to purchase Ordinary Shares or to have the funds repaid to them without interest. If the funds are used to purchase Ordinary Shares, the purchase may be made at a discount of 15% from whichever is the lower of the market value of Ordinary Shares at the beginning or the end of the offering period.

During the year 249,791 (2018: 1,013,419) share options have been granted under the above schemes. The cost of these options in the first year under the Black-Scholes option-pricing model was £498,142 (2018: £1,257,063). Of this £498,142 has been charged to the profit and loss for the year (2018: £1,257,063).

The exercise price of options outstanding at 31 October 2019 ranged between 78p and 2500p (2018: 78p and 2500p) and average contractual life left for all options is 8.82 years (2018: 8.24 years).

|   | Number of<br>options | Weighted<br>average<br>option price<br>(£) |
|---|----------------------|--|
| Share options on £1 ordinary shares outstanding at 1 November 2015        | 154,155              | 1.03                                       |
| Share options on £1 ordinary shares exercised on 21/12/15                 | (1,000)              | 1.00                                       |
| £1 Ordinary share options cancelled on 01/12/15                           | (800)                | 1.25                                       |
| Share options on £1 ordinary shares exercised on IPO                      | (152,355)            | 1.03                                       |
| Balance of share options outstanding at IPO                               | Nil                  |  |
| Share options on 1p ordinary shares granted at IPO on 18/3/16             | 4,861,859            | 0.78                                       |
| Share options on 1p ordinary shares granted on 9/8/16                     | 567,947              | 2.236                                      |
| Share options on 1p ordinary shares granted on 5/10/16                    | 25,352               | 3.085                                      |
| Share options on 1p ordinary shares granted on 27/10/16                   | 24,430               | 3.07                                       |
| Share options forfeited in the period                                     | (42,735)             | 0.78                                       |
| <b>Share options on 1p ordinary shares outstanding at 1 November 2016</b> | <b>5,436,853</b>     | <b>0.95</b>                                |
| Share options awarded in the period                                       | 1,193,203            | 7.50                                       |
| Share options forfeited in the period                                     | (118,749)            | 1.05                                       |
| Share options exercised in the period                                     | (457,665)            | 0.96                                       |
| <b>Share options outstanding at 31 October 2017</b>                       | <b>6,053,642</b>     | <b>2.24</b>                                |
| Share options awarded in the period                                       | 1,013,419            | 17.28                                      |
| Share options forfeited in the period                                     | (47,218)             | 2.53                                       |
| Share options exercised in the period                                     | (1,169,246)          | 1.30                                       |
| <b>Share options outstanding at 31 October 2018</b>                       | <b>5,850,597</b>     | <b>4.99</b>                                |
| Share options awarded in the period                                       | 249,791              | 13.12                                      |
| Share options forfeited in the period                                     | (214,470)            | 14.70                                      |
| Share options exercised in the period                                     | (1,756,512)          | 1.49                                       |
| <b>Share options outstanding at 31 October 2019</b>                       | <b>4,129,406</b>     | <b>6.37</b>                                |

The weighted average market price of share options exercised in the period was £15.39.

Of the 4,129,406 share options outstanding at 31 October 2019, 2,940,510 have vested and are exercisable (2018: 1,064,910 vested and exercisable).

The weighted average fair value of each option granted during the year was £4.07 (2018: £4.99).

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 19 Share options and share awards continued

The fair value of share options issued in the year has been measured using the Black-Scholes model using the following key assumptions:

| Assumption                       | Description and purpose  |
|----------------------------------|--|
| <i>Volatility</i>                | In the absence of historic volatility data, expected volatility has been estimated using the volatility of comparable companies. The volatility used was 32%.  |
| <i>Expected time to exercise</i> | The expected time to exercise used was five years.   |
| <i>Dividends</i>                 | It was assumed no dividend would be paid.  |
| <i>Option exercise price</i>     | The option exercise price determined was the share price at the date of the award for the US awards and the price on the day before the date of the award for the non US awards, in accordance with the US ISO option rules. |
| <i>Risk free rate</i>            | The risk free rate applied was based on the five year UK government bond yields at the time of the valuation.  |
| <i>Retention of employees</i>    | It is assumed 100% retention of employees.   |

The fair value of options awarded during the year is as follows:

| Valuation date | EMI options | ISO options | CSOP options | Unapproved options | Fair value per option £ | Fair value of holding £ |
|----------------|-------------|-------------|--------------|--------------------|-------------------------|-------------------------|
| 29/11/2018     | -           | 29,274      | -            | -                  | 4.17                    | 122,073                 |
| 30/11/2018     | -           | -           | 7,370        | 21,537             | 4.07                    | 117,651                 |
| 20/12/2018     | -           | 35,709      | -            | -                  | 3.21                    | 114,626                 |
| 21/12/2018     | -           | -           | 4,069        | 37,626             | 3.34                    | 139,261                 |
| 30/01/2019     | -           | 4,407       | -            | -                  | 3.96                    | 17,452                  |
| 31/01/2019     | -           | -           | 16,502       | 55,267             | 4.39                    | 315,066                 |
| 28/02/2019     | -           | -           | 1,418        | 2,834              | 4.73                    | 20,112                  |
| 29/03/2019     | -           | -           | 9,123        | 24,655             | 5.03                    | 169,903                 |
|                |             | 69,390      | 38,482       | 141,919            |                         | 1,016,144               |

The above options have the following different vesting conditions:

| Option type               | Vesting conditions  |
|---------------------------|---|
| <i>CSOP</i>               | CSOP options vest 100% after three years.   |
| <i>Unapproved options</i> | Unapproved options vest either over either two or three years, or 100% after three years. |
| <i>ISO</i>                | ISO options vest equally over three years.  |
| <i>EMI</i>                | EMI options vest equally over either two or three years.                                  |

### Share awards

In January 2019, the Company established an Employee Benefit Trust. The Employee Benefit Trust is administered by Sanne Fiduciary Services Ltd, as trustee of the Blue Prism Group plc Employee Benefit Trust. Upon the award of shares, the Trust subscribes for shares following the recommendation of the Group and holds the shares until the award vests, at which point they are transferred to the employee.

An employee may receive Restricted Share Awards and/or Performance Share Awards, which are made as nil cost options. Performance Share Awards have conditions attached, weighted two thirds on the achievement of a revenue growth target and one third on the achievement of a Total Shareholder Return ("TSR") condition.

|  |                  |
|--|------------------|
| Share awards awarded in the period                 | 1,637,699        |
| Share awards forfeited in the period               | (337,144)        |
| <b>Share awards outstanding at 31 October 2019</b> | <b>1,300,555</b> |

For Restricted Share Awards and Performance Share Awards based on a revenue growth target, the fair value of share awards made in the year is determined to be the share price at grant date.

**19 Share options and share awards** *continued*

For Performance Share Awards based on a TSR performance condition, the fair value of share awards made in the year has been measured using a Monte-Carlo simulation using the following key assumptions:

| Assumption                       | Description and purpose  |
|----------------------------------|--|
| <i>Volatility</i>                | Average volatility for Blue Prism and for the comparator group falls between 36% and 38%.                      |
| <i>Expected time to exercise</i> | The awards will vest after three years and at nil exercise price are expected to be exercised as that date.    |
| <i>Dividends</i>                 | It was assumed no dividend would be paid.  |
| <i>Option exercise price</i>     | The option exercise price is nil.  |
| <i>Risk free rate</i>            | The risk free rate applied was based on the three year UK government bond yields at the time of the valuation. |
| <i>Retention of employees</i>    | It is assumed 100% retention of employees.   |

The fair value of awards made during the year is as follows:

| Valuation date | Restricted awards | Performance awards | Fair value per option £ | Fair value of holding £ |
|----------------|-------------------|--------------------|-------------------------|-------------------------|
| 31/01/2019     | 637,086           | 251,457            | 14.02                   | 12,457,376              |
| 31/01/2019     | -                 | 123,852            | 9.99                    | 1,237,039               |
| 16/07/2019     | 248,295           | 56,066             | 14.04                   | 4,273,228               |
| 16/07/2019     | -                 | 27,615             | 10.08                   | 278,359                 |
| 19/08/2019     | 216,339           | 51,583             | 9.50                    | 2,545,261               |
| 19/08/2019     | -                 | 25,406             | 6.73                    | 171,069                 |
|                | 1,101,720         | 535,979            |                         | 20,962,332              |

In order to fulfil the awards upon vesting, the Group has allotted 1,979,335 shares to the Employee Benefit Trust, disclosed in note 18. Shares which have been forfeited and any excess of EBT shares held, over awards made, will be reallocated in subsequent grants.

| Award type                | Vesting conditions  |
|---------------------------|---|
| <i>Restricted awards</i>  | Restricted Awards vest equally in three parts over three years, subject to continued employment with the Group  |
| <i>Performance awards</i> | Performance Awards vest after three years, subject to continued employment with the Group and satisfaction of performance conditions. Performance conditions are weighted two thirds on the achievement of a revenue growth target and one third on the achievement of a TSR condition. |

The revenue target compares the compounded annual growth rate over a three year measurement period. The vesting of the awards is on a sliding scale, according to how the Group performs during the measurement period.

The TSR condition compares the share price growth over a three year measurement period, measured as a percentage of the opening share price, against a peer group of 18 companies. The vesting of the awards is on a sliding scale according to how Blue Prism performs relative to the peer group:

| TSR ranking                       | Level of vesting                     |
|-----------------------------------|--------------------------------------|
| Below median                      | Nil                                  |
| Between median and upper quartile | 25% to 100% on a straight line basis |
| Upper quartile or above           | 100%                                 |

Total share based payment charges for options and awards recognised in the period are comprised of:

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Share based payments                    | 7.6         | 3.0         |
| Social security on share based payments | (0.4)       | 1.0         |
| <b>Total</b>                            | <b>7.2</b>  | <b>4.0</b>  |

# Notes forming part of the Financial Statements continued

## for the year ended 31 October 2019

### 20 Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserves                           | Description and purpose  |
|------------------------------------|--|
| <i>Share premium</i>               | Amount subscribed for share capital in excess of nominal value.  |
| <i>Shares to be issued</i>         | Deferred consideration in the form of shares as part of the acquisition of Thoughtonomy, disclosed in note 25. |
| <i>Other reserves</i>              | Excess over nominal value of shares issued as part of the acquisition of Thoughtonomy                          |
| <i>Share based payment reserve</i> | The share based payment reserve represents equity settled share based employee remuneration.                   |
| <i>Merger reserve</i>              | Amounts arising on share for share exchange.   |
| <i>Accumulated losses</i>          | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.         |
| <i>Foreign exchange reserve</i>    | Gains or losses arising in retranslation of the net assets of the overseas operations into sterling.           |

### 21 Leases

#### Operating leases – lessee

The Group maintains a number of short-leased properties.

The total future value of minimum lease payments is due as follows:

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Not later than one year                           | 3.7         | 1.6         |
| Later than one year and not later than five years | 3.5         | 2.2         |
| Later than five years                             | 0.8         | –           |
|   | <b>8.0</b>  | <b>3.8</b>  |

### 22 Related party transactions

The key management compensation is disclosed in note 7.

Blue Prism Limited purchased £11,446 (2018: £8,560) of services from NCC Group, for whom Chris Batterham is a Non-Executive Director. At the year end a balance of £476 (2018: £nil) was due to the entity.

### 23 Cash, cash equivalents and short term investments

Cash and cash equivalents for purposes of the statement of cash flows comprises:

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Cash at bank available on demand                                      | 28.5        | 6.5         |
| Cash equivalents – short term deposits – maturing within three months | 17.0        | 44.0        |
| Cash and cash equivalents   | <b>45.5</b> | <b>50.5</b> |

#### Short-term investments are readily convertible to cash:

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Short-term investments                          |             |             |
| Short-term deposits – maturing within 12 months | 28.6        | –           |
| Total short-term investments                    | <b>28.6</b> | <b>–</b>    |

### 24 Controlling party

At the year end the Directors are of the opinion that there is no ultimate controlling party.



## 25 Business combinations

### Thoughtonomy

On the 17 July 2019, the Group acquired 100% of the share capital of the Thoughtonomy group in order to expand the operations of the Group. The principal activity is that of a software-as-a-service (“SaaS”) based product and cloud services business.

The following tables summarise the consideration paid across and the assets acquired and the liabilities assumed.

|  | £'m         |
|--|-------------|
| Consideration at the 31 October 2019:        |             |
| Cash   | 12.3        |
| Shares issued at acquisition                 | 13.8        |
| Deferred consideration – cash                | 4.3         |
| Deferred consideration – shares to be issued | 26.2        |
| <b>Total</b>                                 | <b>56.6</b> |

|  | Book value<br>of assets and<br>liabilities<br>acquired<br>£'m | Adjustments<br>£'m | Fair value of<br>assets and<br>liabilities<br>acquired<br>£'m |
|--|---|--------------------|---|
| <b>Recognised amounts of assets and liabilities acquired</b> |   |                    |   |
| Property, plant and equipment                                | 0.2   | –                  | 0.2   |
| Customer relationships                                       | –   | 12.6               | 12.6  |
| Technology   | –   | 10.2               | 10.2  |
| Goodwill   | –   | 39.9               | 39.9  |
| Trade and other receivables                                  | 3.1   | (0.3)              | 2.8   |
| Cash   | 1.9   | –                  | 1.9   |
| Trade and other payables                                     | (3.2)   | –                  | (3.2)   |
| Bank loan  | (2.5)   | –                  | (2.5)   |
| Deferred revenue   | (4.9)   | 2.4                | (2.5)   |
| Corporation tax  | 0.3   | –                  | 0.3   |
| Deferred tax liability                                       | –   | (3.1)              | (3.1)   |
| <b>Total</b>   | <b>(5.1)</b>  | <b>61.7</b>        | <b>56.6</b>   |

Goodwill relates to access to new markets and future added value as a result of the business combination. No goodwill is expected to be deductible for tax purposes. Goodwill is discussed further in note 10.

Deferred consideration is measured at a fixed price at the time of acquisition. The deferred consideration arrangements require the Group to pay £4.3m of cash and issue 2,159,827 shares to the former owners between 2020 and 2021. There are no performance obligations to be met. The deferred consideration shares are held as “shares to be issued” at the 31 October 2019, and have been valued taking into account market and contractual based conditions.

On acquisition the fair value of deferred revenue has been adjusted to reflect the minimal ongoing cost to provide future services and that the cash has already been collected.

## Notes forming part of the Financial Statements continued for the year ended 31 October 2019

### 25 Business combinations continued

The following table summarises the results of the Thoughtonomy group as if the acquisition had been in place since the start of the financial period.

|                      | £'m   |
|----------------------|-------|
| Revenue              | 11.0  |
| Loss before taxation | (5.2) |

The following table summarises the amounts contributed to the Group result from the Thoughtonomy group since the acquisition date.

|                      | £'m   |
|----------------------|-------|
| Revenue              | 0.8   |
| Loss before taxation | (4.2) |

The revenue contributed to the Group since acquisition includes the fair value adjustments to remove fully paid deferred revenue at the time of acquisition.

Purchase consideration – cash outflow:

|  | £'m   |
|--|-------|
| Cash consideration                         | 12.3  |
| Less: cash balances acquired               | (1.9) |
| Net outflow of cash – investing activities | 10.4  |

Acquisition-related costs of £0.7m are included within operating expenses.

The fair value of acquired trade receivables is £2.8m. The gross contractual amount for trade receivables due is £3.4m, with a loss allowance of £1.0m recognised on acquisition.

# Company Statement of Financial Position

## for the year ended 31 October 2019

|  | Note | 2019<br>£'m  | 2018<br>£'m |
|--|------|--------------|-------------|
| <b>Non-current assets</b>                            |      |              |             |
| Investment in subsidiary                             | 5    | 68.1         | 4.1         |
| <b>Total non-current assets</b>                      |      | <b>68.1</b>  | 4.1         |
| <b>Current assets</b>                                |      |              |             |
| Trade and other receivables                          | 6    | 13.4         | 10.2        |
| Cash and cash equivalents                            | 9    | 37.4         | 36.2        |
| Short term investments                               | 9    | 20.0         | –           |
| <b>Total current assets</b>                          |      | <b>70.8</b>  | 46.4        |
| <b>Total assets</b>                                  |      | <b>138.9</b> | 50.5        |
| <b>Current liabilities</b>                           |      |              |             |
| Trade and other payables falling due within one year | 7    | 1.6          | 1.1         |
| Deferred consideration                               | 8    | 4.3          | –           |
| <b>Total current liabilities</b>                     |      | <b>5.9</b>   | 1.1         |
| <b>Net assets</b>                                    |      | <b>133.0</b> | 49.4        |
| <b>Equity attributable to shareholders</b>           |      |              |             |
| Called up share capital                              |      | 1.9          | 1.7         |
| Share premium  |      | 150.3        | 50.2        |
| Shares to be issued                                  |      | 26.2         | –           |
| Other reserves                                       |      | 13.8         | –           |
| Merger reserve                                       |      | (1.4)        | (1.4)       |
| Share based payment reserve                          |      | 11.8         | 4.2         |
| Accumulated losses                                   |      | (69.6)       | (5.3)       |
|  |      | <b>133.0</b> | 49.4        |

The Parent Company reported a loss for the period of £60.3m (2018: £2.7m).

The financial statements of Blue Prism Group plc were approved and authorised for issue by the Board of Directors on 23 January 2020 and were signed on its behalf by:

**Ijoma Maluza**  
Director

The notes on pages 92 to 94 form part of these financial statements.

# Company Statement of Cash Flows

## for the year ended 31 October 2019

|   | Note | 2019<br>£'m   | 2018<br>£'m   |
|---|------|---------------|---------------|
| <b>Cash flows from operating activities</b>           |      |               |               |
| Loss after tax  |      | (60.3)        | (2.7)         |
| <i>Adjustments for:</i>                               |      |               |               |
| Finance income  |      | (0.6)         | -             |
| Share based payment expense                           |      | 0.2           | 0.2           |
|   |      | (60.7)        | (2.5)         |
| Increase in trade and other receivables               |      | (7.2)         | (10.0)        |
| Increase/(decrease) in trade and other payables       |      | 0.5           | (0.4)         |
| <b>Cash used in operations</b>                        |      | <b>(67.4)</b> | <b>(12.9)</b> |
| <b>Net cash flows used in operating activities</b>    |      | <b>(67.4)</b> | <b>(12.9)</b> |
| <b>Investing activities</b>                           |      |               |               |
| Investment in short term investments                  |      | (20.0)        | -             |
| Acquisition of subsidiary Thoughtonomy                |      | (9.8)         | -             |
| Interest received                                     |      | 0.6           | -             |
| <b>Net cash flow used in investing activities</b>     |      | <b>(29.2)</b> | <b>-</b>      |
| <b>Financing activities</b>                           |      |               |               |
| Issue of ordinary shares                              |      | 103.1         | 41.9          |
| Issue costs   |      | (2.8)         | (1.3)         |
| Repayment of bank loan                                |      | (2.5)         | -             |
| <b>Net cash from financing activities</b>             |      | <b>97.8</b>   | <b>40.6</b>   |
| <b>Net increase in cash and cash equivalents</b>      |      | <b>1.2</b>    | <b>27.7</b>   |
| <b>Cash and cash equivalents at beginning of year</b> |      | <b>36.2</b>   | <b>8.5</b>    |
| <b>Cash and cash equivalents at end of year</b>       | 9    | <b>37.4</b>   | <b>36.2</b>   |

The notes on pages 92 to 94 form part of these financial statements.

## Company Statement of Changes in Equity

### for the year ended 31 October 2019

|   | Share capital<br>£'m | Share premium<br>£'m | Share based payment reserve<br>£'m | Shares to be issued<br>£'m | Other reserves<br>£'m | Merger reserve<br>£'m | Accumulated losses<br>£'m | Total<br>£'m |
|---|----------------------|----------------------|------------------------------------|----------------------------|-----------------------|-----------------------|---------------------------|--------------|
| Equity as at 31 October 2017  | 1.7                  | 9.6                  | 1.3                                | -                          | -                     | (1.4)                 | (2.6)                     | 8.6          |
| Loss and total comprehensive income for the period to 31 October 2018 | -                    | -                    | -                                  | -                          | -                     | -                     | (2.7)                     | (2.7)        |
| Exercise of options   | -                    | 1.9                  | -                                  | -                          | -                     | -                     | -                         | 1.9          |
| Share based payment   | -                    | -                    | 3.0                                | -                          | -                     | -                     | -                         | 3.0          |
| Forfeit of share options  | -                    | -                    | (0.1)                              | -                          | -                     | -                     | -                         | (0.1)        |
| Issue of shares – placing   | -                    | 40.0                 | -                                  | -                          | -                     | -                     | -                         | 40.0         |
| Cost of share issue   | -                    | (1.3)                | -                                  | -                          | -                     | -                     | -                         | (1.3)        |
| Equity as at 31 October 2018 as originally presented                  | 1.7                  | 50.2                 | 4.2                                | -                          | -                     | (1.4)                 | (5.3)                     | 49.4         |
| Impact of initial adoption of IFRS 9                                  | -                    | -                    | -                                  | -                          | -                     | -                     | (4.0)                     | (4.0)        |
| Equity as at 1 November 2018  | 1.7                  | 50.2                 | 4.2                                | -                          | -                     | (1.4)                 | (9.3)                     | 45.4         |
| Loss and total comprehensive income for the period to 31 October 2019 | -                    | -                    | -                                  | -                          | -                     | -                     | (60.3)                    | (60.3)       |
| Exercise of options   | 0.1                  | 3.0                  | -                                  | -                          | -                     | -                     | -                         | 3.1          |
| Issue of shares – placing   | 0.1                  | 99.9                 | -                                  | -                          | -                     | -                     | -                         | 100.0        |
| Cost of placing   | -                    | (2.8)                | -                                  | -                          | -                     | -                     | -                         | (2.8)        |
| Issue of shares – acquisition of subsidiary                           | -                    | -                    | -                                  | -                          | 13.8                  | -                     | -                         | 13.8         |
| Shares to be issued – acquisition of subsidiary                       | -                    | -                    | -                                  | 26.2                       | -                     | -                     | -                         | 26.2         |
| Share based payment   | -                    | -                    | 9.6                                | -                          | -                     | -                     | -                         | 9.6          |
| Forfeit of share options  | -                    | -                    | (2.0)                              | -                          | -                     | -                     | -                         | (2.0)        |
| <b>Equity as at 31 October 2019</b>                                   | <b>1.9</b>           | <b>150.3</b>         | <b>11.8</b>                        | <b>26.2</b>                | <b>13.8</b>           | <b>(1.4)</b>          | <b>(69.6)</b>             | <b>133.0</b> |

The notes on pages 92 to 94 form part of these financial statements.

# Notes forming part of the Company Financial Statements

## for the year ended 31 October 2019

### 1 Accounting policies

The Company has applied the Group accounting policies consistently during the period.

#### Basis of preparation

The financial statements are for the period ended 31 October 2019. The financial statements of the Company have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRS') and their interpretations which have been issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out in note 1 of the consolidated financial statements have been applied in the preparation of these financial statements.

#### Investments

The initial investment arising on the share for share exchange at the IPO was recognised at £nil in accordance with IAS 27.13 as Blue Prism Limited had net liabilities at the date of acquisition. Subsequent investments in subsidiary undertakings are stated at cost less any adjustments for impairment.

#### Impairment of financial assets

Impairment provisions for other receivables and amounts used from Group companies are recognised based on the general impairment models within IFRS 9. Under the general approach, at each reporting date, the Group determines whether there has been a significant increase in credit risk since initial recognition and whether the receivable is credit impaired. This determines whether the receivable is in Stage 1, Stage 2 or Stage 3, which in turn determines the amount of ECL to be recognised i.e. 12-month ECL or lifetime ECL.

#### Changes in accounting policies

##### New standards, interpretations and amendments adopted in these accounts

IFRS 9 Financial Instruments, effective for periods commencing on or after 1 January 2018, has been adopted.

The effects of the implementation of IFRS 9 on the results for the period ended 31 October 2019 are as follows:

- Decrease in open reserves of £4.0m and recognition of £4.0m opening provision for amounts due from Group undertakings.
- Increase in impairment loss on financial assets of £57.7m on the increase in the provision for amounts due from Group undertakings.

IFRS 15 Revenue from Contracts with Customers, effective for periods commencing on or after 1 January 2018, has been adopted. It has no effect on the Parent Company accounts.

##### New standards, interpretations and amendments not yet effective

IFRS 16 Leases, effective for periods commencing on or after 1 January 2019, is not considered likely to have a material impact on the accounts of the Parent Company.

### 2 Loss for the year

As permitted by section 408 of the Companies Act 2006, the Parent Company has elected not to present its own profit and loss account for the year.

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

### 3 Financial instruments – risk management

The use of financial instruments and capital is managed by the Board to reduce the financial risks being faced, which primarily relate to credit and liquidity.

#### Credit risk

Financial instruments which potentially expose Blue Prism to credit risk consist primarily of cash, cash equivalents, short term investments and amounts owing from Group undertakings. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Cash equivalents are deposited only with independent major financial institutions with minimum rating credit of "A".

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital and amounts owed by and due from Group undertakings. It is the risk that the Company will encounter difficulty in meeting its financial obligations, including balances due to wholly owned subsidiaries, as they fall due.

#### Financial instruments by category

##### Financial assets

|                                    | 2019<br>£'m | 2018<br>£'m |
|------------------------------------|-------------|-------------|
| Amounts owed by Group undertakings | 13.0        | 8.2         |
| Other receivables                  | 0.2         | –           |
| Cash and cash equivalents          | 37.4        | 36.2        |
| Short term investments             | 20.0        | –           |
| <b>Total financial assets</b>      | <b>70.6</b> | <b>44.4</b> |



**3 Financial instruments – risk management** continued**Financial liabilities**

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Trade and other payables excluding other tax and social security | 1.6         | 1.0         |
| Deferred consideration   | 4.3         | –           |
| <b>Total financial liabilities</b>                               | <b>5.9</b>  | <b>1.0</b>  |

**Capital risk management**

The Company manages its capital to ensure that it will be able to continue on a going concern basis while maximising its long term return to shareholders. The Company is not exposed to any externally imposed capital requirements and has no borrowings.

**4 Employees**

The average number of employees employed by the Company during the year was:

|  | 2019<br>Number | 2018<br>Number |
|--|----------------|----------------|
| Directors and Company Secretary <sup>1</sup> | 7              | 7              |
|  | 7              | 7              |

1 This includes three Non-Executive Directors and the Chairman.

**5 Investment in subsidiary**

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Cost brought forward at 1 November 2018                          | 4.1         | 1.3         |
| Share based payments during period for employees of subsidiaries | 7.4         | 2.8         |
| Acquisition of subsidiary Thoughtonomy                           | 56.6        | –           |
| Cost carried forward at 31 October 2019                          | <b>68.1</b> | <b>4.1</b>  |

On the 17 July 2019, the Company acquired 100% of the share capital of the Thoughtonomy group.

During the period, the Group incorporated four overseas subsidiaries: Blue Prism Software Canada Inc, Blue Prism FZ-LLC, Blue Prism LLC and Blue Prism AB. The cost of investments represents the cost of the nominal shares acquired and any directly attributable cost of setup.

Details of the Group's subsidiaries at 31 October 2019 are included in note 12 of the consolidated financial statements.

**6 Trade and other receivables**

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Amounts due from Group undertakings      | 13.0        | 8.2         |
| Other taxes and social security          | 0.1         | 1.6         |
| Prepayments and other receivables        | 0.3         | 0.4         |
| <b>Total trade and other receivables</b> | <b>13.4</b> | <b>10.2</b> |

Amounts owed by Group undertakings are repayable on demand and unsecured.

The Company applies the general approach to measuring ECL on other receivables and amounts due from Group undertakings, which uses the three-stage approach for measuring the ECL. Amounts due from Group undertaking have been impaired using the lifetime ECL approach.

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Initial recognition of provision for impairment of amounts due from Group undertakings on adoption of IFRS 9 | 4.0         | –           |
| Increase during the year   | 57.7        | –           |
| <b>Closing provision for impairment of amounts due from Group undertakings</b>                               | <b>61.7</b> | <b>–</b>    |

# Notes forming part of the Company Financial Statements continued

## for the year ended 31 October 2019

### 7 Trade and other payables

|                                       | 2019<br>£'m | 2018<br>£'m |
|---------------------------------------|-------------|-------------|
| Trade payables                        | 0.4         | 0.1         |
| Other payables                        | 0.3         | 0.1         |
| Accruals                              | 0.9         | 0.8         |
| <b>Total trade and other payables</b> | <b>1.6</b>  | <b>1.0</b>  |

Amounts payable to Group undertakings are repayable on demand and unsecured.

### 8 Deferred consideration

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Deferred consideration – cash                 | 4.3         | –           |
| <b>Total deferred consideration liability</b> | <b>4.3</b>  | <b>–</b>    |

Details of deferred consideration are included in note 25 of the consolidated financial statements.

### 9 Cash, cash equivalents and short term investments

Cash and cash equivalents for purposes of the statement of cash flows comprises:

|  | 2019<br>£'m | 2018<br>£'m |
|--|-------------|-------------|
| Cash at bank available on demand                   | 21.4        | –           |
| Short-term deposits – maturing within three months | 16.0        | 36.2        |
| <b>Total</b>                                       | <b>37.4</b> | <b>36.2</b> |

### Short term investments are readily convertible to cash:

|   | 2019<br>£'m | 2018<br>£'m |
|---|-------------|-------------|
| Short term deposits – maturing within 12 months | 20.0        | –           |
| <b>Total short term investments</b>             | <b>20.0</b> | <b>–</b>    |

### 10 Related party transactions

Blue Prism Group plc has a related party relationship with its subsidiaries and with its Directors and members of key management. There are no transactions with related parties who are not members of the Blue Prism Group. The remuneration paid to members of key management is disclosed within note 7 of the consolidated financial statements and remuneration of individual Directors is disclosed within the Directors' Report.

The following balances, net of provisions are due from wholly owned subsidiaries at the period end:

|                          | 2019<br>£'m | 2018<br>£'m |
|--------------------------|-------------|-------------|
| Blue Prism Limited       | 11.1        | 8.0         |
| Blue Prism Software Inc. | –           | 0.2         |
| Thoughtonomy Ltd         | 1.4         | –           |
| Thoughtonomy Inc.        | 0.5         | –           |
|                          | <b>13.0</b> | <b>8.2</b>  |

During the year, the Company had the following expenses recharged from/(to) wholly owned subsidiaries as follows:

|                          | 2019<br>£'m  | 2018<br>£'m |
|--------------------------|--------------|-------------|
| Blue Prism Limited       | (1.5)        | –           |
| Blue Prism Software Inc. | –            | 0.1         |
|                          | <b>(1.5)</b> | <b>0.1</b>  |

## Company Information

### Company number

09759493

### Directors

#### Name

Jason Kingdon  
Alastair Bathgate  
Ijoma Maluza  
Ken Lever  
Chris Batterham  
Charmaine Eggberry

#### Position

Executive Chairman  
CEO and Founder  
CFO  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

### Company Secretary

John Warrick

### Registered office

2 Cinnamon Park  
Crab Lane  
Fearnhead  
Warrington  
WA2 0XP

### Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Registrars

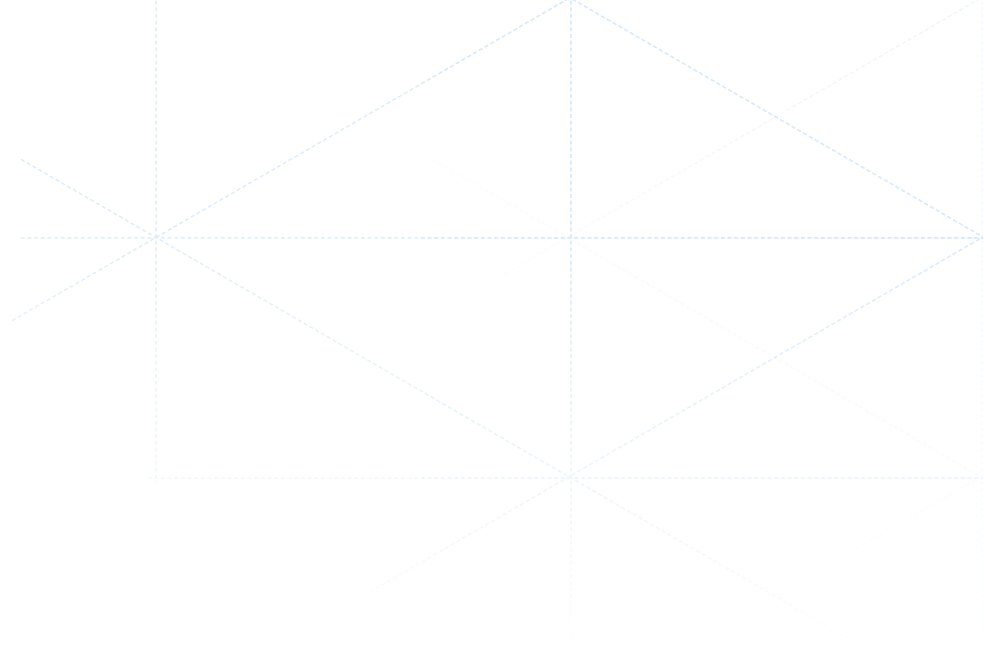
Link Market Services Ltd  
The Registry  
34 Beckenham Road  
Beckenham  
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BR3 4TU

### Financial PR

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200 Aldersgate  
Aldersgate Street  
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EC1A 4HD

### Nominated advisor and broker

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