JASON KINGDON, EXECUTIVE CHAIRMAN, COMMENTED:

"We have made excellent progress in operations and financial performance during 2019, with revenue and MRR exceeding the levels guided to in our trading update in November. Our enterprise customer base has grown significantly and our track record of upselling remains very encouraging. This upselling capability generated record quarters in each of our key geographies in the second half of the year, with increases in both volume and sizes of upsells. The increasing momentum we have seen as the year progressed reflects the investments we made during 2018 and we expect this to continue, as our 2019 investment programme begins to show returns. Following this investment the business is well positioned to take advantage of the significant opportunity its enterprise focused RPA represents. Blue Prism's differentiated role as the partner for enterprise grade RPA is increasingly demonstrated by our high quality customer base and this underpins our confidence in the future."

FINANCIAL HIGHLIGHTS £M	FY 2019	FY 2018
Group revenue	101.0	55.2
Exit monthly recurring revenue (MRR)	10.6	6.2
Recurring licence revenues	96%	94%
Adjusted EBITDA loss*	(71.9)	(21.6)
Operating cash flow	(57.9)	(5.4)
Net cash**	74.1	50.5

*Adjusted EBITDA loss is EBITDA loss adjusted to exclude share-based payments, exceptional expenses and foreign exchange (losses)/gains.
**Cash includes cash on deposit classified as short term investments.

OPERATIONAL HIGHLIGHTS

- Revenues increased by 83% to £101m
- Strong H2 sales performance generated a closing MRR ahead of levels indicated at November trading update.
    - Closing MRR at 31 October 2019 was £10.6m (£9.9m excluding Thoughtonomy)
    - Underlying growth in MRR of £3.7m on 2018; underlying growth of £2.3m in the second half of 2019
- Investments made across 2018 driving growth
    - Closing customer base of 1,677 (2018: 971)
    - 1,139 upsells into 544 customers during 2019 (2018: 723 upsells)
    - Impressive net retention rate of 143% (measures revenue from customers a year ago, plus revenue gained from upsells, net of revenue lost)
- 2019 investment programme is now complete and should start to drive increased revenue in 2020 and beyond
- Digital Exchange (DX) continues to be central to Blue Prism's role as a digital backbone, enabling AI deployments; over 11,000 users registered during the year
- Significant product launches during the year
    - Versions 6.5 & 6.6 available in the year
    - Launch of Learning edition, and multi environment trial editions to promote easier access
- Thoughtonomy, acquired in July 2019, integrated into the product stack and integral in the launching of hybrid and multi environments in November 2019. Now rebranded as part of Blue Prism Cloud
- Blue Prism continues to be ranked a strong market leader by industry analysts, differentiated by its clear enterprise focus
- Jason Kingdon returned to the role of Executive Chairman in October 2019, drawing on his significant experience in commercialising AI
- Closing MRR and the impact of 2018 & 2019 investments provide the Board confidence in 2020 revenue outlook

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FINANCIAL CALENDAR

Half year results 18 June 2020

ANALYST PRESENTATION

Jason Kingdon (Executive Chairman) and Ijoma Maluza (CFO) will host a webinar on these results at 2pm GMT today. A link to the webinar and to register can be found below. A question and answer session will be hosted during the webinar and to participate attendees will need to dial in.

Phone number: +44 (0)330 336 9411
Confirmation code: 6386023

Phone lines will open at 13.45 GMT

To view slides and join the audio webcast please use the following link:
https://webcasting.brrmedia.co.uk/broadcast/5e14783cfb21a407ce74b8bb

RESULTS FOR THE YEAR ENDED 31 OCTOBER 2019

GROUP OPERATIONAL PERFORMANCE

Group revenue increased 83% and the monthly recurring revenue (MRR) generated at the end of October was £10.6m, an increase of 71% on FY18 (an increase of 60% on 2018 when MRR contributed via the Thoughtonomy acquisition is excluded). This strong financial performance was generated by an increase in sales volumes, in particular in upsells, where the Group worked with its existing customer base to unlock further revenues. This performance was largely second half weighted. Average deal sizes reduced at the start of the year, largely as a result of the impact of the one-year-one-digital-worker commercial framework. This was introduced in Q4 of 2018 and drove increased sales volumes, in particular with new customers, but reduced average deal sizes as detailed in the interim results. In the second half strong upselling in both quantity and size meant that average deal sizes increased significantly, resulting in a strong close to the year.

Total business (which measures the total contract value from new customers, upsells and renewals generated over the period) was £181m (2018: £143m). There was a significant increase in total business won in the second half of the year, with increases in the volume and size of upsells driving the £115m won during the second half.

In January 2019 the Group raised £100m (before expenses) to accelerate its investment plans, capitalise on the market opportunity and reinforce its status as the leading provider of enterprise grade RPA. The investments made during the year allowed the Group to continue to expand globally via spend in sales and marketing, and to strengthen its proposition through continued product development. These investments were made across the 2019 financial year, with the profile of the spend weighted toward the second half. Adjusted EBITDA losses increased to £(71.9)m (FY18: £(21.5)m) as a result of these investments.

The reported operating loss was £(81.4)m (FY18: £(26.0)m).

CUSTOMERS

The Group closed the financial year ended 31 October 2019 with a significantly increased customer base of 1,677 customers. The majority of the additions made during the year were enterprise scale businesses. The customer base represents a significant opportunity for the Group, with the largest customers increasingly providing a blueprint for other customers to scale and the Group's continued track record in upselling underpinning this opportunity further.

SALES HIGHLIGHTS	FY19	FY18
Opening customers	992	477
Adjustments	(21)	-
Revised opening number[1]	971	477
Losses during the year	(40)	(13)
Acquired with Thoughtonomy	76	-
Additions during the year	670	528
Closing customers at 31 Oct	**1,677**	**992**
Upsells during the year	1,139	723

[1] In light of the Thoughtonomy acquisition the Group reviewed customer definitions for consistency and duplication of customers in both the Blue Prism and Thoughtonomy customer base. The 2019 opening customer number was adjusted by 21 to reflect this.

Blue Prism had 1,677 customers at 31 October 2019, an increase of 73% on the previous year. Notable new logos included Audi, Amazon, Bank of China, Consolidated Edison, the International Monetary Fund, L'Oreal and the United States Department of Justice. As expected, the average size of a new customer by Digital Worker during the period was 4, a decrease from 5 in 2018. The smaller initial uptake was driven by the one-year-one-Digital-Worker contract terms, launched in Q4 of 2018. Continuing the progress made with the existing customer base during 2019, the Group aims to unlock significant further value from these new customers with each representing potential to be upsold in future periods.

Excluding Thoughtonomy, Blue Prism upsold 1,131 times into 536 customers. These upsells represented 72% of the MRR generated in the period.

During the period the Group delivered very strong upselling across its largest customers, with 39 of its top 50 customers by revenue upselling. The Group's top 50 customers have an average of over 400 Digital Workers deployed and account for 38% of underlying MRR. The Group views the top 50 customers as a blueprint for the remaining and new customer base.

The Group also delivered significant progress across all other cohorts. In particular, its smallest and least mature customers, the one-year-one-Digital-Worker cohort, showed good early signs of progress, with 38% of the Q4 of 2018 cohort upselling by the end of Q4 of 2019. The Group retained 80% of this Q4 cohort (on a customer basis) during the year, which was ahead of its expectations. The Board continues to believe that these smaller customers represent a larger retention risk than its remaining customer cohorts.

Customer retention remained very strong, with minimal revenue attrition during the year driving a gross retention rate of 99.3%. Net revenue retention, which takes into account the prior year revenue, less any revenue churn and in addition of any upselling activity was also very strong at 143%.

On a customer logo basis the Group renewed 198 customers out of 238 possible renewals. Excluding the one-year-one-Digital-Worker cohort the Group renewed 150 logos of 170 possible renewals.

PEOPLE

Recruitment was a core part of the Group's investment programme in 2019. Increasing sales and marketing headcount was a particular focus to strengthen resource and ensure communication of the Group's differentiation in its marketplace via its enterprise grade RPA.

Over the year headcount increased by 113%. The breakdown by function at the close of the period was:

NUMBER OF EMPLOYEES	FY19	FY18
General & administrative	112	58
Sales & marketing	559	279
Professional services	191	90
Product	139	42
Total	**1,001**	**469**

Sales & Marketing headcount increased by 100% during the period. The Group invested across the various roles within the sales and marketing team (end user sales, partner management, technical sales and marketing specialists) as well as across its three key geographical regions. Having seen a decline in productivity in the first half of the year, mainly as a result of the introduction of the one-year-one-Digital-Worker contract size, the Group saw some recovery in underlying productivity in the second half of 2019. The Group expects a general trend of productivity improvement in 2020 to drive revenue growth and cash generation.

Across the year the Group has also invested in a Customer Success function, which engages with partners and customers to help unlock the full value from the Group's Digital Workforce. This is intended to complement the sales approach by increasing post sale contact to minimise attrition and maximise upselling potential.

During 2019 the Group has also made key Executive recruits in order to build a leadership team to support the size and growth rate of the organisation. New hires were made in the Chief Sales Officer, Chief Customer Officer and Chief People Officer roles, with continued strengthening of the leadership team planned. In October 2019 Jason Kingdon also returned to his role as Executive Chairman (a post he had occupied prior to IPO). The Board believe Jason's knowledge and experience, particularly in commercialising AI (artificial intelligence) will be a significant asset as the Group continues to grow.

PRODUCT

Blue Prism has focused on enterprise grade RPA from inception and was built on three core principles – that it is business led, controllable, and embeds intelligence. Adherence to these principles has delivered a product that is secure and scalable, particularly with regards to the number and frequency of transactions, and the complexity of processes that can be automated.

Blue Prism's connected-RPA is an intelligent RPA platform that combines advanced technologies with a community of experts, researchers and providers. Product development and R&D is focused on advancing connected-RPA via developments in human and digital interaction, investing into cloud capabilities and further embedding intelligence into the product.

As a result of this focus the Group made several significant updates to the product during 2019. Version 6.5, launched in the second quarter offered full Japanese and simplified Chinese language capabilities, improved data gateways, work queue snapshots and integration of Thoughtonomy. It also introduced the first cloud trial version of the product, in Microsoft Azure.

Version 6.6 was launched in the third quarter of 2019 and introduced features to improve US Federal compliance and database maintenance. It also broadened accessibility with a free on-premise trial version, a learning edition to encourage citizen developers and Blue Prism University, an online learning platform.

The Group also upgraded the Digital Exchange, with version 2 launched in May 2019. This included the direct download of Blue Prism and allowed discrete private areas for organisations to share automations between users. The download feature is the first step toward full ecommerce capability across assets advertised on the DX. The DX is central to Blue Prism and helps customers access true connected-RPA by providing access to its technology partnerships and their ecosystems.

Acquisition of Thoughtonomy

In July 2019 Blue Prism acquired the entire issued share capital of Thoughtonomy for an aggregate consideration of £56.6m (the valuation takes into account the fair value of shares issued at 19th July 2019 (the date of the transaction)).

Thoughtonomy is one of the most advanced RPA cloud products available. It is a software-as-a-service (SaaS) based product and cloud services business that combines Blue Prism's connected-RPA platform alongside additional embedded and integrated artificial intelligence (AI) and cloud capabilities, including Computer Vision, Natural Language Processing and Machine Learning to provide a cloud-based, on-demand, intelligent automation platform. Additional features include ready-to use channel interfaces such as chatbots and web-forms and an integrated AI-enabled digital workforce manager.

Blue Prism anticipates that cloud-based RPA deployments will in time become increasingly required by enterprise users. Whilst the Group had numerous cloud-based deployments of its enterprise solution for some time, the development of cloud-based products to further address the market requirements is a clear part of its product roadmap. The acquisition of Thoughtonomy allowed the launch of multiple and hybrid deployment capabilities in November 2019 and in January 2020 allowed the introduction of several SaaS based capabilities, formerly part of

Thoughtonomy, to the whole customer base. These included an improved control centre, extra human in the loop features and improved productivity tools. Thoughtonomy's software and capabilities have been rebranded as part of Blue Prism Cloud.

MARKETPLACE

The profile of the RPA market has increased over 2019. Industry participants, including Blue Prism, have recognised the market potential and have invested significant sums in growth initiatives to capitalise on this. Industry analyst coverage has also increased, with Gartner launching its first Magic Quadrant in July 2019. Blue Prism was ranked as market leader in this report, alongside UI Path and Automation Anywhere, and the majority of market coverage and commentary has focused on these three market leaders. Blue Prism believes that its approach, which is centred in enterprise grade RPA and has focused on scaling enterprise customers from inception, provides a high level of differentiation from its competitors, whose product focus began with decentralised desktop RPA.

Analyst estimates for market size vary but consensus is it remains in its infancy with many customers still early in their deployments. Expectations are that the market will accelerate, with HfS forecasting a total market size of $10.2bn by 2022. With a majority of RPA customers in the overall marketplace currently having small RPA deployments, some commentators have raised concerns around scalability, which is required for the market to reach its full potential. From inception Blue Prism has focused its product offering on enterprise grade RPA which requires scalability at its core, and it has supported and focused customers on building the organisational capability and infrastructure required to scale with initiatives such as its Robotic Operating Model offered at whatever level a customer's initial deployment of Digital Workers may be.

As a result, the Group is pleased to note that some of its customers are automating significant volumes of transactions via increasingly complex processes. Notable examples include

- John Lewis, a UK based retailer, who were able to automate price matching and forensic fraud checks which saved 162 days of employee time during the Black Friday week alone
- H&R Block, a US based tax preparation company who use the Digital Workforce to smooth seasonal demand and by doing so have reduced calls to their call centre by 50%
- The University of Sydney who have automated processes ranging from responding to routine helpdesk enquires to ordering hazardous materials, have returned 20,000 hours to employees since implementing in 2018.

STRATEGY

The Group's strategy has been designed to enhance its position as a leader in the rapidly growing RPA market. Its key strategic goals are:

- *New customers:* The Group has a market leading product and wants to ensure it brings this to a wide customer base from which to upsell
- *Increase business with our existing customers:* RPA is most effective when deployed enterprise wide. Blue Prism's product, sales, marketing and approach have all been designed to embrace scalability and realise this opportunity via continued upselling into the existing customer base.
- *Renewals:* Blue Prism aims to have long-term relationships with customers, with low customer attrition

OUTLOOK

During 2019 the Group has significantly grown its customer base and its track record of upselling remains very strong. In the second half of 2019 it saw record quarters across each of its key geographies, with the momentum beginning to reflect the 2018 investment programme. The benefits of the 2019 investments should begin to come through during 2020 and taken together, the 2018 and 2019 investments position the Group well to capitalise on the opportunity that its enterprise focused RPA presents.

This encouraging backdrop, and the exit monthly recurring revenue generated during 2019 provides the Board with confidence in meeting its expectations for the 2020 financial year.

The 2019 investment programme will begin to deliver the expected long-term returns during the course of 2020 and the Board now anticipates profit performance of the Group to be slightly better than its previous expectations for the current financial year. The Board anticipates a reducing cash burn starting from the first half of the year and plans to be broadly cash neutral in the second half of the year as the benefits of the 2019 investments progress.

TRADING PERFORMANCE

IFRS 15

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

	FY 2019 (IAS 18)	IFRS 15 IMPACT	FY 2019 (IFRS 15)
Revenue	96.8	4.2	101.0
Operating loss	(101.6)	20.2	(81.4)

In the full year 2018 results in January 2019 the Group flagged that IFRS 15 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 the statement discusses performance on an IFRS 15 basis for FY 2019 and IAS 18 for FY 2018.

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 and 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 monthly exit run rate is the amount of recurring revenue at the last month of the reporting period. The metric, and its comparator, 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 revenue by region were as below

	FY 2019		FY 2018		% MOVEMENT
	£M	% OF TOTAL	£M	% OF TOTAL	
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%

The acquisition of Thoughtonomy, completed in July 2019, contributed £0.8m in revenue. The total consideration amounted to £56.6m amounting to £16.6m in cash and £40.0m in shares to be issued. This valuation takes into account the fair value of the shares issued at the 19th July 2019 (the date of the transaction close)

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.

Operating expenses were in the following categories

£m	FY19	FY18
General & Administrative	32.8	12.5
Professional services	20.3	7.5
Sales & Marketing	106.6	53.1
Research & Development*	6.6	4.0
Total operating expenses	**166.3**	**77.1**
Share based payments	7.2	4.0

*£4.6m of R&D was capitalised, bringing total R&D spend in 2019 to £11.2m

CASH FLOW

Cash and cash equivalents at the period end were £74.1m (31 October 2018: £50.5m). The increase relates to the net proceeds from the £100m fundraising in January 2019 and underlying cash generation, net of the investments in the Group's international growth strategy and the acquisition of Thoughtonomy.

Cash outflow from operating activities was £(57.9)m. Underlying EBITDA of £(71.9)m was offset by a £13.8m inflow from movements in working capital. Deferred revenue has increased by £25.3m in the year.

The outflow was driven by investments in the Americas, 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 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 well as some significant product innovations. These costs are being amortised over 18 months.

PRINCIPAL RISKS & UNCERTAINTIES

In day to day operations the Group faces risks and uncertainties. The Board aim to mitigate and manage these risks by regularly reviewing and assessing these risks and identifying suitable strategies to minimise the risks. The risks and mitigation strategies are described in more detail in the Annual Report and Accounts and a summary of the key risks is presented below:

- Growth strategies and management
- Dependence on channel partners
- Software reliability and performance
- Security breaches
- Market and technological changes
- Talent management
- The United Kingdom's anticipated withdrawal from the European Union
- Intellectual property

Alastair Bathgate, CEO

Ijoma Maluza, CFO

	2019 £'m Total	2018 £'m Total
Revenue	101.0	55.2
Cost of sales	(8.5)	-
Gross profit	92.5	55.2
Operating expenses	(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	(0.7)	(0.1)
Other operating income / tax credits	0.3	-
Operating loss	(81.4)	(26.0)
Interest received on bank deposits	0.7	-
Loss before tax	(80.7)	(26.0)
Income tax credit / (expense)	2.5	(0.2)
Loss after tax	(78.2)	(26.2)
Other comprehensive income/(loss)		
Exchange gains / (losses) on translation of foreign operations	1.8	(0.7)
Total other comprehensive income/ (loss)	1.8	(0.7)
Total comprehensive loss for the year	(76.4)	(26.9)
Basic and diluted loss per share attributable to shareholders (p)	(104.96)	(39.96)

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

	2019 £'m	2018 £'m
Cash flows from operating activities		
Loss after tax	(78.2)	(26.2)
Adjustments for:		
Amortisation of intangible fixed assets	1.8	0.1
Depreciation of property, plant and equipment	0.5	0.3
Loss on disposal of property, plant and equipment	0.2	-
Finance income	(0.7)	-
Share-based payment expense	7.6	3.0
Income tax (credit) / expense	(2.5)	0.2
	(71.3)	(22.6)
Increase in trade and other receivables	(11.5)	(13.1)
Increase in cost to obtain contract assets	(16.0)	-
Increase in trade and other payables	18.5	9.7
Increase in deferred revenue	22.8	20.6
Cash used in operations	(57.5)	(5.4)
Income taxes paid	(0.4)	-
Net cash flows from operating activities	(57.9)	(5.4)
Investing activities		
Payment of software development costs	(4.6)	(0.3)
Purchases of property, plant and equipment	(1.3)	(0.8)
Investment in short term investments	(28.6)	-
Acquisition of subsidiary Thoughtonomy, net of cash acquired	(10.4)	-
Repayment of bank loan	(2.5)	-
Interest received	0.7	-
Net cash used in investing activities	(46.7)	(1.1)
Financing activities		
Issue of ordinary shares	103.1	41.9
Issue costs	(2.8)	(1.3)
Net cash from financing activities	100.3	40.6
Net increase / (decrease) in cash and cash equivalents	(4.3)	34.1
Cash and cash equivalents at beginning of year	50.5	16.3
Effect of foreign exchange on cash and cash equivalents	(0.7)	0.1
Cash and cash equivalents at end of year	45.5	50.5

	Share capital £'m	Share premium £'m	Share based payment reserve £'m	Shares to be issued £'m	Other reserves £'m	Foreign exchange reserve £'m	Merger reserve £'m	Accumulated losses £'m	Total equity £'m
Equity as at 31 October 2017	1.7	9.6	1.3	-	-	0.3	0.4	(18.1)	(4.8)
Comprehensive loss for 2018									
Loss after tax	-	-	-	-	-	-	-	(26.2)	(26.2)
Other comprehensive loss	-	-	-	-	-	(0.7)	-	-	(0.7)
Total comprehensive loss for the year	-	-	-	-	-	(0.7)	-	(26.2)	(26.9)
Contributions by and distributions to owners									
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)
Equity as at 31 October 2018 as originally presented	1.7	50.2	4.2	-	-	(0.4)	0.4	(44.3)	11.8
Impact of initial adoption of IFRS 9 and 15	-	-	-	-	-	-	-	12.2	12.2
Equity as at 1 November 2018	1.7	50.2	4.2	-	-	(0.4)	0.4	(32.1)	24.0
Comprehensive loss for 2019									
Loss after tax	-	-	-	-	-	-	-	(78.2)	(78.2)
Other comprehensive income	-	-	-	-	-	1.8	-	-	1.8
Total comprehensive loss for the year	-	-	-	-	-	1.8	-	(78.2)	(76.4)
Contributions by and distributions to owners									
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)
Equity as at 31 October 2019	**1.9**	**150.3**	**11.8**	**26.2**	**13.8**	**1.4**	**0.4**	**(110.3)**	**95.5**

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 2006 Companies Act 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 judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

All figures presented are rounded to the nearest £m to 1 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 *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. IFRS15 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 the following page.

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 to obtain contract assets amortisation moved from operating expense to cost of sales giving rise to a reduction in operating expenditure.

1 Accounting policies *(continued)*

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 obligations

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 this 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 that 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.

Under previous accounting policies, the Group recognises 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 all 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 customer contracts

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 period depends 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.

1 Accounting policies *(continued)*

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

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

Quantitative impact of policy changes on consolidated income statement

	Statutory as reported under IFRS 15	Impact of IFRS 15	Statutory under IAS 18
	£m	£m	£m
Revenue	101.0	(4.2)	96.8
Operating loss	(81.4)	(20.2)	(101.6)

1 Accounting policies *(continued)*

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 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 estimated 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 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 2006 Companies Act applicable to companies reporting under IFRS.

1 Accounting policies *(continued)*

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 a 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 over the licence term as the other performance obligations are satisfied.

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 consumed over the contract term. Revenues from upgrade and support services are recognised on a straight line 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.

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 commission paid to sales personnel. Costs which are incremental to sales and IFRS 15 performance obligations are included in cost of sales.

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 invoiced in advance for the full contract term and if this were greater than one year, consideration would be given as to whether there was a financing component of the given contract.

1 Accounting policies *(continued)*

Foreign currency

The consolidated financial statements are presented in sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

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.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in profit or loss for the period.

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 foreign exchange reserve.

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

Short term investments on deposit with longer term maturities is classified as short term investments and is readily available if the interest earnt is waived.

Short term investments are readily convertible to cash if the interest earnt is waived.

Financial assets

The Group classifies its financial assets in the following categories:

(i) Fair value through profit and loss (FVTPL),
(ii) Financial assets at amortised cost and
(iii) Fair value through other comprehensive income (FVTOCI).

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.

1 Accounting policies *(continued)*

Impairment of financial assets
Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses (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 expected credit loss 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.

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 liable 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.

1 Accounting policies *(continued)*

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. The deferred tax assets and liabilities are not discounted.

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.

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;
- 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.

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.

1 Accounting policies *(continued)*

Criteria for recognition of software development costs (continued)

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. The Group currently only has internally generated intangible assets with finite lives.

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 distinguished 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 Group.

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 stand alone value.

In the absence of directly observable and stand-alone 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 stand-alone 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 lifecycle, and to take into account specifics of the business as a whole.

Cost to obtain contract assets

Cost to obtain contract assets primarily consists of sales commissions earned by the Group's sales personnel. Differences between IFRS 15 and previous accounting policy are set out in note 1.

The capitalised 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 are typically three years. Amortisation of the cost to obtain contract assets is reported within cost of sales.

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 costs attributed to research and development costs is that of payroll, with 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.

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 the findings of an independent valuer. The excess of the consideration transferred over the fair value of the identifiable net assets is recorded as goodwill.

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

Goodwill 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 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 £'m	2018 £'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	-
Total financial assets	111.9	73.5

Financial liabilities

	2019 £'m	2018 £'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	-
Total financial liabilities	42.5	17.8

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:

3 **Financial instruments - Risk management** *(continued)*

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% strengthening £'m	10% weakening £'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.