Medallia Limited

Report and financial statements

Registered number 07982374

31 January 2019

Company information

Directors
A K Grebene
M Green (Resigned 5 February 2018)
R Palmer (Appointed 5 February; Resigned 17 August 2018)
S T Farrington (Resigned 11 June 2018)
A Livesey (Appointed 1 February 2019)

Company Secretary
Citco Management (UK) Limited

Registered number
07982374

Registered office
5th Floor
80 Cheapside
London
United Kingdom
EC2V 6EE

Independent auditors
Ernst & Young LLP
Statutory Auditor
1 More London Place
London
United Kingdom
SE1 2AF

Contents

Strategic report

The directors present their strategic report for the year ended 31 January 2019.

Review of the business

For the year 1 February 2018 to 31 January 2019 Medallia Limited's principle activity was the provision of Sales, Marketing and customer activities on behalf of Medallia Inc.

The financial period ended 31 January 2019 was the sixth full year of trading for Medallia Limited.

During the year Medallia Limited invested in growing our UK workforce including Sales and Marketing, Professional services and G&A to fulfil our commitment in providing a world class customer service experience to our large and growing customer base. The features of our software and the scalability solutions our customers expect, has resulted in a solid base for the business to build on and we expect future demand for our services to be strong.

Results and KPI's

The financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the requirements of the Companies Act 2006.

Key financial and other performance indicators during the year were as follows:

	2019	2018	Change
	£	£	%
Turnover	27,343,908	25,207,333	8%
Operating Cost	(16,898,461)	(13,889,973)	22%
Current assets compared to current liabilities (quick ratio)	3.11	2.35	32%
Average number of employees	127	115	10%

Turnover increased by 8% during the year due to the mark up on Cost+ activities attributed to the extra investment made by the Company.

Total operating cost increased by 22% during the year. This increase was predominantly caused by the ongoing expenses associated with securing additional office space, growth & in technical services, consulting services and the year on year headcount growth across the business.

The Company's quick ratio (current assets as a percentage of current liabilities) has increased by 32% primarily due to an increase in debtors (17%) mainly driven by intercompany balances. The overall movement in creditors was an 11% decrease year over year due to a reduction in the corporation tax payable. Conversely, long term creditors increased year on year, driven by an increase in long term deferred rent and lease incentives as a result of the additional office space at Medallia's London HQ. Long term debtors are consistent year over year.

The total average number of employees increased by 10% (6% increase in prior year) during the year. This was largely attributable to the continued investment in our sales and operations workforce (11% increase year on year), in an attempt to consolidate and drive the revenue growth across the business, whilst ensuring resources are readily available to accommodate the scalability.

Strategic report *(continued)*

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks.

The key business and financial risks and uncertainties affecting the Company are continually monitored by the directors and appropriate steps are taken to eliminate or reduce their impact. The following risks are significant to the Company's operations:

- Credit risk. The Company conducts significant due diligence on potential customers before sales are made and rigorous procedures are enforced to ensure payments are received from customers on time.
- SLA (Service Level Agreement) Breach. The Company could suffer integrity and financial loss, should a significant SLA breach or period of downtime occur. The directors believe that the procedures and measures in place that are enforced mitigate the risks of an outage occurring wherever possible.
- Competitive Risks. The Company faces competitive risk from large multi-nationals entering into the market providing "loss leader" services. The directors believe that the brand is very strong, and continued investment in sales and marketing activity will continue to strengthen existing and new customer relationships.
- Legislative Risks. The Company faces a legislative risk in certain countries around the security and physical location of electronic data. These legislative standards are subject to continuous revision and any new directive could have a material impact on the ability of the group to supply services at a profit. A further risk is geo political risk, including but not limited to events such as Brexit. The directors are confident that current security measures are robust but also continue to appraise additional regional datacentre resources to meet the demand and expectations of our customers.

By order of the board

Director

Mr Asif Livesey

5th Floor
80 Cheapside
London
EC2V 6EE
United Kingdom
15 August 2019

Directors' report

The directors present their report for the year ended 31 January 2019.

Directors

The directors who held office during the year and up to the date of this report are as follows:

A K Grebene
M Green (Resigned 5 February 2018)
R Palmer (Appointed 5 February; Resigned 17 August 2018)
S T Farrington (Resigned 11 June 2018)
A Livesey (Appointed 1 February 2019)

Future Developments

The directors aim to maintain the existing level of investment in people, in addition to developing new polices and processes to deliver sustained and future growth. Over the next year the company will show continued investment, particularly in sales, operations and marketing, and the directors are very confident that this investment will deliver increased growth and open up new opportunities to grow market share.

Post balance sheet events

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

Branches

Medallia Limited currently has 4 branches in operation across the following locations: Italy, Spain, Switzerland and Sweden.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: £nil).

Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by Medallia Inc, the Company's ultimate holding undertaking.

Medallia Inc has indicated to the Company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Political and charitable contributions

The Company made no political or UK charitable contributions during the year (2018: nil).

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the necessary steps required to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and EY LLP will therefore continue in office.

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK General Accepted Accounting Practice).

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 and 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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

Director

A. L

Mr Asif Livesey

5th floor
80 Cheapside
London
EC2V 6EE
United Kingdom
15 August 2019

Independent Auditor's report to the members of Medallia Limited

Opinion

We have audited the financial statements of Medallia Limited for the year ended 31 January 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes1 to 20, 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 FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard

Independent Auditor's report to the members of Medallia Limited *(continued)*

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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's report to the members of Medallia Limited *(continued)*

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.

Ernst & Young LLP

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

Date: **15 August 2019**

Statement of Comprehensive Income
for the year ended 31 January 2019

	Note	2019	2018
		£	£
Turnover	2	**27,343,908**	**25,207,333**
Cost of sales		**(9,093,750)**	**(9,639,358)**
Gross profit		**18,250,158**	**15,567,975**
Administrative expenses		**(16,898,461)**	**(13,889,973)**
Operating profit	3	**1,351,697**	**1,678,002**
Interest receivable and similar income	6	**436**	**1,857**
Interest payable and expenses	6	**(36,963)**	**(17,194)**
Profit on ordinary activities before taxation		**1,315,170**	**1,662,665**
Tax credit/(charge) on profit on ordinary activities	7	**52,229**	**(469,277)**
Profit for the financial year		**1,367,399**	**1,193,388**

The results derive from continuing operations.

There are no other items of other comprehensive income other than the profit attributable to the shareholders of the company of £1,367,399 in the year ended 31 January 2019 (2018: Profit of £1,193,388).

Statement of Financial Position

at 31 January 2019

	Note		2019		2018
		£	£	£	£
Fixed assets					
Intangible assets	*8*		**4,556**		**12,887**
Tangible assets	*9*		**2,792,058**		**1,476,426**
Investments	*10*		**67,992**		**67,992**
Current assets					
Debtors: amounts falling due within one year	*11*	**8,301,796**		**6,049,885**	
Debtors: amounts falling due after more than one year	*11*	**265,962**		**249,686**	
Cash at bank and in hand		**176,059**		**1,146,822**	
		8,743,817		**7,446,393**	
Creditors: amounts falling due within one year	*12*	**(2,807,552)**		**(3,172,026)**	
Net current assets			**5,936,265**		**4,274,367**
Total assets less current liabilities			**8,800,871**		**5,831,672**
Creditors: amounts falling due after more than one year	*13*		**(1,834,257)**		**(853,105)**
Net Assets			**6,966,614**		**4,978,567**
Capital and reserves					
Called up share capital	*14*		**1**		**1**
Profit and loss account	*15*		**6,966,613**		**4,978,566**
Shareholder's funds	*16*		**6,966,614**		**4,978,567**

These financial statements were approved by the directors on **15 August 2019** and were signed accordingly:
By order of the board

A. Livesey

Director

Mr Asif Livesey

Statement of Changes in Equity
for the year ended 31 January 2018

	Called-up share capital £	Profit and loss account £	Total £
At 1 February 2017	1	2,789,489	2,789,490
Profit for the year	-	1,193,388	1,193,388
Credit in relation to share awards	-	995,689	995,689
At 31 January 2018	1	4,978,566	4,978,567

Statement of Changes in Equity
for the year ended 31 January 2019

	Called-up share capital £	Profit and loss account £	Total £
At 1 February 2018	1	4,978,566	4,978,567
Profit for the year	-	1,367,399	1,367,399
Credit in relation to share awards	-	620,648	620,648
At 31 January 2019	1	6,966,613	6,966,614

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

1.1 Statement of Compliance

The financial statements are prepared in accordance with the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the requirements of the Companies Act 2006. Medallia Limited is a limited liability company incorporated in England. The Registered Office is 80 Cheapside, London, EC2V 6EE.

1.2 Basis of preparation

The financial statements of Medallia Limited were authorised for issue by the Board of Directors on 12 August 2019. The financial statements have been prepared in accordance with the applicable accounting standards. The financial statements are prepared in sterling (GBP) which is the functional currency of the company.

The Company has taken advantage of Financial Reporting Standard 102 section 1.12 "Reduce disclosure for subsidiaries". The Company is a qualifying entity within a group whose financial statements are publicly available. The following disclosure exemptions were taken:

(a) the requirements of Section 4 Statement of Financial Position paragraph 4.12 (a)(iv)

(b) the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d)

(c) the requirement of Section 33 Related Party Disclosures paragraph 33.7.

(d) the requirements of Section 26 - Share based payment, paragraphs 26.18(b), 26.19 to 26.21 and 26.23

1.3 Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by Medallia Inc, the Company's ultimate holding undertaking.

Medallia Inc has indicated to the Company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.4 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The directors' have concluded that the judgements are not significant and that the estimation uncertainty does not give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes *(continued)*

1. Accounting policies *(continued)*

1.5 Significant accounting policies

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

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.

Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

Turnover

Turnover represents the amounts, excluding value added tax, derived from the provision of services to Medallia Inc.

Turnover represents an amount equal to the value of certain direct and indirect costs plus a mark-up of either 5% or 7% and is recognised as costs are incurred.

Intangible assets

Assets are classified as intangible if they are capable of being separated or divided from the entity, sold, transferred, rented or exchanged; or if the cost arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or other rights or obligations.

Intangible Assets are initially recognised at cost and amortized in accordance with the requirements of section 18 of FRS 102, with amortization commencing upon completion of contractual or other legal rights. Amortization is calculated from the date an asset becomes available for use and is written off on a straight-line basis over the estimated useful lives of each asset. The principal periods used for this purpose are:

- Computer software - 3 years

Tangible fixed assets

Property, plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset and comprises purchase cost, together with the incidental costs of installation and commissioning. These costs include external consultancy fees and internal employment costs which are directly and exclusively related to the underlying asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within the statement of comprehensive income.

Notes *(continued)*

1. Accounting policies *(continued)*

***Tangible fixed assets** (continued)*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred. An asset is regarded as being in the course of construction until it is ready for its intended use, when it is reclassified to the appropriate category in fixed assets and is depreciated over its estimated useful economic life'.

Depreciation is calculated from the date an asset becomes available for use and is written off on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated on the same basis as owned assets over the shorter of the lease term and their useful lives. The principal periods used for this purpose are:

Leasehold improvements	Over the term of the lease
Plant and machinery	33%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Assets are impaired when the value in use of those assets is less than their carrying amount.

Any impairment losses are reversed when there is a change in the economic conditions or in the expected use of the asset which impacts their value in use. The amount of any reversal is limited to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred.

Investments

Non – listed investments in subsidiaries are measured at cost, less provisions for impairment.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Notes *(continued)*

1 Accounting policies *(continued)*

***Deferred taxation** (continued)*

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

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 amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

Leases

Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

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.

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Financial instruments

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

The company has the following categories of financial assets and liabilities:

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 in change in value.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial instruments *(continued)*

Trade and other debtors

Trade and other debtors are measured at transaction price, less any impairment and are measured initially at fair value, net of transaction costs. They are measured subsequently at amortised cost using their effective interest method, less any impairment.

Trade and other creditors

Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other creditors are initially measured at fair value and subsequently measured at amortised cost.

Share-based payments

The share option programme allows employees of the Company to acquire share certificates of Medallia Inc, the ultimate parent company. As the Company itself has no obligation, it measures the services of these employees as an equity-settled share-based payment transaction.

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised as an expense to the statement of comprehensive income over the period that the employees become unconditionally entitled to the options ('vesting period'). The cumulative expense recognised for equity-settled share-based payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Medallia Inc's best estimate of the number of options that will ultimately vest.

The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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 Medallia Inc keeping the scheme open or an employee maintaining any contributions required by the scheme).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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 and of the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above.

Notes *(continued)*

***Share-based payments** (continued)*

The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

2 Turnover

Turnover represents an amount equal to the value of direct and indirect costs, as recognised, plus an additional mark-up of either 5% or 7% on those costs (depending on their nature), as specified in the transfer pricing agreements between Medallia Limited and Medallia Inc. The majority of revenue was derived from rendering services within the United Kingdom.

	2019	2018
	£	£
Turnover	**27,343,908**	25,207,333

3 Operating profit

	2019	2018
	£	£
The operating profit is stated after charging/(crediting):		
Depreciation	**964,138**	975,723
Amortization	**37,762**	9,733
Auditor's remuneration for the audit of these financial statements	**38,000**	35,000
Operating leases	**1,350,000**	759,269
Exchange Loss/(Gain)	**132,081**	(278,868)

4 Remuneration of director's

	2019	2018
	£	£
Directors' aggregate remuneration in respect of qualifying services	**219,854**	736,564
Company contributions to pension schemes	**2,248**	3,055

Director's remuneration in respect of the services provided by one of the directors for the year ended 31 January 2019 has been borne by other group companies. This director is also a director of other companies within the Medallia group and the services supplied to the company do not occupy a significant amount of their time. As such for this one director, Medallia Limited do not consider that they received any remuneration for their incidental services to the Company for the year ended 31 January 2019 (2018: nil).

The aggregate of emoluments of the highest paid director was £137,032 (2018: £324,859), and company pension contributions of £1,082 (2018: £1,734) were made to a pension scheme on his behalf.

Notes *(continued)*

4 Remuneration of directors *(continued)*

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Pension schemes	**2**	3
Directors who exercised share options	**1**	-
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	**2**	3

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2019	Number of employees 2018
Sales and Marketing	**44**	47
Operations	**74**	59
Administration	**9**	9
	127	115

The aggregate payroll costs were as follows:

	2019 £	2018 £
Wages and salaries	**12,955,927**	11,713,469
Social security costs	**1,613,033**	1,384,224
Other pension costs	**146,482**	56,761
	14,715,442	13,154,454

Included within wages and salaries is £620,648 (2018: £995,689) relating to the share based charge in the year.

Medallia Limited has a Group Personal Pension Scheme (a defined contribution scheme) and makes a contribution up to 2% (2018: 1%) of the employee's basic annual salary to the scheme. For employees to obtain the 2% contribution from the employer they must join the scheme and contribute a minimum of 3% of basic annual salary.

Notes *(continued)*

6 Interest receivable and other charges

	2019 £	2018 £
Other interest payable	**(39,963)**	**(17,194)**
Interest receivable and other gains	**436**	**1,857**
	(39,527)	**(15,337)**

7 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2019 £	2018 £
Current tax:		
UK Corporation tax on profit for the year	**76,739**	594,479
Adjustment in respect of prior years	**38,718**	(43,552)
Total current tax charge	**115,457**	550,927
Deferred tax		
Origination/ reversal of timing differences	**(147,331)**	(81,650)
Adjustment in respect of prior years	**(20,355)**	-
Differences in Deferred Tax arising from changes in rate	-	-
Total deferred tax (Credit)	**(167,686)**	(81,650)
Tax (credit)/charge profit on ordinary activities (note 7(b))	**(52,229)**	469,277

(b) Factors affecting the total tax (credit)/charge:

The tax assessed for the year is different from the UK corporation tax rate of 19% (2018: 19.16%). The differences are explained below:	2019 £	2018 £
Profit on ordinary activities before tax	**1,315,170**	1,662,665
Standard rate of corporation tax in the UK 19% (2018: 19.16%)	**249,882**	318,567

Notes *(continued)*

7 Taxation *(continued)*

(b) Factors affecting the total tax (credit)/charge (continued):

Effects of:		
Share based payments	**(417,649)**	156,406
Prior year (over) provision: current tax	**38,718**	(43,552)
Permanent timing differences	**97,175**	37,856
Prior year (over) provision: deferred tax	**(20,355)**	-
Total tax charge (note 7(a))	**(52,229)**	469,277

(c) Factors that may affect future tax charges

The UK Corporation rate was set at 19% as of 1 April 2018 and will fall to 17% as of 1 April 2020, which was enacted in November 2015 under the Finance Act 2015. No further UK corporation tax reductions have been announced. As such, the UK temporary differences have been recognised at the rate at which the temporary differences are expected to unwind.

(d) Deferred tax

The deferred tax asset included in the balance sheet is as follows:

	2019 £	2018 £
Capital allowances in excess of depreciation	**121,248**	38,263
Share based payments	**164,209**	79,508
Deferred tax asset (note 11)	**285,457**	117,771

The movement in deferred taxation is as follows:

	2019 £	2018 £
At 1 February	**117,771**	36,121
Credited to profit or loss (note 7(a))	**147,331**	81,650
Prior year adjustment (note 7(a))	**20,355**	-
At 31 January	**285,457**	117,771

A deferred tax asset has been recognised to the level where the directors believe that, based on forecasted results, it is more likely that not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes *(continued)*

8 Intangible assets

	Licences	Total
	£	£
Cost		
At 1 February 2018	29,199	29,199
Additions	35,788	35,788
Transfers	(18,373)	(18,373)
At 31 January 2019	46,614	46,614
Amortization		
At 1 February 2018	16,312	16,312
Charge for year	37,762	37,762
Transfers	(12,016)	(12,016)
At 31 January 2019	42,058	42,058
Net book value at 31 January 2019	**4,556**	**4,556**
Net book value at 31 January 2018	12,887	12,887

9 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Assets under construction	Total
	£	£	£	£
Cost				
At 1 February 2018	230,057	3,797,741	-	4,027,798
Additions	764,229	607,487	1,380,427	2,752,143
Transfers	-	(665,170)	-	(665,170)
Disposals	(69,558)	-	-	(69,558)
At 31 January 2019	924,728	3,740,058	1,380,427	6,045,213
Depreciation				
At 1 February 2018	167,163	2,384,209	-	2,551,372
Charge for year	73,397	890,741	-	964,138
Transfers	-	(215,983)	-	(215,983)
Disposals	(46,372)	-	-	(46,372)
At 31 January 2019	194,188	3,058,967	-	3,253,155
Net book value				
At 31 January 2019	**730,540**	**681,091**	**1,380,427**	**2,792,058**
At 31 January 2018	62,894	1,413,532	-	1,476,426

Notes *(continued)*

9 **Tangible fixed assets** (continued)

The intra group transfers in the year relate to transfer of assets from Medallia Limited to Medallia GmbH, following the establishment of a separate legal entity in Germany.

10 Investments

	2019	2018
	£	£
Non-listed Investments	**67,992**	67,992
	67,992	67,992

Details of investments in which the Company holds 10% or more of the nominal value of any class of share capital are as follows:

Name of Company & registered address	**Holding**	**Proportion of voting rights & shares held**	**Nature of Business**
Medallia SA 1' tower, 4th floor, office "A" Buenos Aires, Argentina	Ordinary Shares	10%	Sales & Marketing on behalf of Medallia Inc
MEDACX, S. de R.L de C.V 111, Piso 1, 11560 Distrito Federal CP, Mexico	Ordinary Shares	10%	Sales & Marketing on behalf of Medallia Inc

11 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	**-**	23,142
Amounts owed by group undertakings	**5,709,765**	3,889,637
Prepayments and other debtors	**2,286,334**	2,019,335
Deferred taxation	**285,457**	117,771
Corporation tax	**20,240**	-
	8,301,796	6,049,885

	2019	2018
	£	£
Amounts falling due after more than one year:		
Other debtors	**265,962**	249,686
	265,962	249,986

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	**172,370**	233,730
Corporation tax	**-**	928,464
Other taxation and social security	**425,396**	457,522
Deferred rent	**90,474**	155,357
Other creditors	**1,104,248**	762,335
Accruals and deferred income	**1,015,064**	634,618
	2,807,552	3,172,026

13 Creditors: amounts falling after more than one year

	2019 £	2018 £
Deferred rent	**1,834,257**	853,105
	1,834,257	853,105

14 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 Ordinary share of £1	**1**	1

Notes *(continued)*

15 Movement in reserves

	Other reserves	Profit and loss account	Total
	£	£	£
At 1 February 2017	742,764	2,046,725	2,789,489
Retained profit for the year	-	1,193,388	1,193,388
Credit in relation to share based payments (see note 18)	995,689	-	995,689
At 31 January 2018	**1,738,453**	**3,240,113**	**4,978,566**
At 1 February 2018	1,738,453	3,240,113	4,978,566
Retained profit for the year	-	1,367,399	1,367,399
Credit in relation to share based payments (see note 18)	620,648	-	620,648
At 31 January 2019	**2,359,101**	**4,607,512**	**6,966,613**

16 Reconciliation of movements in shareholder's funds

	2019	2018
	£	£
Profit for the financial year	**1,367,399**	1,193,388
Credit in relation to share based payments (see note 18)	**620,648**	995,689
Net increase in shareholder's funds	**1,988,047**	2,189,077
Opening shareholder's funds	**4,978,567**	2,789,490
Closing shareholder's funds	**6,966,614**	4,978,567

Notes *(continued)*

17 Leasing agreements

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

	2019 Land and buildings £	2018 Land and buildings £
Operating leases which expire:		
Within one year	**1,533,142**	1,342,836
In the second to fifth years inclusive	**6,132,568**	5,543,989
Over five years	**4,801,372**	6,208,281
	12,467,082	13,095,106

18 Share-based payments

Medallia Limited's 2008 Equity Incentive Plan (the 2008 Plan) provides for the granting of options to purchase class A Common shares of restricted Class A Common, Class A Common Restricted Stock Units and stock appreciation rights. The 2008 Plan provides for granting of awards to employees, directors and consultants of Medallia Limited. Under the 2008 Plan, the exercise price of an Incentive Stock Option (ISO) and Nonqualified Stock Option (NSO) shall not be less than 100% of the estimated fair value of the shares on the date of grant, provided, the exercise price of an ISO granted to a 10% stockholder shall not be less than 10% of the estimated fair value of the shares on the date of grant. Options under the 2008 Plan may be granted for periods of up to ten years. The 2008 Plan provides for grants of immediately exercisable options; however, such exercises contain repurchase provisions that provide Medallia Limited with rights to repurchase any unvested common stock upon termination of employment at the original exercise price. Options granted generally vest, and are released from the repurchase provision, over four years at a rate of 25% upon the first anniversary and 1/36 per month after.

We determine the fair value of stock options issued to employees on the date of grant using the Black-Scholes option pricing model, which is impacted by the fair value of our parent's common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected volatility of our parent's common stock over the term of the option awards, the expected term of the awards, risk-free interest rates and the expected dividend yield.

The assumptions used in the Black-Scholes option pricing model were determined as follows:

Fair Value of Common Stock. Given the absence of a public trading market, the Board considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third party specialists; (ii) the prices for our Preferred Stock sold to outside investors; (iii) the rights, preferences and privileges of our Preferred Stock relative to our common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of Medallia Inc, given prevailing market conditions.

Expected Term. The expected term represents the period that our share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms, and contractual lives of the options.

Notes *(continued)*

18 Share-based payments *(continued)*

Expected Volatility. The expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we consider to be comparable to our business over a period equivalent to the expected term of the option grants.

Risk-free Interest Rate. The risk-free rate that we use is based on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options.

Dividend Yield. We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

No other features of options granted were incorporated into the measurement of fair value.

Detailed below are movements in options since 1 January 2015:

	Shares Subject to Options Outstanding			Weighted-Average
	Shares Subject to Outstanding Options	Weighted-Average Exercise Price		Remaining Contractual Life (Years)
Balance as of 31 January 2015	1,322,500	US$	1.17	
Options granted	537,628		3.90	
Options exercised	(222,862)		3.90	
Options forfeited/cancelled	(18,084)		1.15	
Balance as of 31 January 2016	1,619,182	US$	2.07	6.54
Options granted	712,800		5.43	
Options exercised	(72,116)		1.86	
Options forfeited/cancelled	(210,710)		3.12	
Balance as of 31 January 2017	2,049,156	US$	3.14	7.24
Options granted	768,150		5.97	
Options exercised	(130,089)		2.20	
Options forfeited/cancelled	(159,144)		5.13	
Balance as of 31 January 2018	2,528,073	US$	3.89	7.63
Options granted	622,540		6.39	
Options exercised	(700,625)		1.69	
Options forfeited/cancelled/trf	(950,829)		5.53	
Balance as of 31 January 2019	1,499,159	US$	5.27	7.24
Exercisable as of 31 January 2018	1,283,201	US$	2.46	5.66
Exercisable as of 31 January 2019	650,347	US$	4.15	6.97

Notes *(continued)*

18 Share-based payments *(continued)*

	Year Ended 31 January 2019	Year Ended 31 January 2018	Year Ended 31 January 2017
Weighted-Average FV of Options Granted	US$ 2.85	US$ 2.80	US$ 2.49
Expected term (in years)	5.5-6.36	5.5-6.08	6.1
Volatility	40.4%-43.6%	43.9%-45.2%	46%-47%
Risk-free interest rate	2.5%-3.0%	1.84%-2.28%	1.3%-2.0%
Dividend yield	0%	0%	0%

Employee expenses

In the year ended 31 January 2019, the Company recorded employee expenses of £620,648 (2018: £995,689) related to share-based payments.

19 Related party transactions

Only the Directors who have the authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is disclosed in note 4. There were no other related party transactions other than with parent co in ordinary course of business.

20 Controlling party and ultimate parent Company

The immediate and ultimate parent Company and controlling party, and the smallest and largest undertaking, which consolidates these financial statements is Medallia Inc, a Company incorporated in the United States of America. Copies of these financial statements of Medallia Inc may be obtained from its registered address at 575 Market Street, Suite 1850, San Francisco, CA 94105, USA.