

Thunderhead (One) Ltd.

Annual Report and Financial Statements

Period Ended

31 January 2019

Company Number 08115007



Thunderhead (One) Ltd.

Company Information

Directors	G R Manchester J S Bodha
Registered number	08115007
Registered office	Ingeni Building 17 Broadwick Street Soho London W1F 0DJ
Independent auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

Thunderhead (One) Ltd.

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Thunderhead (One) Ltd.

Strategic Report For the Period Ended 31 January 2019

Principal activity

The principal activity of the Company is the development of enterprise-class computer software for intent-driven customer engagement, licensed and delivered on a Software-as-a-Service (SaaS) basis using cloud computing facilities and the worldwide internet. The Company is a market pioneer and leader in AI technology for Customer Journey Orchestration, Audience Analytics and Customer Engagement. The technology is developed at the Company's R&D centre near Boston USA and is based on its own Intellectual Property and protected by patents. Currently, the Company's core product is the ONE Engagement Hub (ONE) which is an enterprise-class solution targeted at the Chief Marketing Officer and Customer Experience (CX) Leader. A second new product, Intent Analyzer, has been announced: this is a product that extends the AI and analytics capability of ONE, and is discussed later in this report.

The Market Opportunity

The total addressable market for Customer Engagement, estimated to exceed \$100bn by 2022, has been created by the momentum of the digital economy driven by accelerating change in information economics and business model innovation. This has fundamentally changed the dynamics of the relationship between brands and their customers. At the heart of this transformation is a shift to a customer-centric operating model, with brands enabled by AI powered engagement technology getting closer to knowing and understanding their customers intent and able to respond in real time to their needs. The economic value of this customer-led transformation is seen very clearly in the success of the subscription economy, access economy and direct-to-consumer brands. The Company believes all brands, not just disruptors, can make the shift to a customer-centric operating model to deliver exceptional customer lifetime value. An important catalyst for this shift is the problem of consumer trust, including the increasing regulation of consumer privacy and the use of personal information (such as GDPR in Europe and CCPA in California). Brands are seeing this as an opportunity to build competitive advantage by rethinking the way they approach marketing and advertising.

The Company is scaling through both direct channel sales as well as strategic partnerships with tier 1 technology vendors, global digital marketing agencies as well as digital practises of global consultancies, in order to meet the escalating demand for its market leading technology.

Thunderhead's Technology

ONE is a new generation of cloud technology unencumbered by legacy constraints designed to deliver Customer Engagement anchored in seamless omni-channel conversations and dynamic customer journeys across all organisational silos and touchpoints, including marketing, ecommerce, sales and service. The nature of the solution has demanded a radically different approach that goes well beyond what the current state of marketing technology is able to provide. With this vision the Company has designed and built ONE with clean-sheet thinking and the latest advances in technology, especially AI. This has required front-loading of several years of investment in R&D and engineering which is now delivering exciting results.

Thunderhead (One) Ltd.

Strategic Report (continued) For the Period Ended 31 January 2019

Business Review and Key Performance Indicators

This period has been one of consolidation and momentum, closing with over 65 global enterprise brands as customers, and a growing \$100M+ pipeline. The Company has performed well in each of its key regions: North America, EMEA, and APAC. Its direct channel has driven significant business, accelerated by partnerships with major global digital agencies and consulting practices.

Over the period, the Company has invested heavily in developing its Customer Success program to maximize the proven value customers derive from using its products and services. The company maintains close relationships with its customers, through its Customer community programme, Quest. The comprehensive programme encompasses a series of customer forum events, webinars, advisory groups and regular communications.

The Company undertook a review of its corporate income tax strategy, planning for a possible departure of the European Union (EU) by the United Kingdom and to establish a scalable operating framework that supports business growth domestically, within the EU and with the rest of the world. The outcome of the review was a change to the group transfer pricing policy resulting in a marked increase in intercompany costs received during the period to £16.7M (2017: £4.7M).

Salesforce Partnership

In addition to strong direct channel sales, a key driver of the Company's growth and market impact through 2018 was its highly productive non-exclusive OEM partnership with Salesforce. Salesforce is the number one world-wide CRM platform provider, with a dominant 19% share of the global CRM market. The partnership, which was formed in late 2017 and discussed in detail in the Company's 2017 report, enables Salesforce to sell Thunderhead's technology, branded as 'Interaction Studio', with seamless integration into the Salesforce platform.

As noted in last year's report, the Salesforce partnership is an unprecedented commercial opportunity for the Company, providing access to major global accounts across a range of industry verticals, and helping to accelerate the adoption of Thunderhead's technology as the industry standard for Customer Engagement.

Following Salesforce's announcement of general availability in June 2018, Thunderhead had, by the end of January 2019, built a US\$100M+ pipeline, becoming a core component of the Salesforce Marketing Cloud business strategy, a testament to the market impact of the partnership.

In addition, while originally offered as part of Salesforce's Marketing Cloud, the value of the Company's technology in reaching across all Salesforce's core application clouds (fulfilling its true mission as an omni-channel engagement solution) has quickly become apparent. The Company's technology fills a strategically important gap in the Salesforce portfolio and has enabled Salesforce to improve its competitive positioning in several key areas as reported by industry analysts.

The commercial value of the relationship is important to both partners. The joint solution will help accelerate the growth of Salesforce's B2C business and immediately strengthens their positioning of the Marketing Cloud.

Thunderhead (One) Ltd.

Strategic Report (continued) For the Period Ended 31 January 2019

Broadening Reach Through Partners

As well as the Salesforce partnership, the Company developing selected strategic partnerships:

- other tier 1 technology vendors who can provide rapid access to global enterprise house accounts, enabling rapid adoption and scaling of our technology
- global digital marketing agencies are taking the lead in performance marketing and customer engagement practice and working with these organisations is a key focus for the Company: partners include marketing data agency Merkle-DSG (part of the Dentsu Aegis Global Advertising Agency) and Proximity;
- established global digital practices at consultancy firms including Accenture, CapGemini, Deloitte, KPMG, EY and PwC; and
- A range of regional boutique and specialized agencies across Europe and North America.

Market highlights for 2019

Through the period ending 31 January 2019, the Company enjoyed outstanding growth and sales momentum, establishing itself in APAC and continuing its successful drive in Europe and North America. The market forces driving demand for journey orchestration and omnichannel engagement are ramping significantly, creating major opportunities for the Company, with customer wins representing global brands across a wide range of industry verticals including Financial Services, Automotive, Sports, Telco, Retail, Utilities and Travel.

Innovation and Industry Recognition

The Company pioneered the Customer Engagement market and continues to invest heavily in research and development. Its technology vision and thought leadership consistently attract industry recognition. Concepts that the Company has pioneered, such as the 'Customer Engagement Hub' and 'Customer Journey Analysis and Orchestration' have matured in 2018 to become key concepts of the CRM and Marketing world.

Analyst coverage of the Company has been extensive throughout the year. During the year Gartner profiled the Company in its reports on customer journey analytics, machine learning for journey optimization, digital marketing analytics, and multichannel marketing hubs. Meanwhile, Forrester published extensively on the topic of the customer journey, with the Company being featured in at least ten research reports, and designated outright leader in Forrester's 2018 WAVE research on customer journey visioning and orchestration. In addition, Forrester featured the Company in research on cross-channel campaign management, real-time interaction management, experience design and measurement, and IoT (Internet of Things).

In January, the Company was announced as a 2019 CRM Watchlist Winner. This coveted industry award recognizes the companies that are having the most impact on the customer-facing technology world and is conducted by leading CRM industry analyst Paul Greenberg. In the announcement it was noted that the Company was the only Watchlist candidate offering an actual Journey Orchestration solution to the market.

Thunderhead (One) Ltd.

Strategic Report (continued)
For the Period Ended 31 January 2019

New Ground-breaking Technology - Intent Analyzer

The Company continues to push the boundaries of technology and AI to reveal and leverage a deeper understanding of customer behaviour. In January 2019, the Company announced general availability of its latest innovation, Intent Analyzer. The result of several years of intensive research and development, and already proven with pilot customers, Intent Analyzer is a new component for the ONE platform, working seamlessly with the ONE Engagement Hub. It uses machine learning and other AI techniques to automate the real-time analysis of billions of time-based touchpoint interactions to reveal patterns of intent in customer behaviour and journeys. It allows Marketing and CX practitioners to analyze and act on behaviour and intent in real-time and at unprecedented scale.

Intent Analyzer addresses a major problem with AI and data science practice today by providing a break-through in usability and accessibility, directly empowering business users and radically improving productivity by minimising reliance on AI and data specialists.

Early projects with a North American retail brand, a global Telecommunications company, a global Automotive brand, and a major North American sports franchise, have all delivered impressive results, and the release of Intent Analyzer is generating keen interest with partners, customers, and prospects.

Looking forward to the Next Year

In summary, the period reflected a year of inflection in growth and market opportunity. The combined impact of the Company's innovation and enterprise-class product engineering, together with its ability to address a wide range of vertical markets in Europe, APAC and the Americas through its own direct channels and partner networks is significant enough; however, with the Salesforce partnership now in place and ramping aggressively into 2019 with a pipeline of large global enterprise accounts, the Company is confident the ensuing year will be one of unprecedented growth and opportunity as it continues to lead the market for Customer Engagement.

This report was approved by the board on 21st October 2019 and signed on its behalf.



G.R Manchester
Director

Thunderhead (One) Ltd.

Directors' Report For the Period Ended 31 January 2019

The directors present their report and the financial statements for the period ended 31 January 2019.

The Company has extended its year end to 31 January 2019 during the period. The comparative figures are for the 12 month period 1 January 2017 to 31 December 2017.

Results and dividends

The loss for the period, after taxation, amounted to £29,481,937 (2017 - loss £15,120,937).

The directors did not recommend payment of a dividend (2017: £Nil).

Directors

The directors who served during the period were:

G R Manchester
J S Bodha

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including foreign exchange risk, liquidity risk and credit risk.

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional currency. The Company's policy is, where possible, to settle liabilities denominated in its functional currency with the cash generated from their own operations in that currency. Where the Company has 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.

In order to monitor the continuing effectiveness of cash management, the Board receives a monthly cash flow forecast along with details of liabilities due for settlement and expected cash reserves.

Liquidity risk

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

At 31 January 2019 the Company had net liabilities of £51.5m (2017: £22.0m) and generated net losses of £29.5m (2017: £15.1m) for the year then ended. Losses are funded by a loan facility of £30m provided by the ultimate controlling party to the immediate parent company, Thunderhead Midco (One) Limited, which was secured in March 2017 and further extended to £70m in December 2018. The loan has been provided to fund the immediate parent company and its trading subsidiaries, including Thunderhead (One) Ltd.

The directors have prepared financial forecasts for the Group headed by Thunderhead Midco (One) Limited and are satisfied the Company and Group will be able to operate within the existing facilities with continuing support from the Group for the next twelve months following approval of these financial statements. The directors are confident that the forecasts will be achieved but recognises that there could be delays in realising the cash benefits from aggressive top line growth plans. Should this be the case, the directors are satisfied that there are steps that the Company and Group can take to reduce current discretionary expenditure. It is on that basis that the directors consider it appropriate to prepare the Company's financial statements on a going concern basis.

Thunderhead (One) Ltd.

Directors' Report (continued) For the Period Ended 31 January 2019

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from credit sales, though due to the nature of our customers the directors assess the impact of a credit risk crystallising as immaterial. No provision for doubtful debtors is provided in the accounts.

Research and development

The Company invests in research and development, expensing the costs in the Statement of Comprehensive Income for the year. Total research and development costs totalled £7.6m (2017: £5.4m).

Future developments

The Company's future developments are laid out within the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31st October 2019

and signed on its behalf.



G R Manchester
Director

Thunderhead (One) Ltd.

Directors' Responsibilities Statement For the Period Ended 31 January 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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;
- 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 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.

Thunderhead (One) Ltd.

Independent Auditor's report to the members of Thunderhead (One) Ltd.

Opinion

We have audited the financial statements of Thunderhead (One) Limited ("the Company") for the period ended 31 January 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Thunderhead (One) Ltd.

Independent Auditor's report to the members of Thunderhead (One) Ltd. (continued)

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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Thunderhead (One) Ltd.

Independent Auditor's report to the members of Thunderhead (One) Ltd. (continued)

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



John Everingham (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 21 October 2019

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

Thunderhead (One) Ltd.

Statement of Comprehensive Income For the Period Ended 31 January 2019

	Note	Period ended 31 January 2019 £	Year ended 31 December 2017 £
Turnover		2,755,943	1,431,479
Cost of sales		(488,119)	(798,330)
Gross profit		2,267,824	633,149
Administrative expenses		(9,385,047)	(9,031,277)
Intercompany costs		(16,682,723)	(4,704,146)
Release of intercompany debt provision	8	353,182	-
Operating loss		(23,446,764)	(13,102,274)
Interest payable and expenses	6	(6,363,695)	(2,416,423)
Loss before tax		(29,810,459)	(15,518,697)
Tax on loss	7	328,522	397,760
Loss for the financial period		(29,481,937)	(15,120,937)

There was no other comprehensive income for 2019 (2017: £NIL).

The notes on pages 14 to 26 form part of these financial statements.

Thunderhead (One) Ltd.
Registered number: 08115007

Statement of Financial Position
As at 31 January 2019

	Note	31 January 2019 £	31 January 2019 £	31 December 2017 £	31 December 2017 £
Fixed assets					
Tangible assets	9		85,891		149,269
Investments	10		16,159		16,159
			<u>102,050</u>		<u>165,428</u>
Current assets					
Debtors: amounts falling due within one year	11	3,360,264		4,263,773	
Cash at bank and in hand		483,276		374,276	
		<u>3,843,540</u>		<u>4,638,049</u>	
Creditors: amounts falling due within one year	12	(55,381,295)		(26,767,996)	
Net current liabilities			<u>(51,537,755)</u>		<u>(22,129,947)</u>
Total assets less current liabilities			<u>(51,435,705)</u>		<u>(21,964,519)</u>
Provisions for liabilities					
Other provisions	13		(47,211)		(36,460)
Net liabilities			<u>(51,482,916)</u>		<u>(22,000,979)</u>
Capital and reserves					
Called up share capital	14		2		2
Share premium account	15		913,114		913,114
Other reserves	15		5,746,843		5,746,843
Profit and loss account	15		(58,142,875)		(28,660,938)
			<u>(51,482,916)</u>		<u>(22,000,979)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on ~~31st~~ ^{31st} OCTOBER 2019.


G R Manchester
Director

The notes on pages 14 to 26 form part of these financial statements.

Thunderhead (One) Ltd.

Statement of Changes in Equity For the Period Ended 31 January 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	2	913,114	5,746,843	(28,660,938)	(22,000,979)
Comprehensive income for the period					
Loss for the period	-	-	-	(29,481,937)	(29,481,937)
Total comprehensive income for the period	-	-	-	(29,481,937)	(29,481,937)
At 31 January 2019	2	913,114	5,746,843	(58,142,875)	(51,482,916)

Statement of Changes in Equity For the Period Ended 31 December 2017

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	2	913,114	5,746,843	(13,540,001)	(6,880,042)
Comprehensive income for the year					
Loss for the year	-	-	-	(15,120,937)	(15,120,937)
Total comprehensive income for the year	-	-	-	(15,120,937)	(15,120,937)
At 31 December 2017	2	913,114	5,746,843	(28,660,938)	(22,000,979)

The notes on pages 14 to 26 form part of these financial statements.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

1. General information

Thunderhead (One) Ltd. is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the Company's operations and its principal activities are set out in the Strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

At 31 January 2019 the Company had net liabilities of £51.5m (31 December 2017: £22.0m) and generated net losses of £29.5m (31 December 2017: £15.1m) for the year then ended. Losses are funded by a loan facility of £30m provided by the ultimate controlling party which was secured in March 2017 and further extended to £70m in December 2018.

The directors have prepared financial forecasts and are satisfied the Company will be able to operate within the existing facilities for the next twelve months with continuing support from the group following approval of these financial statements. The directors are confident that the forecasts will be achieved but recognise that there could be delays in realising the cash benefits from aggressive top line growth plans. Should this be the case, the directors are satisfied that there are steps that the Company can take to reduce current discretionary expenditure. It is on that basis that the directors consider it appropriate to prepare the Company's financial statements on a going concern basis.

2.3 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax. Revenue on Software as a Service (SaaS) contact is recognised on a straight line basis over the period to which the relevant revenue relates.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the 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 Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

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 Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

2. Accounting policies (continued)

2.10 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure 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 charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Leasehold improvements	- over the life of the lease
Fixtures and fittings	- 4 years
Office equipment	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

2. Accounting policies (continued)

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the members have made the following judgements:

- Determine whether leases entered into by the Company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 9)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Auditor's remuneration

	Period ended 31 January 2019 £	Year ended 31 December 2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>25,000</u>	<u>28,100</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

5. Employees

The average monthly number of employees, including directors, during the period was 49 (2017 - 41).

6. Interest payable and expenses

	Period ended 31 January 2019 £	Year ended 31 December 2017 £
Intercompany loan interest payable	6,362,609	2,416,423
Other interest payable	1,086	-
	<u>6,363,695</u>	<u>2,416,423</u>

7. Taxation

	Period ended 31 January 2019 £	Year ended 31 December 2017 £
Adjustments in respect of previous periods	(328,522)	(397,760)
Total current tax	<u>(328,522)</u>	<u>(397,760)</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

7. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	Period ended 31 January 2019 £	Year ended 31 December 2017 £
Loss on ordinary activities before tax	<u>(29,810,459)</u>	<u>(15,518,697)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(5,663,987)	(2,986,818)
Effects of:		
Expenses not deductible for tax purposes	44,841	99,319
Adjustments to tax charge in respect of prior periods	(328,522)	(397,760)
Non-taxable income	(67,105)	-
Group and other relief	10,778	458,165
Deferred tax not recognised	5,675,473	2,429,334
Total tax charge for the period/year	<u><u>(328,522)</u></u>	<u><u>(397,760)</u></u>

Factors that may affect future tax charges

The Company has unrecognised deferred tax assets of £13,259,487 (2017: £2,417,050) in relation to trading losses and £Nil (£2017: £338,713) in relation to fixed assets due to the uncertainty of timing of future profits and the associated utilisation of these assets.

8. Exceptional items

	Period ended 31 January 2019 £	Year ended 31 December 2017 £
Release of intercompany debt provision	<u><u>353,182</u></u>	<u><u>-</u></u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

9. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2018	441,234	136,546	56,256	634,036
Additions	-	-	18,103	18,103
At 31 January 2019	441,234	136,546	74,359	652,139
Depreciation				
At 1 January 2018	324,942	123,825	36,000	484,767
Charge for the period on owned assets	54,621	11,883	14,977	81,481
At 31 January 2019	379,563	135,708	50,977	566,248
Net book value				
At 31 January 2019	61,671	838	23,382	85,891
At 31 December 2017	116,292	12,721	20,256	149,269

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

10. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018 and 31 January 2019	<u><u>16,159</u></u>

11. Debtors

	31 January 2019 £	31 December 2017 £
Trade debtors	1,077,498	872,414
Amounts owed by group undertakings	989,844	2,314,729
Other debtors	1,075,437	807,038
Prepayments and accrued income	217,485	269,592
	<u><u>3,360,264</u></u>	<u><u>4,263,773</u></u>

The impairment loss recognised in the profit or loss for the year in respect to bad and doubtful trade debtors was £Nil (2017 - £Nil).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. During the period, the Company recognised an exceptional fair market value gain of £353,182 in relation to amounts owed by subsidiary undertaking Thunderhead BV.

12. Creditors: Amounts falling due within one year

	31 January 2019 £	31 December 2017 £
Trade creditors	82,921	261,883
Amounts owed to group undertakings	52,642,778	22,605,814
Other taxation and social security	200,191	236,582
Other creditors	132,776	136,658
Accruals and deferred income	2,322,629	3,527,059
	<u><u>55,381,295</u></u>	<u><u>26,767,996</u></u>

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

13. Provisions

	Dilapidations £
At 1 January 2018	36,460
Charged to profit or loss	10,751
At 31 January 2019	47,211

Dilapidation provisions are expected to be utilised in the next two years.

14. Share capital

	31 January 2019 £	31 December 2017 £
Allotted, called up and fully paid		
41 ordinary shares of £0.05 each	2	2

15. Capital and reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Other reserves

Other reserves represents the difference between the fair value of the One division and the assets/liabilities transferred from SmartComms SC Limited and intercompany debts waived from the parent undertaking and treated as a capital contribution in financial year 2016.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

16. Share based payments

Management Incentive Plan

The expense recognised for share-based payments in respect of employee services received during the period to 31 January 2019 is £Nil (2017: £Nil).

17. Contingent liabilities

The Company operates a long-term bonus scheme for Director G Manchester, payment being contingent on the Company reaching its strategic targets. At the date of filing the accounts the Directors note that the Company has not yet achieved those targets. As at 31 January 2019 the accrued value of this long term bonus is £884,081 (2017: £468,750).

18. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £170,391 (2017 - £102,448). Contributions totalling £79,982 (2017 - £30,379) were payable to the fund at the reporting date and are included in creditors.

19. Commitments under operating leases

At 31 January 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 January 2019 £	31 December 2017 £
Not later than 1 year	262,211	262,211
Later than 1 year and not later than 5 years	196,658	458,869
	<u>458,869</u>	<u>721,080</u>

20. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the Group.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Period Ended 31 January 2019

21. Controlling party

The immediate parent undertaking of the Company is Thunderhead Midco (One) Limited, a company incorporated in England and Wales.

The ultimate parent undertaking of the Company is Ledmore Capital Limited (formerly Thunderhead Topco (Jersey) Limited), a company incorporated in Jersey.

The ultimate controlling party of the Group is GR Manchester, by virtue of his beneficial interest of 89.78% (2017: 90.59%) in the issued share capital of the ultimate parent undertaking.