

Company Registration Number 4303041

THUNDERHEAD LIMITED
Report and Financial Statements
31 December 2013

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THUNDERHEAD LIMITED
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THUNDERHEAD LIMITED
COMPANY INFORMATION

Directors:

G R Manchester
P A Milton
J A Lumsden

Secretary:

P A Milton

Registered Office:

Ingeni Building
17 Broadwick Street
London
W1F 0DJ

Auditors:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Principal Bankers:

HSBC Bank Plc
18a Curzon Street
London
W1J 7LA

THUNDERHEAD LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Principal Activity

The principal activity of the group is the development of computer software for customer engagement, licensed and delivered on a subscription basis to its customers through a Software-as-a-Service (SaaS) facility based on the company's cloud infrastructure.

Business Review

Over the last three years I have been guiding our company through a major strategic shift, as we move to being a leading SaaS solution provider in the rapidly developing customer engagement market. I signalled this shift in my 2010 report, and outlined progress in my 2011 and 2012 reports. Building on this, 2013 was a watershed year for Thunderhead as the core of our business made the fundamental transition to being a SaaS business.

I will comment on this later in my report, but I am very pleased that, against this backdrop of significant change and investment, the company has maintained its momentum with revenues of £41.8 million. This represents a 5% increase on 2012, continuing our steady growth trajectory and a three-year CAGR of 8%. This continued year-on-year growth means that we are extremely well positioned to scale our business into the cloud and expand into new markets.

This result was satisfying given the fact that 2011 through 2013 was a period of major investment in R&D and SaaS operations for the company, while at the same time we were transitioning to a new business model, from on-premise enterprise software to SaaS subscription. The increase in operating losses to £4.3M, was a direct result of this increased investment.

In 2013 we accelerated the transition from perpetual to subscription-based revenues, which had a major impact on reported revenue. As at the end of 2013 c. 50% of our revenues are recurring, comprising subscriptions and support and maintenance, and by the end of 2014 we expect this to have grown to c. 70%. Because of this rapid shift to subscription, our recognized revenue growth is just 5% in 2013 (year-on-year), due to the way revenue is recognized under a subscription based revenue recognition model versus under a perpetual license model.

The move to SaaS has enabled us to broaden our reach: 80% of our SaaS customers are new accounts, and a number of those come from industry segments not previously addressed by Thunderhead.com.

At the same time, a number of our on-premise customers have been migrating to our cloud platform. This has been led by our Investment Banking customers, who are eager to take advantage of the collaboration and partner engagement capabilities of the SaaS platform. It's important to note that we designed and built the SaaS platform to be seamlessly interoperable with the on-premise platform, and provide a ramp into the cloud and to the new engagement features.

- **Research and Development**

In 2013 we maintained the high levels of investment in R&D made in 2011 and 2012. As noted in my previous reports, this is an essential, major commitment as we move into the fast-paced SaaS world.

Thunderhead's innovation is driving the development of the emerging customer engagement market. We were a winner of the 2013 CRM Watchlist (announced in January 2013), and as of the time of writing of this report, a winner of the 2014 CRM Watchlist, in each instance noted for our technology and thought leadership in this area.

- **SaaS Operations**

The quality and integrity of our SaaS operations and services are critical to the future success of our business. As a leading technology provider to capital markets, financial services, and other regulated industry sectors, we are held to very exacting standards of security, availability and privacy. In 2011 and 2012 we invested heavily in the development of our own cloud infrastructure based on collocated facilities in the UK and US, and building a highly qualified and experienced team to support it. In May 2013 we

THUNDERHEAD LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

were awarded SOC1 and SOC2 (Service Organization Controls) certification, demonstrating our commitment to the highest quality and security of services to our cloud customers, ensuring effectiveness and mitigating operational and compliance risks. In September 2013, we achieved the Payment Card Industry Data Security Standard (PCI DSS) certification. Defined by the Payment Card Industry Security Standards Council, the award sets a high bar for security, rigorous operations and network design excellence across any industry.

Partners

A key benefit for Thunderhead in moving to the cloud is the ability to drive revenue and growth through a broad range of partnerships to reach a greater diversity of markets. Thunderhead has built strong industry partnerships, where we work very closely with our partners to deliver solutions that are highly focused on the specialized requirements of specific industry verticals, such as insurance and capital markets. Good examples of these partners are Guidewire in Insurance, Sapient in Capital Markets and WSI in Investment Banking. These partnerships are invaluable to us as we expand our footprint.

In addition, with our cloud solution we are able to partner with leading enterprise SaaS vendors to deliver specialist solutions based on their platform and solution ecosystems. We have built a strong relationship with Salesforce.com, delivering a number of applications for the Salesforce platform in 2013. We have had great success with Salesforce with an enterprise-class solution that is able to add value to large enterprise deployments - EE and Thomson Reuters are good examples. We are in discussions with a number of other SaaS vendors and will be making further partner announcements in 2014.

Looking ahead to 2014

To reiterate my opening comment, 2013 was a watershed year for Thunderhead as the foundation we have been building for our new SaaS business came on stream. While 2014 will still see significant levels of investment, the focus for 2014 will be on execution.

We are excited by the new market opportunities and the prospect of enhancing the solutions we currently offer our customers. We are actively on our way to becoming a leader in the emerging customer engagement market.

In 2014 we will be expanding our operations in North America, Europe and Australia with more hiring in all areas, together with new office space in each region to better our customers and scale our business to meet the growing market demand for our solutions.

In March 2015, the business successfully secured \$30m of financing from Proventus, a European Investment fund based in Stockholm, Sweden. The funds raised will enable us to execute our aggressive growth plans and ultimately return the business back to profitability as our top line revenues scale.

Glen Manchester
5th May 2015

THUNDERHEAD LIMITED
REPORT OF THE DIRECTORS'
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their annual report together with the audited consolidated financial statements of the company and of the group for the year ended 31 December 2013.

Principal Risks and Uncertainties

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

Exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses natural hedges, offsetting foreign currency revenues and expenses where possible, to hedge these exposures.

Credit risk

The Company's principal financial assets are cash, trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. The Company considers credit risk to be minimal due to the blue chip nature of its customers.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above.

The current economic conditions create uncertainty over the level of demand for the company's services, however, having recently secured financing, the Company is confident it can mitigate that risk. The Company has a significant positive cash balance.

The company has considerable financial resources with strong net assets and current assets. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the annual report and accounts.

Future Developments

These are disclosed in detail in the preceding Strategic Report.

Dividends

Dividends of £nil were paid in the year (2012: £4,000,000).

Directors

No directors have been appointed during the period. The directors are listed under Company Information on page 3.

THUNDERHEAD LIMITED
REPORT OF THE DIRECTORS' (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the company.

Approved by the Board of directors and
signed on behalf of the Board


P A MILTON
Secretary

Date: 5/5/15

THUNDERHEAD LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Directors' Report, the Strategic 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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THUNDERHEAD LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THUNDERHEAD LIMITED

We have audited the financial statements of Thunderhead Limited for the year ended 31 December 2013, which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

THUNDERHEAD LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THUNDERHEAD LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Nick Powell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: *7 MAY 2015*

THUNDERHEAD LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
TURNOVER	2	41,821,978	39,811,052
Cost of Sales		(6,675,637)	(5,959,859)
GROSS PROFIT		<u>35,146,341</u>	<u>33,851,193</u>
Administrative Expenses		(39,438,947)	(35,300,511)
OPERATING (LOSS)	3	<u>(4,292,606)</u>	<u>(1,449,318)</u>
Interest receivable and similar income		106,413	174,019
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(4,186,193)</u>	<u>(1,275,299)</u>
Taxation	6	(1,079,954)	1,648,856
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>(5,266,147)</u>	<u>373,557</u>

The above amounts represent the results of continuing activities.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	(5,266,147)	373,557
Exchange (loss)/profit on translation of foreign operations	16	(104,010)	(40,290)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>(5,370,157)</u>	<u>333,267</u>

THUNDERHEAD LIMITED
GROUP BALANCE SHEET
AT 31 DECEMBER 2013

	Notes	2013 £	2013 £	2012 £	2012 £
FIXED ASSETS					
Tangible Assets	7		2,118,019		2,687,066
CURRENT ASSETS					
Debtors	9	13,969,283		13,251,203	
Cash at bank and in hand		7,856,079		11,870,614	
		<u>21,825,362</u>		<u>25,121,817</u>	
CREDITORS: amounts falling due within one year	10	(18,298,289)		(16,862,878)	
NET CURRENT ASSETS			3,527,073		8,258,939
CREDITORS: amounts falling due in more than one year	11		(2,365,536)		(2,349,985)
NET ASSETS			<u>3,279,556</u>		<u>8,596,020</u>
CAPITAL AND RESERVES					
Called up share capital	13		1,000,000		1,000,000
Profit and loss account	16		2,169,116		7,539,273
Share based payments reserve	15		110,440		56,747
SHAREHOLDERS' /FUNDS	16		<u>3,279,556</u>		<u>8,596,020</u>

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


P A MILTON
Director

Date: 5/5/15
Registered No: 4303041

THUNDERHEAD LIMITED
PARENT COMPANY BALANCE SHEET
AT 31 DECEMBER 2013

	Notes	2013 £	2013 £	2012 £	2012 £
FIXED ASSETS					
Tangible assets	7		985,893		1,246,959
Investments	8		58,407		38,408
			<u>1,044,300</u>		<u>1,285,367</u>
CURRENT ASSETS					
Debtors	9	6,925,879		9,694,492	
Cash at bank and in hand		3,508,833		4,249,796	
		<u>10,434,712</u>		<u>13,944,288</u>	
CREDITORS: amounts falling due within one year	10	(9,039,152)		(7,624,369)	
NET CURRENT ASSETS			1,395,560		6,319,919
CREDITORS: amounts falling due in more than one year	11		(970,326)		(389,076)
NET ASSETS			<u>1,469,534</u>		<u>7,216,210</u>
CAPITAL AND RESERVES					
Called up share capital	13		1,000,000		1,000,000
Profit and loss account	16		359,094		6,159,463
Share based payment reserve	15		110,440		56,747
SHAREHOLDERS' FUNDS	16		<u>1,469,534</u>		<u>7,216,210</u>

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



P A MILTON
Director

Date: 5/5/15
Registered No: 4303041

THUNDERHEAD LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Net cash (outflow)/inflow from operating activities		(2,722,639)	4,365,564
Return on investments and servicing of finance			
Interest received		114,714	176,214
Interest paid		(11,264)	(8,572)
Dividends paid		-	(4,000,000)
		<u>103,450</u>	<u>(3,832,358)</u>
Taxation paid		(930,067)	126,245
Capital expenditure:			
Payments to acquire tangible fixed assets	7	(479,492)	(2,313,194)
Receipt from sale of tangible fixed assets		14,213	25,616
Decrease in net cash		<u>(4,014,535)</u>	<u>(1,628,127)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH			
Decrease in cash in the year		(4,014,535)	(1,628,127)
Net cash at beginning of the year		11,870,614	13,498,741
Net cash at the end of the year		<u>7,856,079</u>	<u>11,870,614</u>

	1 January 2013 £	Cash flow £	31 December 2013 £
ANALYSIS OF NET FUNDS			
Cash at bank and in hand	11,870,614	(4,014,535)	7,856,079
	<u>11,870,614</u>	<u>(4,014,535)</u>	<u>7,856,079</u>

THUNDERHEAD LIMITED
GROUP CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2013 £	2012 £
Operating loss	(4,292,606)	(1,449,318)
Depreciation charges	1,042,462	803,894
Share based payment	53,693	24,982
(Increase) / decrease in debtors	(809,613)	1,240,849
Increase in creditors	1,443,039	3,546,036
Foreign exchange (gains)/losses	(64,135)	469,913
Interest paid	11,264	8,572
(Loss)/profit on disposal of fixed assets	(10,435)	19,759
Australian withholding tax reclassified	(96,308)	(299,123)
Net cash inflow from operating activities	<u>(2,722,639)</u>	<u>4,365,564</u>

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2013

1. **Accounting Policies**

Basis of Preparation

The financial statements of Thunderhead Limited were approved for issue by the Board of Directors on 5th May 2015. The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Thunderhead Limited and all its subsidiary undertakings drawn up to 31 December 2013. No profit and loss account is presented for the parent company as permitted by section 408 of the Companies Act 2006. The company made a loss during the year of £5,800,369 (2012: £204,629).

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the group's ordinary activities after deduction of trade discounts and value added tax. Revenue on licence sales is recognised at the date of delivery of the fully functional software irrespective of the customer requesting a key as this is not required for the customer to access fully functional software, nor is the customer's obligation contingent on receipt of the key. Revenue on SaaS contracts, maintenance and support services sales are recognised over the period to which they relate.

Research and Development

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible fixed assets, less residual value, in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer equipment	- 33.33% per annum
Office equipment	- 33.33% per annum
Furniture and fittings	- 25% per annum
Motor vehicles	- 33.33% per annum
Leasehold improvements	- across remaining lease term

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of the future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

1. **Accounting Policies (continued)**

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred Taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as likely that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension Contributions

The group does not operate a pension scheme but makes contributions to the personal pension plans of its employees. Contributions are recognised in the profit and loss account in the period in which they become payable.

Foreign Currencies

Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. These translation differences are taken to the profit and loss account.

Currency differences arising from the translation of the opening net investment in subsidiaries at the closing rate are taken directly to reserves.

Investments

Investments are shown at cost less provision for impairment.

Share Based Payment

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions which dictate the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

The group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity settled awards granted after 7 November 2002 that had not vested before 1 January 2006. For awards granted before 7 November 2002 the group only recognises the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

2. **Turnover**

Turnover is attributable to the principal activity of the group and arose in percentages across the world as follows:

	THE GROUP	
	2013 %	2012 %
United Kingdom	26	24
United States of America	62	62
Australia	12	13
Germany	0	1
	<u>100</u>	<u>100</u>

3. **Operating Profit**

	2013 £	2012 £
This is stated after charging/(crediting):		
Directors' remuneration (note 5)	850,652	982,952
Auditors' remuneration - for audit services (see note 1)	80,117	73,365
Other fees to auditors - taxation services (see note 2)	321,358	205,954
Operating lease rentals - land and buildings	815,849	775,056
Share based payments (note 15)	53,693	24,982
Foreign exchange (gains)/losses	(64,135)	469,913
Depreciation - owned assets (note 7)	<u>1,042,462</u>	<u>803,894</u>

Note 1: £25,000 (2012: £22,000) of this relates to the company

Note 2: Included in other fees to auditor is £174,100 (2012: £52,248) relating to the company

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

4. **Staff Costs**

	2013 £	2012 £
Wages and salaries	21,884,912	17,624,627
Social security costs	2,434,288	1,989,516
Other pension costs	683,241	511,362
	<u>25,002,441</u>	<u>20,125,505</u>
	2013	2012
The average monthly number of employees (including executive directors) was		
Customer Success	77	58
Business Administration	28	22
SaaS and Information Technology	20	14
Marketing	17	14
Research and Development	99	99
Sales	44	30
	<u>285</u>	<u>237</u>

5. **Directors' Remuneration**

	2013 £	2012 £
The emoluments of the directors were as follows:		
Remuneration for management services	830,093	929,285
Pension costs	9,072	15,900
Benefits in kind	11,487	37,767
	<u>850,652</u>	<u>982,952</u>
	2013 £	2012 £
In respect of the highest paid director:		
Aggregate remuneration	<u>617,695</u>	<u>536,827</u>

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

6. **Taxation**

The taxation charge on the profit on ordinary activities arises as follows:

	2013 £	2012 £
UK Corporation Tax		
UK corporation tax on profits in the year	(1,097,070)	-
Adjustments in respect of prior periods	(682,699)	(2,300)
Total UK taxes	<u>(1,779,769)</u>	<u>(2,300)</u>
Foreign Tax		
Current year	879,895	404,214
Adjustments in respect of prior years	26,700	193,784
Total Foreign taxes	<u>906,595</u>	<u>597,998</u>
Deferred Tax		
Originating and reversal of timing differences	(249,616)	(2,244,958)
Effect of changes in tax rates on opening liability	(991)	404
Adjustments in respect of previous periods	2,203,735	-
Total deferred tax	<u>1,953,128</u>	<u>(2,244,554)</u>
 Total tax charge	 <u>1,079,954</u>	 <u>(1,648,856)</u>

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

6. **Taxation (continued)**

	2013 £	2012 £
<u>Factors affecting the tax charge for the period</u>		
(Loss)/profit on ordinary activities before taxation	(4,186,193)	(1,275,299)
Profit on ordinary activities before taxation multiplied by a standard rate of UK corporation tax of 23.25% (2012: 24.5%)	(973,290)	(312,448)
Effects of:		
Expenses not deductible for tax purposes/(non taxable income)	(1,193,981)	(1,868,367)
(Decelerated)/accelerated capital allowances	6,860	65,429
Other timing differences	341,071	(2,217)
Unrelieved tax losses/(brought forward tax losses utilised)	128,998	2,358,418
Current year tax losses surrendered for R&D tax credit	2,318,808	-
Tax credit	(1,097,070)	
Excess foreign tax on overseas income	28,825	-
Adjustments to tax charge in respect of prior periods	(655,998)	173,731
State taxes net of federal benefit	34,009	35,067
Other tax rates	188,531	146,085
	100,116	908,146
Current tax charge for the period	873,154	595,698

Tax rate change disclosure note

The Finance Act 2013, which includes a reduction in the UK corporation tax rate to 21% from April 2014 and 20% from April 2015, has been enacted on 17 July 2013 and so UK deferred tax assets and liabilities have been calculated accordingly at 20%.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

7. **Tangible Fixed Assets**

<u>THE GROUP</u>	Leasehold Improvements	Computer equipment	Other office furniture and equipment	Motor vehicles	Total
	£	£	£	£	£
COST					
At 1st January 2013	1,042,144	2,218,036	401,344	65,826	3,727,350
Additions in the year	143,933	264,583	70,976	0	479,492
Disposals in the year	0	(6,446)	(4,645)	(65,826)	(76,917)
Foreign exchange differences	(10,131)	(26,501)	(4,171)	0	(40,803)
At 31st December 2013	1,175,946	2,449,672	463,504	0	4,089,122
DEPRECIATION					
At 1st January 2013	149,127	705,107	120,224	65,826	1,040,284
Charge for the year	153,745	772,490	116,227	0	1,042,462
Disposal in the year	0	(3,900)	(1,935)	(65,826)	(71,661)
Foreign exchange differences	(6,106)	(28,990)	(4,886)	0	(39,982)
At 31st December 2013	296,766	1,444,707	229,630	0	1,971,103
NET BOOK VALUE					
At 31st December 2013	879,180	1,004,963	233,875	-	2,118,019
At 31st December 2012	893,017	1,512,929	281,120	-	2,687,066

Included within the above are leased assets with a net book value of £592,255 (2012: £1,035,113).

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

7. **Tangible Fixed Assets (continued)**

<u>THE COMPANY</u>	Leasehold Improvements	Computer equipment	Other office furniture and equipment	Motor vehicles	Total
	£	£	£	£	£
COST					
At 1st January 2013	546,150	1,086,881	193,057	65,826	1,891,914
Additions in the year	22,327	192,917	22,686	0	237,930
Disposals in the year	0	(2,138)	0	(65,826)	(67,964)
At 31st December 2013	568,477	1,277,661	215,743	0	2,061,880
DEPRECIATION					
At 1st January 2013	74,970	442,671	61,488	65,826	644,955
Charge for the year	69,549	376,166	52,594	0	498,309
Disposal in the year	0	(1,451)	0	(65,826)	(67,277)
At 31st December 2013	144,519	817,386	114,082	0	1,075,987
NET BOOK VALUE					
At 31st December 2013	423,959	460,273	101,661	-	985,893
At 31st December 2012	471,180	644,210	131,569	-	1,246,959

Included within the above are leased assets with a net book value of £176,205 (2012: £327,238).

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

8. **Investment in Subsidiary Undertakings**

	2013 £	2012 £
Shares in subsidiaries at cost	58,407	38,408

Investment in subsidiaries represents direct holdings of the following proportions of the nominal value of the issued ordinary share capital of the companies:

Name of Company	Holding	Nature of Business	Investment £
Thunderhead PTY - <i>Incorporated in New South Wales, Australia</i>	100%	Software sales	41
Thunderhead Inc - <i>Registered in Virginia, USA</i>	100%	Software sales	52
Thunderhead GmbH - <i>Registered in , Ratingen, Germany</i>	100%	Software sales	22,156
Thunderhead BV - <i>Registered in , Amsterdam, Netherlands</i>	100%	Software development	16,158
Thunderhead PTE Ltd - <i>Registered in, Singapore</i>	100%	Software Sales	20,000
			58,407

9. **Debtors**

	THE COMPANY		THE GROUP	
	2013 £	2012 £	2013 £	2012 £
Trade debtors	2,781,164	2,857,821	8,808,270	8,683,883
Amounts owed by group undertakings	698,643	3,458,677	-	-
Other debtors and prepayments	1,665,468	3,377,201	3,221,452	4,517,911
Corporation Tax	1,780,604	793	1,939,561	49,409
	6,925,879	9,694,492	13,969,283	13,251,203

All amounts included as debtors are due within one year.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

10. **Creditors – amounts due within one year**

	THE COMPANY		THE GROUP	
	2013 £	2012 £	2013 £	2012 £
Accruals and deferred income	6,158,000	5,876,007	15,004,446	13,452,565
Obligations under finance leases and hire purchase contracts (see note 18)	154,527	150,715	415,892	415,446
Trade creditors	413,962	687,535	1,068,510	1,224,813
Other taxes and social security costs	805,990	573,793	1,003,125	1,121,251
Other creditors	329,387	138,759	806,315	648,803
Amounts owed to group companies	1,177,286	197,560	-	-
	<u>9,039,152</u>	<u>7,624,369</u>	<u>18,298,288</u>	<u>16,862,878</u>

11. **Creditors – amounts due after more than one year**

	THE COMPANY		THE GROUP	
	2013 £	2012 £	2013 £	2012 £
Obligations under finance leases and hire purchase contracts (see note 18)	5,520	160,048	136,969	561,052
Accruals and deferred income	964,806	229,028	2,228,567	1,788,933
	<u>970,326</u>	<u>389,076</u>	<u>2,365,536</u>	<u>2,349,985</u>

12. **Deferred Taxation**

The group has an unprovided deferred tax asset of £204,273 (2012: £nil).

	At 31st December 2013		At 31st December 2012	
	Provided	Unprovided	Provided	Unprovided
Capital allowances less than depreciation	(217,314)	78,599	(245,474)	-
Losses carried forward	-	119,166	2,214,025	-
Other timing differences	623,476	6,508	412,472	-
Deferred tax asset	<u>406,161</u>	<u>204,273</u>	<u>2,381,023</u>	<u>-</u>

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

12. **Deferred Taxation (continued)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets is realised or liability settled, based on tax rates that have been enacted at the statement of financial position date. The above deferred tax asset is included within note 9 Debtors – ‘other debtors and prepayments’.

13. **Share Capital**

Group and Parent Company

	2013 £	2012 £
Authorised, allotted, called-up and fully paid:		
1,695,232 Ordinary shares of 5 pence each (2012: 20,000,000 Ordinary shares of 5 pence each)	84,762	84,762
14,848,128 A class shares of 5 pence each (2012: nil A class shares of 5 pence each)	742,406	742,406
3,456,640 B class shares of 5 pence each (2012: nil B class shares of 5 pence each)	172,832	172,832
	<u>1,000,000</u>	<u>1,000,000</u>

14. **Dividends**

	2013 £	2012 £
Amounts recognised as distributions to shareholders in the period of £nil per share (2012: £0.20).	-	4,000,000

15. **Share Based Payments**

Senior Executive Plan

Senior executives are granted share options in the ultimate parent company, Thunderhead Limited. The share options granted vest at various dates dependent on the terms in the individual agreements, unless an exit event occurs at which time all share options will vest. The contractual life of the options is 10 years after the grant date if there has been no exit event. There are no cash settlement alternatives.

On 31st August 2002 options over 193,332 Ordinary shares were granted to certain senior executives at an exercise price of £1. The options vested in tranches between 31st August 2003 and 31st August 2005 and can then be exercised at any time up to ten years from the date of grant.

Following the company 20:1 share split carried out on 20th September 2006, the options represented 3,866,640 ordinary shares of 5 pence per share. Zero shares (2012: zero) of 5 pence each were exercised during 2013 at par. This leaves zero (2012: zero) vested options that had not been exercised at the balance sheet date.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

15. **Share Based Payments (continued)**

The company has applied the transitional provisions of FRS 20 share based payments for these share options that were granted before 7th November 2002. The company has applied FRS 20 only to those equity settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

Management Incentive Plan

During 2011 the company introduced a Management Incentive Plan that entitles all employees once they have been in service for three months to a grant of options over newly created C ordinary shares. The options will vest if the employee remains in service when an exit event occurs, be it a listing or a trade sale, and two hurdles are met, one relating to value of the company and one relating to compound annual growth. The exercise price of the options is equal to the estimated market price of the shares and there are no cash settlements.

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2013 is £53,693 (2012: £24,982).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options in the year.

	2013		2012	
	No	WAEP	No	WAEP
Outstanding as at 1 January (1)	3,332,482	£0.32	3,136,515	£0.21
Granted during the year	1,793,000	£0.11	1,787,000	£0.35
Exercised during the year (2)	-	-	-	-
Expired during the year	(27,423)	£0.25	-	-
Forfeited during the year	(1,409,200)	£0.53	(1,591,033)	£0.13
Outstanding at 31 December	<u>3,688,859</u>		<u>3,332,482</u>	
Exercisable at 31 December	<u>98,309</u>		<u>125,732</u>	

1 Included within this balance are options over no shares (2012: none) that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

2 The weighted average share price at the date of exercise for the options exercised is nil (2012: nil)

The weighted average fair value of options granted during the year was £0.12 (2012: £0.04). The range of exercise prices for options outstanding at the end of the year was £0.08 - £1.20 (2012: £0.25 - £2.00).

The fair value of share options granted is estimated as at the date of grant using a model that is based on the 'binomial' or 'lattice' option pricing method, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 December 2013 and 31 December 2012:

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

15. **Share Based Payments (continued)**

	2013	2012
Weighted average share price	£1.05	£0.91
Risk-free interest rate	1.44%	1.57%
Expected life of option (years)	3.74yrs	4.14 yrs
Expected volatility	40.00%	40.00%
Expected dividend yield	0.00%	13.00%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of fair value.

16. **Reconciliation of Movement in Shareholders' Funds**

	THE COMPANY		THE GROUP	
	2013 £	2012 £	2013 £	2012 £
(Loss)/profit after taxation	(5,800,369)	(204,629)	(5,266,147)	373,557
Exchange gain/(loss) on translation of foreign operations	-	-	(104,010)	(40,290)
Dividends paid (note 14)	-	(4,000,000)	-	(4,000,000)
Increase in share capital	-	-	-	-
Share based payments (note 15)	53,693	24,982	53,693	24,982
Net movement in shareholders' funds	(5,746,676)	(4,179,647)	(5,316,464)	(3,641,751)
Shareholders' funds brought forward	7,216,210	11,395,857	8,596,020	12,237,771
Shareholders' funds carried forward	1,469,534	7,216,210	3,279,556	8,596,020

17. **Pension Commitments**

During the year the group made contributions of £683,241 (2012: £511,362) to the personal pension plans of employees.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

18. **Obligations under leases and hire purchase contracts**

Amounts due under finance leases and hire purchase contracts:

Group	2013 £	2012 £
Amounts payable:		
-Within one year	415,892	415,446
-Between one and two years	136,969	421,343
-Between two and five years	-	139,709
-After more than five years	-	-
	<u>552,861</u>	<u>976,498</u>
Parent company	2013 £	2012 £
Amounts payable:		
-Within one year	154,528	150,715
-Between one and two years	5,520	154,528
-Between two and five years	-	5,520
-After more than five years	-	-
	<u>160,048</u>	<u>310,763</u>

At the balance sheet date neither the group nor the company had any capital expenditure either authorised or contracted for.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

18. **Obligations under leases and hire purchase contracts (continued)**

The company had annual commitments under non-cancellable operating leases as set out below:

Group	Land and Buildings 2013 £	Land and Buildings 2012 £
Operating leases which expire:		
-Within one year	41,488	124,803
-Between one and two years	-	33,002
-Between two and five years	239,995	179,828
-After more than five years	414,257	394,797
	<u>695,740</u>	<u>732,430</u>
Parent company	Land and Buildings 2013 £	Land and Buildings 2012 £
Operating leases which expire:		
-Within one year	-	-
-Between two and five years	155,922	155,922
-After more than five years	197,327	197,327
	<u>353,249</u>	<u>353,249</u>

19. **Controlling Party**

The company is under the control of G R Manchester, by virtue of his beneficial interest in 80.63% (2012: 80.63%) of the issued share capital.

THUNDERHEAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AT 31 DECEMBER 2013

20. **Director's advances**

At a meeting held on 21 April 2011 approval was given for an interest free-loan up to a value of £500,000 to be made as necessary to G Manchester to enable him to meet certain tax liabilities and commitments in relation to his properties. At a further meeting on 8 July 2011 approval was given to extend this loan by a further £260,000 to continue to meet commitments in relation to his properties. The loan is repayable on demand and from any dividend payments that may be declared in favour of G Manchester. During the year £45,925 was advanced to him for this purpose by the company (2012: £72,910) of which £51,674 was repaid (2012: £574) and £78,226 was outstanding at the year-end (2012: £83,975) and is included in other debtors and prepayments.

Subsequent to the year end, at a meeting held on 31 January 2014, approval was given for a new interest free loan of £1,225,318 to be extended to G Manchester to enable him to meet certain tax liabilities.

21. **Subsequent events**

In March 2015, the Company successfully secured \$30m of financing from Proventus, a European investment fund based in Stockholm, Sweden. The funds raised will enable the Company to execute its strategic plans and return the business back to profitability.