

REGISTERED NUMBER: 04417540 (England and Wales)

Unaudited Financial Statements for the Year Ended 30 April 2019

for

Third Light Limited

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for the Year Ended 30 April 2019**

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Third Light Limited

Company Information for the Year Ended 30 April 2019

DIRECTORS:

Mr M Wells
Mr B M Holland
Mr R J Henry
Mr D G E Benson

SECRETARY:

Mr M Wells

REGISTERED OFFICE:

Lewis House
Great Chesterford Court
Great Chesterford
Essex
CB10 1PF

BUSINESS ADDRESS:

7330 Cambridge Research Park
Beach Drive
Waterbeach
CAMBRIDGE
CB25 9TN

REGISTERED NUMBER:

04417540 (England and Wales)

**Strategic Report
for the Year Ended 30 April 2019**

The Directors present their strategic report on Third Light Limited ("the Company") for the year ended 30 April 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of business critical Digital Asset Management (DAM) software and internet hosting services related to the storage of related media content such as images, videos and brand content. Our vision is that the Company's software is at the centre of business collaboration activities related to storing, managing, retrieving and reusing digital media. Third Light has 415 customers, many of them significant and globally recognised brands.

STRATEGIC REVIEW

During this financial year, the Company launched "Chorus", a sophisticated successor to our previous generation of software, Intelligent Media Server. Chorus has been designed with simplicity at the very heart of its functionality, and delivers a fresh, engaging business tool that reaches for the highest levels of usability and clarity. 3 years of research and development effort was conducted prior to the launch in March 2018.

The Company is investing in people to build and expand upon its new product and associated services. Recruitment of a talented development team allows the product to flourish with the technical opportunities of modern software design, while the Company launched a new Customer Success department focused on building a strong, practical connection with our customers. This department helps customers to understand and adopt our product, leading to significant reputational benefits as seen in our TrustPilot reviews, and enhanced retention in a competitive space.

The Company continues to increase its energy efficiency in providing internet services, and is currently engaged in renewal of equipment and server rack space. Servers and networking assets now have an average lifespan of 6 years as a result of procurement of the most advanced hardware, avoiding early obsolescence.

**Strategic Report
for the Year Ended 30 April 2019**

PRINCIPAL RISKS AND UNCERTAINTIES

The software market in which the Company operates is a fast-moving and expanding problem space, with each year creating broader opportunities while also being open to market entrants. Customers note that vendors provide a wide range of functionality but have tended to build complex solutions. The Company's own research and development into users' requirements has helped us to focus only on the areas which are led by actual needs, and to build a brand around simplicity and usability which distinguishes our new Chorus product offering.

The Directors acknowledge that the economic environment can affect the overall performance of the Company's business in terms of new revenue, renewals, and costs for its recruitment strategy. The quality and innovative features of the Company's products are paramount to new and existing customers. Development practices continue to focus on innovation, quality control and timeliness of new feature releases to build modules for Chorus. To scale development work to a larger team, new project management processes have been put in place supporting a remote workforce. The Company has also placed greater significance on the quality of its pre-sales, customer care and technical support services, by connecting them together as an integrated journey for customers.

The Company's service hosting operations rely on the secure, efficient and uninterrupted operation of its information technology systems and networks. To support these aims and to demonstrate its technical strengths, the Company has maintained its PCI DSS credentials and has met the Cyber Essentials Plus standard, and is working on ISO 27001 compliance. The Company maintains its own backup and continuity plans to allow alternate systems to provide continuity in the event of disaster, and is not dependent on any single supplier.

The Company continues to build and protect its intellectual property, with due care taken to record any use of open source software (OSS) and to avoid viral Open Source licenses which would affect our ability to distribute our products. All code is protected cryptographically to eliminate tampering and enforce license conditions.

The company and has no creditors other than the month-to-month flow of expenses, and therefore low exposure to interest rate risks. The nature of the Software-As-A-Service (SaaS) model used by the Company allows debtor days to be limited by contractual and practical controls over the use of the service. Deferred revenue grew in this period, providing flexibility during a period of investment and growth with the new product launch.

The key performance indicators (KPI) of Third Light focus on Annual Recurring Revenue growth and customer lifetime value. All indicators are established and monitored by the Directors and managers of the Customer Success department. During this year, the founder of the business also attended the Goldman Sachs 10,000 Small Businesses growth programme at Oxford University, producing a Business Growth Plan (BGP) and new strategic plans focused on growth.

**Strategic Report
for the Year Ended 30 April 2019**

FINANCIAL PERFORMANCE

The Company's revenue grew 7% to £1.535m (2018: £1.435m), reflecting growth in sales associated with Chorus and good overall retention of existing subscriptions. The Company made an operating profit of fxxx (2018: £187k), which includes the positive contribution of R&D tax credits. The Directors anticipate financial strength to build in 2019-2020 after the one-off costs associated with the product launch of Chorus such as advertising are now covered. Income from higher average sale sizes and new modules are anticipated to build recurring revenue supporting recruitment and the business growth plan.

The Company balance sheet shows growth in deferred revenue to £951k, an increase of 8.6% (2018: £836k), showing underlying growth and providing positive cash flow benefits.

ON BEHALF OF THE BOARD:

Mr M Wells - Director

12 August 2019

**Chartered Accountants' Report to the Board of Directors
on the Unaudited Financial Statements of
Third Light Limited**

The following reproduces the text of the report prepared for the directors in respect of the company's annual unaudited financial statements. In accordance with the Companies Act 2006, the company is only required to file a Balance Sheet.

Readers are cautioned that the Income Statement and certain other primary statements and the Report of the Directors are not required to be filed with the Registrar of Companies.

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Third Light Limited for the year ended 30 April 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed within the ICAEW's regulations and guidance at <http://www.icaew.com/en/membership/regulations-standards-and-guidance>.

This report is made solely to the Board of Directors of Third Light Limited, as a body, in accordance with our terms of engagement. Our work has been undertaken solely to prepare for your approval the financial statements of Third Light Limited and state those matters that we have agreed to state to the Board of Directors of Third Light Limited, as a body, in this report in accordance with ICAEW Technical Release 07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Third Light Limited and its Board of Directors, as a body, for our work or for this report.

It is your duty to ensure that Third Light Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit of Third Light Limited. You consider that Third Light Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Third Light Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

HSA & Co
Chartered Accountants
Lewis House
Great Chesterford Court
Great Chesterford
Essex
CB10 1PF

18 August 2019

This page does not form part of the statutory financial statements

Balance Sheet
30 April 2019

		2019 £	2018 £
FIXED ASSETS	Notes		
Tangible assets	5	210,238	198,612
CURRENT ASSETS			
Debtors	6	254,512	216,065
Cash at bank		<u>727,177</u>	<u>619,904</u>
		981,689	835,969
CREDITORS			
Amounts falling due within one year	7	<u>(950,351)</u>	<u>(875,717)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>31,338</u>	<u>(39,748)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		241,576	158,864
CREDITORS			
Amounts falling due after more than one year	8	(118,547)	(28,053)
NET ASSETS		<u>123,029</u>	<u>130,811</u>
CAPITAL AND RESERVES			
Called up share capital		100	100
Retained earnings		<u>122,929</u>	<u>130,711</u>
SHAREHOLDERS' FUNDS		<u>123,029</u>	<u>130,811</u>

The notes form part of these financial statements

Balance Sheet - continued
30 April 2019

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 30 April 2019.

The members have not required the company to obtain an audit of its financial statements for the year ended 30 April 2019 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the
- (a) Companies Act 2006
- and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each
- financial year and of its profit or loss for each financial year in accordance with the requirements of
- (b) Sections 394 and 395
- and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as
- applicable to the company.

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors on 12 August 2019 and were signed on its behalf by:

Mr M Wells - Director

Mr B M Holland - Director

Mr R J Henry - Director

Mr D G E Benson - Director

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 30 April 2019**

1. STATUTORY INFORMATION

Third Light Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers. Where income relates to licences to customers for the use of software or support for those licenced products, the income is recognised evenly over the period of the licence. Where income relates to installation, training or set up, the income is recognised when the service is provided.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Plant and machinery etc - 25% on reducing balance and over the remaining life of the lease

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instruments.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes, in effect, a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements - continued
for the Year Ended 30 April 2019**

3. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

4. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 18 (2018 - 14) .

5. TANGIBLE FIXED ASSETS

Plant and
machinery
etc
£

COST

At 1 May 2018

364,269

Additions

66,741

Disposals

(10,079)

At 30 April 2019

420,931

DEPRECIATION

At 1 May 2018

165,657

Charge for year

54,357

Eliminated on disposal

(9,321)

At 30 April 2019

210,693

NET BOOK VALUE

At 30 April 2019

210,238

At 30 April 2018

198,612

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

2019

2018

£

£

Trade debtors

151,724

144,075

Other debtors

102,788

71,990

254,512

216,065

**Notes to the Financial Statements - continued
for the Year Ended 30 April 2019**

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Bank loans and overdrafts	-	2,181
Trade creditors	3,298	32,051
Taxation and social security	36,187	34,670
Other creditors	<u>910,866</u>	<u>806,815</u>
	<u>950,351</u>	<u>875,717</u>

Included within other creditors disclosed above is a balance of £16,909 (2018 - £11,813) in relation to accruals, a balance of £846,654 (2018 - £747,664) in relation to deferred income, a balance of £847 (2018 - £739) in relation to directors loan accounts and a balance of £46,456 (2018 - £46,599) in relation to other creditors.

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Other creditors	<u>118,547</u>	<u>28,053</u>

Included within other creditors disclosed above is a balance of £118,547 (2018 - £28,053) in relation to deferred income.

9. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £	2018 £
Within one year	54,637	54,637
Between one and five years	168,466	218,550
In more than five years	-	4,553
	<u>223,103</u>	<u>277,740</u>