

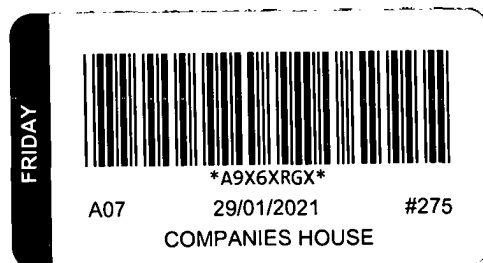
Thunderhead (One) Ltd.

Annual Report and Financial Statements

Year Ended

31 January 2020

Company Number 08115007



Thunderhead (One) Ltd.

Company Information

Directors	G R Manchester J S Bodha
Registered number	08115007
Registered office	Stanford House 12-14 Long Acre And 27a Floral Street London WC2E 9LP
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 January 2020

Principal activity

The Company's principal activity 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 global internet. The Company is a market pioneer and leader in AI technology for Customer Engagement, Journey Orchestration, and Behavioural Analytics. 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 Company's core product is the ONE platform, which is an enterprise-class solution targeted at C-level leaders for marketing, customer experience and digital transformation. The ONE platform comprises the Engagement Hub (ONE) and ThunderBay, the spearhead of the Company's AI strategy.

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 responding 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 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, with greater emphasis on leveraging first-party customer data.

To meet the escalating demand for its market-leading technology, the Company is scaling with both direct channel sales and strategic partnerships with tier-one technology vendors, global digital marketing agencies and the digital practices of global PS firms.

Thunderhead's Technology

ONE is a new generation of cloud technology designed to deliver Customer Engagement, unencumbered by legacy constraints. The platform enables 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 exceptional results.

Thunderhead (One) Ltd.

Strategic Report (continued) For the Year Ended 31 January 2020

Business Review and Key Performance Indicators

Building on the momentum achieved in the preceding year, FY2020 was a year of outstanding growth, with an impressive 192% increase in the number of customers (all major brands), year-on-year growth in contracted ARR of 222%, and a 166% increase in recognised revenue driven by 529% growth in ROW.

With contracted ARR of c. \$17M and over 150 customers, many of which are global brands, the Company has built a strong platform for sustained exceptional growth and performance in FY2021 and beyond. The high gross margin, accelerated ARR growth and net revenue retention highlight the Company's core strength and financial viability.

The Company performed well in each of its key regions of North America, EMEA and APAC through both its direct and partner channels, and importantly is demonstrating the ability to access large enterprise clients with an increasingly shorter sales cycle. In addition, accounts have high embedded growth potential, driving organic growth and higher long-term value.

The Company's positioning and strategy is in alignment with the rapidly maturing market for customer engagement and journey orchestration, in which it is a recognised pioneer and leader. The shift toward customer-centric operating models is a near-universal shift across all industry sectors, reflected in the wide range of industry verticals (over 20) represented by the Company's clients.

Go-To Market (GTM Strategy)

The Company has adopted a dual GTM strategy focussing on both direct and partner sales.

Since ONE was designed specifically as an ecosystem play, strategic partnerships are a logical route to market. There are four threads to the partner strategy, with a support structure in place for each:

- Tier-one enterprise CRM vendors. The Company has a strategic partnership with Salesforce, and is in discussion with two others.
- Direct partnerships with leading digital agencies such as Sapient and Merkle.
- Partnering with established digital practices (especially digital transformation) at global consultancy firms, including EY, Accenture, KPMG, Deloitte, and PwC.
- Partnerships with a number of regional boutique and specialized agencies across Europe and North America.

Global digital marketing agencies are taking the lead in performance marketing, Customer Engagement practice, and participating in this is a key focus for us. Also, Cloud/SaaS is driving vertical specialization, and partnerships with vertical specialists will become increasingly important.

Alongside partnerships, the Company is strategically committed to accelerating its direct channel growth, continuing to grow its field marketing and sales teams in its key regions.

Salesforce Partnership

An important driver of the Company's growth and market impact in FY2020 has been its non-exclusive OEM partnership with Salesforce, which is the number one CRM platform vendor with a leading 20% share of the global CRM market in 2019. Under this partnership, formed in late 2017 and discussed in last year's report, the Company's technology is sold as a Salesforce branded product, seamlessly integrated with the Salesforce platform.

While the Salesforce relationship's commercial value is important to both partners, the Company is developing partnerships with two other tier-one enterprise vendors, enabling them to provide the Company's technology as a

Thunderhead (One) Ltd.

Strategic Report (continued) For the Year Ended 31 January 2020

fully integrated solution for real-time engagement and journey orchestration. Management anticipate these partnerships will deliver a material impact on growth in the second half of FY2021.

Market highlights for FY2020

The Company enjoyed outstanding growth and sales momentum in its key regions of North America, Europe and APAC, closing the year with over 150 customers. The market forces driving demand for journey orchestration and omnichannel engagement continue to accelerate, creating immense opportunity. Customer wins included global brands like GoDaddy, Betway, Bosch, Bouygues Telecom and AT&T, reflecting a wide range of industry verticals including Financial Services, Automotive, Sports, Telco, Retail, Utilities and Travel.

The Company actively participated (as speakers and panel members) in a number of important industry events over the year, including the Forrester CX conferences in New York and San Francisco, the SEAT sports conference in Daytona, and the Festival of Marketing conference in London.

To support its momentum, the Company ramped its digital presence with an exciting new website and media assets, and increased marketing communications cadence. It also launched monthly customer, prospect and partner nurture communications.

The Company is highly committed to its Customer Success program, and it maintains close relationships with its customers through its new community programme, Quest.

Innovation and Industry Recognition

The Company is a pioneer and leader in Customer Engagement and Journey Orchestration, and its 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 emerged as widely adopted concepts of the CRM and Marketing world. The Company has a strong analyst relations programme and has played a significant role in shaping analyst thinking around this important technology reflected in being awarded a 2020 CRM Watchlist Winner With Distinction, along with Microsoft and Salesforce.

Innovation at Work - ThunderBay

In January 2020 the Company unveiled the spearhead of its AI and Machine Learning strategy, ThunderBay, the result of intensive R&D and engineering focus over the last three years. ThunderBay is the market's first comprehensive AI for customer journey analysis and orchestration, and is the next step in the evolution of its predecessor, Intent Analyser, launched in the previous year. ThunderBay provides advanced analysis of customer behaviour and intent, from individuals to any scale of audience. It is a breakthrough solution that addresses a major problem with AI and data science practice today – ease of use – and sets a new benchmark in usability and accessibility.

Thunderhead (One) Ltd.

Strategic Report (continued)
For the Year Ended 31 January 2020

Looking forward to the Next Year

FY2020 has been a year of outstanding growth and performance for the Company, with direct and partner channels executing well and delivering results in all regions. In the first quarter of FY2021, the Company appointed a Chief Revenue Officer to oversee all field activities of the business, including the Sales and Customer Success teams, with the goal of leveraging the global portfolio of enterprise brands, as well as the Company's technology leadership, to accelerate growth to even greater levels in both the direct and partner channels.

As FY2021 has unfolded, the Company has inevitably had to adapt to the changing business environment that is being shaped by profound disruptions caused by the COVID-19. The Company's modern cloud-based infrastructure has enabled it to seamlessly switch to colleague homeworking with zero impact on the ONE platform's availability of performance. The pandemic has acted as a forcing function in the wider markets, accelerating tailwinds that were already in play, and driving digital optimization and transformation focused on customer engagement.

Forward-thinking brands were already leading the way, however, all brands are finding that they must adapt to the new norm, and digital customer engagement is critical in making this happen. With the pressure to move quickly, Thunderhead's ability to orchestrate existing assets across the enterprise has become an even more powerful competitive strategic differentiator. The Company's technology has enabled brands to respond quickly and successfully, focusing on their most vulnerable customers and serving them when they needed them the most.

To conclude, the robust business platform built by the Company leading up to FY2021 has enabled it to maintain its trajectory of success through the pandemic by helping its customers respond and thrive, while in the medium to longer-term, the Company expects the pandemic will further accelerate the demand for Thunderhead's market-leading technology.

This report was approved by the board on *22nd January* and signed on its behalf.



J S Bodha
Director

2021

Thunderhead (One) Ltd.

Directors' Report For the Year Ended 31 January 2020

The directors present their report and the financial statements for the year ended 31 January 2020.

In the comparative period, the Company extended its year end to 31 January 2019; the comparative figures are for the 13 month period 1 January 2018 to 31 January 2019.

Results and dividends

The loss for the year, after taxation, amounted to £33,881,988 (2019: loss £29,481,937).

The directors did not recommend payment of a dividend (2019: £Nil).

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 Group enters into transactions denominated in a currency other than their functional currency. The Group'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 Group 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 2020 the Company had net liabilities of £85.4m (2019: £51.5m) and generated net losses of £33.9m (2019: £29.5m) for the year then ended. Losses are funded by a loan facility of £70m 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. In addition, the Group successfully raised \$35m debt funding in August 2020 through a subsidiary of UBS. The \$35m loan requires quarterly interest repayments commencing 30 October 2020; the interest rate is 7.5% plus the greater of 1% or 3 month LIBOR rate. The loan will mature on 3 February 2023.

The directors have prepared and stress tested financial forecasts for the Company. Stress testing involved preparing low case and mid case scenarios to ensure the Company will continue to be a going concern in the event of adverse macroeconomic environment, which could cause a knock-on effect. The directors are satisfied the Company will be able to operate within the existing facilities over the next twelve months following approval of these financial statements. The directors are confident that the forecasts will be achieved; however, the directors do recognise that there is a possibility of not achieving all targets. 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.

Directors' Report (continued) For the Year Ended 31 January 2020

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 £8.4m (2019: £7.6m).

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.

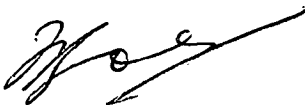
Subsequent events

On 3 August 2020, the parent company entered into a \$35m debt funding facility providing further finance to the Company. The loan is repayable on 3 February 2023. £10.9m of the funding received was used to repay part of the intercompany loan due to Thunderhead Midco One Limited.

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 *22nd January 2021* and signed on its behalf.



JS Bodha
Director

Thunderhead (One) Ltd.

Directors' Responsibilities Statement For the Year Ended 31 January 2020

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 year ended 31 January 2020 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 2020 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.

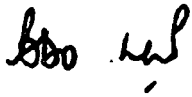
Auditor's responsibilities for the audit of the financial statements

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: 22 January 2021

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 January 2020

	Note	Year ended 31 January 2020 £	Period ended 31 January 2019 £
Turnover		6,691,665	2,755,943
Cost of sales		(550,074)	(488,119)
Gross profit		6,141,591	2,267,824
Administrative expenses		(9,603,555)	(9,385,047)
Intercompany costs		(17,733,832)	(16,682,723)
Release of intercompany debt provision	8	-	353,182
Operating loss		(21,195,796)	(23,446,764)
Interest receivable and similar income		2,299	-
Interest payable and expenses	6	(13,672,554)	(6,363,695)
Loss before tax		(34,866,051)	(29,810,459)
Tax credit on loss	7	984,063	328,522
Loss for the financial year		(33,881,988)	(29,481,937)

There was no other comprehensive income for 2020 (2019: £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 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	9		64,954		85,891
Investments	10		16,159		16,159
			81,113		102,050
Current assets					
Debtors: amounts falling due within one year	11	3,453,025		3,360,264	
Cash at bank and in hand	12	178,124		483,276	
		3,631,149		3,843,540	
Creditors: amounts falling due within one year	13	(89,020,031)		(55,381,295)	
Net current liabilities			(85,388,882)		(51,537,755)
Total assets less current liabilities			(85,307,769)		(51,435,705)
Provisions for liabilities					
Other provisions	14		(57,135)		(47,211)
Net liabilities			(85,364,904)		(51,482,916)
Capital and reserves					
Called up share capital	15		2		2
Share premium account	16		913,114		913,114
Other reserves	16		5,746,843		5,746,843
Profit and loss account	16		(92,024,863)		(58,142,875)
			(85,364,904)		(51,482,916)

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 January 2021



JS Bodha
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 January 2020

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 February 2019	2	913,114	5,746,843	(58,142,875)	(51,482,916)
Comprehensive income for the year					
Loss for the year	-	-	-	(33,881,988)	(33,881,988)
Total comprehensive income for the year	-	-	-	(33,881,988)	(33,881,988)
At 31 January 2020	2	913,114	5,746,843	(92,024,863)	(85,364,904)

Statement of Changes in Equity For the Year 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)

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 January 2020

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 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 2020 the Company had net liabilities of £85.4m (2019: £51.5m) and generated net losses of £33.9 (2019: £29.5m) 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. On 3 August 2020, the parent company entered into a \$35m debt funding facility providing further finance to the Company. The loan is repayable on 3 February 2023.

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 which has provided a legally binding letter of support to state it will not recall the intercompany loan provided to the Company for 12 months from the date of signing the 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 and have therefore stress tested various scenarios that may arise. For each of these, the directors are satisfied that there are steps that the Company can take to reduce current discretionary expenditure and therefore remain within the existing facilities. 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 Year Ended 31 January 2020

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 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 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 January 2020

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 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 reporting 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.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

2. Accounting policies (continued)

2.11 Taxation (continued)

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.

2.12 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.

2.13 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.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 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.

2.16 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.

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

2. Accounting policies (continued)

2.17 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.

2.18 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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.

2.19 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 January 2020

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 the 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

	Year ended 31 January 2020 £	Period ended 31 January 2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	28,000	25,000

5. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 January 2020 No.	Period ended 31 January 2019 No.
Employees	49	49

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

6. Interest payable and expenses

	Year ended 31 January 2020 £	Period ended 31 January 2019 £
Bank interest payable	67	-
Intercompany loan interest payable	13,672,487	6,362,609
Other interest payable	-	1,086
	<u>13,672,554</u>	<u>6,363,695</u>

7. Taxation

	Year ended 31 January 2020 £	Period ended 31 January 2019 £
Current tax on profits for the year	(510,330)	-
Adjustments in respect of previous periods	(473,733)	(328,522)
Total current tax	<u>(984,063)</u>	<u>(328,522)</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

7. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	Year ended 31 January 2020 £	Period ended 31 January 2019 £
Loss on ordinary activities before tax	<u>(34,866,051)</u>	<u>(29,810,459)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(6,624,549)	(5,663,987)
Effects of:		
Expenses not deductible for tax purposes	302,290	44,841
Adjustments to tax charge in respect of prior periods	(473,733)	(328,522)
Non-taxable income	-	(67,105)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(510,330)	-
Group and other relief	12,375	10,778
Deferred tax not recognised	6,309,884	5,675,473
Total tax charge for the year/period	<u>(984,063)</u>	<u>(328,522)</u>

Factors that may affect future tax charges

The Company has unrecognised deferred tax assets of £18,603,870 (2019: £13,259,487) in relation to trading losses and £17,207 (2019: £Nil) in relation to fixed assets due to the uncertainty of timing of future profits and the associated utilisation of these assets.

8. Exceptional items

	Year ended 31 January 2020 £	Period ended 31 January 2019 £
Release of intercompany debt provision	<u>-</u>	<u>353,182</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

9. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and office equipment £	Computer equipment £	Total £
Cost				
At 1 February 2019	441,234	136,546	74,359	652,139
Additions	-	-	34,426	34,426
Disposals	(246,418)	(66,975)	-	(313,393)
At 31 January 2020	<u>194,816</u>	<u>69,571</u>	<u>108,785</u>	<u>373,172</u>
Depreciation				
At 1 February 2019	379,563	135,708	50,977	566,248
Charge for the year on owned assets	35,978	806	18,271	55,055
Disposals	(246,110)	(66,975)	-	(313,085)
At 31 January 2020	<u>169,431</u>	<u>69,539</u>	<u>69,248</u>	<u>308,218</u>
Net book value				
At 31 January 2020	<u>25,385</u>	<u>32</u>	<u>39,537</u>	<u>64,954</u>
At 31 January 2019	<u>61,671</u>	<u>838</u>	<u>23,382</u>	<u>85,891</u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

10. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 February 2019 and 31 January 2020	<u><u>16,159</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Thunderhead B.V.	Barbara, Strozilaan 101, 1083 HN, Amsterdam, Netherlands	Ordinary	100%
Thunderhead One, Inc.	Suite 4017, 250 Commercial Street, Manchester, NH 03101, USA	Ordinary	100%

11. Debtors

	2020 £	2019 £
Trade debtors	1,867,831	1,077,498
Amounts owed by group undertakings	22,464	989,844
Other debtors	390,234	349,155
Corporation tax recoverable	984,063	726,282
Prepayments and accrued income	188,433	217,485
	<u><u>3,453,025</u></u>	<u><u>3,360,264</u></u>

The impairment loss recognised in the profit or loss for the year in respect to bad and doubtful trade debtors was £6,513 (2019 - £Nil).

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

12. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u><u>178,124</u></u>	<u><u>483,276</u></u>

Thunderhead (One) Ltd.

Notes to the Financial Statements For the Year Ended 31 January 2020

13. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	310,608	82,921
Amounts owed to group undertakings	85,306,847	52,642,778
Other taxation and social security	209,623	200,191
Other creditors	39,456	132,776
Accruals and deferred income	3,153,497	2,322,629
	<u>89,020,031</u>	<u>55,381,295</u>

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

14. Provisions

	Dilapidations £
At 1 February 2019	47,211
Charged to profit or loss	9,924
At 31 January 2020	<u><u>57,135</u></u>

Dilapidation provisions are expected to be utilised in the next year.

15. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
41 (2019 - 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 January 2020

16. 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.

17. Share based payments

Management Incentive Plan

The expense recognised for share-based payments in respect of employee services received during the year to 31 January 2020 is £Nil (2019: £Nil).

18. 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 2020 the accrued value of this long term bonus is £1,265,625 (2019: £884,081).

19. 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 £193,241 (2019: £170,391). Contributions totalling £24,730 (2019: £79,982) 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 January 2020

20. Commitments under operating leases

At 31 January 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	196,658	262,211
Later than 1 year and not later than 5 years	-	196,658
	<u>196,658</u>	<u>458,869</u>

21. 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.

22. Subsequent events

On 3 August 2020, the parent company entered into a \$35m debt funding facility providing further finance to the Company. The loan is repayable on 3 February 2023. £10.9m of the funding received was used to repay part of the intercompany loan due to Thunderhead Midco One Limited.

23. Ultimate 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 90.89% in the issued share capital of the ultimate parent undertaking.