

Thunderhead (One) Ltd.

Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 08115007

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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 Year Ended 31 December 2017

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. The core product is the ONE Engagement Hub (ONE) which is an enterprise-class solution targeted at the CMO and CX Leader buyer.

The Market Opportunity

The total addressable market for Customer Engagement, estimated to exceed \$30Bn by 2021, 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). Forward thinking brands are seeing this as an opportunity to build competitive advantage by rethinking the way they approach marketing and advertising.

The Company sees strategic partnerships as the logical route to accelerating growth at a global scale, given the leading role Customer Engagement plays in enterprise level digital transformation and supplements existing direct channel selling through the Company's global sales and marketing teams.

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. To do 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 Year Ended 31 December 2017

Business Review and Key Performance Indicators

As discussed in the 2016 report, the Company's plan was to build a solid base in Europe before turning its attention to North America. With that goal accomplished a native North American leader was appointed in early 2017 to develop the sales and partner operations in the region. Momentum for ONE continued to build strongly throughout 2017 with the Company finishing the year with over 30 global enterprise brands. In this respect 2017 was a watershed year for the adoption of ONE as the industry standard with global brands recognising its ability to deliver a new level of Customer Engagement and drive transformation in the real-time digital economy.

Exclusive OEM Partnership with Salesforce

The most important business development for the Company in 2017 was the formation of a strategic partnership with Salesforce, the number one global CRM platform provider. Negotiated through the course of the year, the partnership was announced at Salesforce's flagship Dreamforce event in November 2017. What is interesting and important about this relationship is that it is an OEM partnership underpinned by an extensive commercial and technical due diligence by Salesforce. The Company's Customer Engagement solution fills a strategically important gap in the Salesforce portfolio; it is seamlessly integrated into the Salesforce platform and is being sold and supported by Salesforce under their own brand. The joint solution takes advantage of the Company's innovation and expertise with AI, Decisioning and Customer Journey Orchestration and Analytics, as well as exceptional ease of use and speed of deployment. The partnership significantly increases the addressable market for both the Salesforce Marketing Cloud as well as the entire Salesforce platform.

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. The market timing for customer-centric transformation is ideal enabling Salesforce to win new accounts, future proof existing accounts and protect vulnerable accounts from competitive pressure. There is also a strong cultural and organizational fit between the two organizations, and the go-to-market strategy, underpinned by a fully integrated offering, already validated by the strength of early sales into the market.

The Salesforce partnership represents an unprecedented commercial opportunity for the Company with access to major global accounts across a range of industry verticals and will accelerate the adoption of Thunderhead's technology as the industry standard for Customer Engagement.

Thunderhead (One) Ltd.

Strategic Report (continued) For the Year Ended 31 December 2017

Market highlights for 2017

In addition to the impact of the Salesforce partnership, the year saw continued sales momentum in Europe and North America. Throughout 2017 digital transformation and disruption continued to create major opportunities in a number of industry verticals:

- Automotive – automotive OEMs are moving to establish direct relationships with their customers, bypassing or redefining their dealer networks. Exploitation of disruptive technologies in automotive – connection, telemetry, data, AI – and new business models (subscription, online sales) are grounded in the engagement paradigm - a direct relationship with the customer and the Customer Lifetime Experience.
- Sports – raising levels of fan engagement is critical to major sports brands in North America and around the world, with global audiences, immersive digital experiences and interactive content, and mounting competition from e-sports and other emerging formats.
- Telco's – moving to a relationship-centric model based on customer engagement to compete with new digital platforms and increase customer lifetime value (CLV), reduce churn, and lower service costs.
- Travel and Hospitality – countering increased competition and industry disruption by building stronger, longer-lasting and more valuable relationships, offering customers richer in-hotel or onboard experiences.
- Utilities – driving competitive differentiation through superior customer service and products, rather than a low-cost commodity proposition.
- Financial Services – achieving differentiation and growth through stronger customer relationships, with more service and intelligent marketing driven offerings, enabled through superior customer insight.
- Retail – building brand value and revenue growth through leveraging the online-offline loop, direct customer relationships and smarter merchandising and service fuelled by omni-channel customer insight.
- High-tech - improving customer engagement, marketing performance, and sales and service delivery in both B2B and B2C use cases.
- Healthcare – organizations are improving patient care through a holistic 360 degree view of each patient and leveraging connected personal sensing/medical devices (IoT).

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. In this regard the Company developed a strategic partnership with marketing data agency Merkle-DBG (part of the Dentsu Aegis Global Advertising Agency), who work with some of the world's largest brands to transform digital experience.

Innovation and Industry Recognition

The Company is the leading pioneer of 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 Analytics' have matured in 2017 to become recognised core elements of the CRM and Marketing world. Gartner analysts have propagated the key concepts of Customer Engagement through their research and industry events and featured the Company in their 2017 guide to the Customer Journey Analytics market. Leading research firm Forrester undertook their first formal WAVE analyses of the Customer Journey Analytics market, publishing in September two reports: one on Journey Orchestration and a second on Journey Visualization with the Company designated a leader in both. The Company maintained its focus on aggressive innovation throughout 2017, continuing to extend its core platform and leveraging AI and its own proprietary machine learning algorithms to provide advanced analysis of customer behavior and intent. This enables marketing and customer experience leaders to quickly and easily discover and apply critical customer insights at enterprise levels of scale and complexity demanded by sophisticated global brands.

Thunderhead (One) Ltd.

Strategic Report (continued)
For the Year Ended 31 December 2017

Looking forward to 2018

In summary 2017 was a breakthrough year of growth and opportunity. The combined impact of the Company's substantial 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 2018 with a pipeline of large global enterprise accounts, the Company is confident 2018 will be year of unprecedented growth and opportunity as it continues to drive the market for Customer Engagement.

This report was approved by the board on 11 January 2018 and signed on its behalf.



G R Manchester
Director

Thunderhead (One) Ltd.

Directors' Report For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors

The directors who served during the year 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 December 2017 the Company had net liabilities of £22.0m (2016: £6.9m) and generated net losses of £15.1m (2016: £13.5m) 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 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.

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.

Thunderhead (One) Ltd.

Directors' Report (continued)
For the Year Ended 31 December 2017

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 £5.4m (2016: £4.7m).

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.

Auditor

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 11 JANUARY 2019 and signed on its behalf.



G R Manchester
Director

Thunderhead (One) Ltd.

Directors' Responsibilities Statement For the Year Ended 31 December 2017

The directors are responsible for preparing 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) Ltd. ("the Company") for the year ended 31 December 2017 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 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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 Directors' Report.

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

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

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.

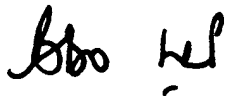
Auditor's responsibilities for the audit of the financial statements

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: 11 January 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 Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover		1,431,479	353,120
Cost of sales		(798,330)	(501,040)
Gross profit/(loss)		633,149	(147,920)
Administrative expenses		(13,735,423)	(13,390,393)
Operating loss		(13,102,274)	(13,538,313)
Interest payable and expenses	5	(2,416,423)	(1,688)
Loss before tax		(15,518,697)	(13,540,001)
Tax on loss	6	397,760	-
Loss for the financial year		(15,120,937)	(13,540,001)

There was no other comprehensive income for 2017 (2016: £Nil).

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

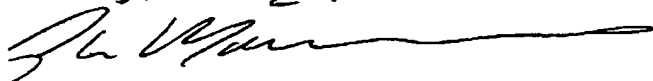
Thunderhead (One) Ltd.
Registered number: 08115007

Statement of Financial Position
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	7		149,269		259,870
Investments	8		16,159		16,159
			<u>165,428</u>		<u>276,029</u>
Current assets					
Debtors: amounts falling due within one year	9	4,263,773		734,331	
Cash at bank and in hand		374,276		1,074,628	
		<u>4,638,049</u>		<u>1,808,959</u>	
Creditors: amounts falling due within one year	10	(26,767,996)		(8,938,494)	
Net current liabilities			<u>(22,129,947)</u>		<u>(7,129,535)</u>
Total assets less current liabilities			<u>(21,964,519)</u>		<u>(6,853,506)</u>
Provisions for liabilities					
Other provisions	11	(36,460)		(26,536)	
			<u>(36,460)</u>		<u>(26,536)</u>
Net liabilities			<u><u>(22,000,979)</u></u>		<u><u>(6,880,042)</u></u>
Capital and reserves					
Called up share capital	12		2		2
Share premium account	13		913,114		913,114
Other reserves	13		5,746,843		5,746,843
Profit and loss account	13		(28,660,938)		(13,540,001)
Total equity			<u><u>(22,000,979)</u></u>		<u><u>(6,880,042)</u></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 11 January 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 Year 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)

Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	-	-	-	-	-
Comprehensive income for the year					
Loss for the year	-	-	-	(13,540,001)	(13,540,001)
Total comprehensive income for the year	-	-	-	(13,540,001)	(13,540,001)
Contributions by and distributions to owners					
Shares issued during the year	2	913,114	-	-	913,116
Capital contribution	-	-	5,746,843	-	5,746,843
Total transactions with owners	2	913,114	5,746,843	-	6,659,959
At 31 December 2016	2	913,114	5,746,843	(13,540,001)	(6,880,042)

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

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

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 Directors' 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 accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

At 31 December 2017 the Company had net liabilities of £22.0m (2016: £6.9m) and generated net losses of £15.1m (2016: £13.5m) 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 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.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.3 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'.

2.4 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.

2.5 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.

2.6 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 Year Ended 31 December 2017

2. Accounting policies (continued)

2.7 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.

2.8 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 Year Ended 31 December 2017

2. Accounting policies (continued)

2.9 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.

2.10 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.

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 Year Ended 31 December 2017

2. Accounting policies (continued)

2.11 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 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.

2.14 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.

2.15 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.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.16 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.

2.17 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.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

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 7)

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. Employees

The average monthly number of employees, including directors, during the year was 41 (2016 - 39).

5. Interest payable and expenses

	2017 £	2016 £
Bank interest payable	-	1,688
Facility agreement interest payable	2,416,423	-
	<u>2,416,423</u>	<u>1,688</u>

6. Taxation

	2017 £	2016 £
Adjustments in respect of previous periods	(397,760)	-
Total current tax	<u>(397,760)</u>	<u>-</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(15,518,697)</u>	<u>(13,540,001)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	(2,986,818)	(2,708,000)
Effects of:		
Expenses not deductible for tax purposes	99,319	170,362
Adjustments to tax charge in respect of prior periods	(397,760)	-
Group and other relief	458,165	-
Deferred tax not recognised	2,429,334	2,537,638
Total tax charge for the year	<u>(397,760)</u>	<u>-</u>

Factors that may affect future tax charges

The Company has unrecognised deferred tax assets of £2,417,050 (2016: £2,079,021) in relation to trading losses and £338,713 (2016: £397,760) in relation to fixed assets due to the uncertainty of timing of future profits and the associated utilisation of these assets.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

7. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2017	437,113	135,959	150,330	723,402
Additions	4,121	587	14,707	19,415
Disposals	-	-	(108,781)	(108,781)
At 31 December 2017	<u>441,234</u>	<u>136,546</u>	<u>56,256</u>	<u>634,036</u>
Depreciation				
At 1 January 2017	275,099	95,519	92,914	463,532
Charge for the year on owned assets	49,843	28,306	46,511	124,660
Disposals	-	-	(103,425)	(103,425)
At 31 December 2017	<u>324,942</u>	<u>123,825</u>	<u>36,000</u>	<u>484,767</u>
Net book value				
At 31 December 2017	<u><u>116,292</u></u>	<u><u>12,721</u></u>	<u><u>20,256</u></u>	<u><u>149,269</u></u>
At 31 December 2016	<u><u>162,014</u></u>	<u><u>40,440</u></u>	<u><u>57,416</u></u>	<u><u>259,870</u></u>

During the year, no impairment charge was incurred (2016: £232,165) which related to fixtures and fittings and leasehold improvements associated with a floor level that was vacated in the prior year.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

8. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017 and 31 December 2017	<u>16,159</u>

Direct subsidiary undertakings

The following are direct subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Thunderhead One, Inc.	United States of America	Ordinary	100 %	Sale and development of computer software
Thunderhead B.V.	Netherlands	Ordinary	100 %	Sale of computer software

Name	Registered office
Thunderhead One, Inc.	Suite 4017, 250 Commercial Street, Manchester, NH 03101, USA
Thunderhead B.V.	Barbara Strozilaan 101, 1083 HN, Amsterdam, Netherlands

9. Debtors

	2017 £	2016 £
Trade debtors	872,414	246,901
Amounts owed by group undertakings	2,314,729	-
Other debtors	807,038	133,450
Prepayments and accrued income	269,592	353,980
	<u>4,263,773</u>	<u>734,331</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2016 - £Nil).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

10. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	261,883	326,798
Amounts owed to group undertakings	22,605,814	6,344,145
Other taxation and social security	236,582	255,747
Other creditors	136,658	561,606
Accruals and deferred income	3,527,059	1,450,198
	<u>26,767,996</u>	<u>8,938,494</u>

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

11. Provisions

	Dilapidations £
At 1 January 2017	26,536
Charged to profit or loss	9,924
At 31 December 2017	<u><u>36,460</u></u>

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

12. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
41 ordinary shares of £0.05 each	<u>2</u>	<u>2</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

13. 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.

14. Share based payments

Management Incentive Plan

During the prior year members of the senior management team were awarded ordinary shares in the immediate parent undertaking, Thunderhead Midco (One) Limited. The exercise price was equal to the estimated market price of the shares at the time of issue.

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2017 is £Nil (2016: £202,000).

15. 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 December 2017 the accrued value of this long term bonus is £468,750 (2016: £Nil).

16. 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 £102,448 (2016 - £118,143). Contributions totalling £30,379 (2016 - £17,441) were payable to the fund at the reporting date and are included in creditors.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 December 2017

17. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	262,211	262,211
Later than 1 year and not later than 5 years	458,869	786,633
	<u>721,080</u>	<u>1,048,844</u>

18. 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.

19. 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 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 90.59% (2016: 90.59%) in the issued share capital of the ultimate parent undertaking.