

THUNDERHEAD LIMITED

**Directors' Report
and
Financial Statements**

31st December 2007

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Thunderhead Limited

COMPANY INFORMATION

Directors	G R Manchester A J Copleston P A Milton
Secretary	A J Copleston
Registered Office	Catalyst House 720 Centennial Court Centennial Park Elstree Hertfordshire WD6 3SY
Auditors	Deloitte & Touche LLP
Principal Bankers	Allied Irish Bank Plc 10 Berkeley Square London W1J 6AA

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2007

The directors present their annual report together with the audited consolidated financial statements of the company and of the group for the year ended 31st December 2007

Principal Activity

The principal activity of the group is the development, sale and support of computer software for the document generation and correspondence output market.

Chief Executive Officer's Business Review

Thunderhead provides enterprise-level software solutions for organisations that have demanding requirements for communications with their customers and partners. With our software, an organisation can manage the complete range of enterprise communications using a single platform, from transaction driven business-to-business (B2B) data exchanges through to highly personalised multi-channel messaging supporting customer engagement and marketing strategies. Our software platform has two key features that differentiate us strongly in the market. First, it is based completely on open standards. Second, it has been designed to enable business users to take control of the process of creating and managing communications and minimising reliance on technology specialists, resulting in dramatic improvements in productivity, flexibility and significantly reduced costs.

Thunderhead was founded by myself in 2001 with the objective of creating a next-generation software product to address what I perceived as a critical gap in the document generation market. After two years effort by our development team, all experienced software professionals, we released the first version of the Thunderhead enterprise communications platform in November 2003.

Since then, Thunderhead has established itself as the market leader in enterprise communications, and now numbers many of the world's leading financial services organisations as satisfied and successful customers. To take the investment banking sector, for example, Thunderhead is the de facto standard for trade confirmations and term sheet generation, being used by 9 of the top 10 global derivatives dealer institutions. And while our presence in the financial services market is strong – in investment banking, retail banking and insurance – we are now moving into the public sector with some interesting deployments in Australia, USA, and UK.

2007 in Review

The year 2007 was one of further outstanding growth and consolidation for Thunderhead. We delivered over £12 million of revenue, and just short of £2 million in operating profit. This represents an impressive 66% growth in revenue over 2006, and, thanks to tight control of costs, a satisfying 16% net margin.

This is consistent with our growth over the last three years. According to the Software 500 league table of global software companies, Thunderhead has been the fastest growing company in our market category two years in a row (this is based on 2005 and 2006 revenues).

Our objective is to build long-term competitive advantage with our technology. Therefore it is important to note that our growth is driven by software license sales, as opposed to consulting services or legacy maintenance (unlike most of our competitors). This is highlighted by the fact that, in the Software 500 2007 league table, Thunderhead is ranked at number 365 for growth in total revenues, but number 15 when measured in software and services. Furthermore, our customer wins are in general based on business value rather than price. Thunderhead is typically one of the higher priced solutions, and there are a number of examples where Thunderhead has been successfully sold at a much higher price point than our competitors.

In 2006 we invested significantly in the development of our North American markets, and it is pleasing to see that investment beginning to pay off with close to 80% revenue growth in that region, laying the ground work for further development of that market in 2008.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2007

We also embarked on a long-term plan to develop the insurance market, a strategy which paid dividends, contributing almost 40% of our revenues in 2007 compared to 18% in 2006, and we look forward to a similar result in 2008. High profile insurance wins included The Hartford (USA) and AMP (Australia). Meanwhile, we continue to develop our opportunities in investment banking and financial services, with a number of new customers including Credit Suisse, HBOS, and Sallie Mae.

In 2007 we saw increased industry recognition of Thunderhead, and strengthened relationships with partners. Our position as a leading innovator has been recognised in published reports by industry analysts during the year. Thunderhead was recognised by inclusion in the Sunday Times UK Tech Track 100 (UK's fastest growing technology companies) and recipient of the Tech Track 100 award for the "best use of technology". At the beginning of the year we were ranked in the top 3 of the finalists for Hottest European Technology Prospect and CEO award categories for the UK Technology Innovation & Growth Award.

A further important development in 2007 was the establishment of a partnership with Indian computer services leader, HCL, to provide Thunderhead consulting and support services, and an off-shoring capability for large scale projects. This is a strategic initiative to enable us to scale our business without having to massively increase our staffing levels, and allows us to be more agile in response to market opportunities. The relationship with HCL is complementary to our relationship with IBM Global Services, and enables us to provide a strong, scalable, and responsive professional services capability.

In October 2007, we announced Thunderhead NOW, the next stage in the evolution of our platform. With NOW 4.0 (due to be released in July 2008) our "one-platform-for-all-communications" paradigm is extended across the enterprise, allowing communications to be integrated with customer facing business processes, and further cements our position as the innovation leader in the enterprise communications market. The response from the market place on this positioning has been extremely positive, and supportive of our vision for personalized real-time multichannel communications.

Finally, this was a year of significant consolidation within our market, with the acquisitions of our two key competitors by IT industry giants EMC (Document Sciences) and HP (Exstream). We view these two acquisitions as key indicators of the final stage of maturity of the older print-centric generation of technology. We have been successful in both displacing and winning against these two vendors on the basis of our newer standards-based technology. We now have the added advantage of being the leading independent solution provider.

Looking ahead to 2008

We are now several months into 2008, and indicators thus far are encouraging, although we are, given the uncertainty in the banking sector, approaching the year with some caution. Our principal goals for this year are to continue our drive into North America, and to continue our focus on the insurance market. We also want to build on the success we have had in government, and have recently appointed a sales executive to focus solely on the EMEA public sector market.

We are expanding our geographical reach, and have already this year established an office in Singapore and made a new appointment in Zurich to address the DACH market.

The release of Thunderhead NOW V4.0 in July 2008 will be a product highlight for 2008, and, as I have already noted, our NOW strategy has attracted a lot of attention from our partners, industry analysts and customers.

In conclusion, we approach 2008 with a more diversified approach to markets, broader geographical reach, a much stronger services offering and an exciting new product release, together providing a firm platform for further growth in 2008.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2007

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.

Dividends

No dividends were declared for the year (2006 £1,150,000)

Directors

The directors of the company, during the year and to the date of this report, are shown on page 3.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2) the director has taken all of the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



A J COPLESTON
Secretary

17 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2007

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 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these 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, 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 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
THUNDERHEAD LIMITED

We have audited the consolidated financial statements of Thunderhead Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cashflow statement and the related notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the annual report and the financial statements in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and we consider whether it is consistent with the audited financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading, United Kingdom
17 June 2008

Thunderhead Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2007

	Notes	2007 £	2006 £
TURNOVER	2	12,351,193	7,422,128
Cost of Sales		(1,484,920)	(722,140)
GROSS PROFIT		<u>10,866,273</u>	<u>6,699,988</u>
Administrative Expenses		(8,951,159)	(5,633,545)
OPERATING PROFIT	3	<u>1,915,114</u>	<u>1,066,443</u>
Interest receivable and similar income		24,406	40,067
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,939,520</u>	<u>1,106,510</u>
Taxation	6	-	(270,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED EARNINGS TRANSFERRED TO RESERVES	17	<u>1,939,520</u>	<u>836,510</u>

The above amounts represent the results of continuing activities

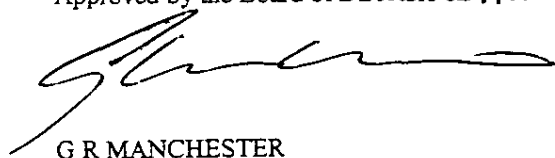
There are no recognised gains or losses other than as stated above. Accordingly, no statement of total recognised gains and losses has been presented.

Thunderhead Limited

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2007

	Notes	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible Assets	8		331,900		87,913
CURRENT ASSETS					
Debtors	10	6,682,537		2,440,053	
Cash at bank and in hand		1,828,596		690,074	
		<u>8,511,133</u>		<u>3,130,127</u>	
CREDITORS					
Amounts falling due within one year	11	(4,917,305)		(2,470,894)	
NET CURRENT ASSETS			3,593,828		659,233
CREDITORS					
Amounts falling due after more than one year	12		(1,104,063)		-
NET ASSETS			<u>2,821,665</u>		<u>747,146</u>
CAPITAL AND RESERVES					
Called up share capital	14		941,667		806,668
Profit and loss account	16		1,879,998		(59,522)
SHAREHOLDERS' FUNDS	17		<u>2,821,665</u>		<u>747,146</u>

Approved by the Board of Directors on 17 June 2008



G R MANCHESTER



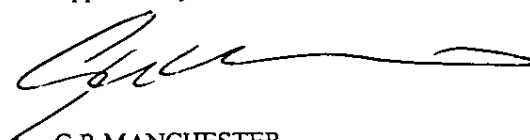
A J COPLESTON

Thunderhead Limited

COMPANY BALANCE SHEET
AT 31ST DECEMBER 2007

	Notes	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible Assets	8		278,858		56,291
Investments	9		93		93
			<u>278,951</u>		<u>56,384</u>
CURRENT ASSETS					
Debtors	10	6,491,719		2,517,457	
Cash at bank and in hand		690,843		289,529	
		<u>7,182,562</u>		<u>2,806,986</u>	
CREDITORS amounts falling due within one year	11	(3,382,094)		(1,864,068)	
NET CURRENT ASSETS			3,800,468		942,918
CREDITORS amounts falling due in more than one year	12		(635,526)		-
NET ASSETS			<u>3,443,893</u>		<u>999,302</u>
CAPITAL AND RESERVES					
Called up share capital	14		941,667		806,668
Profit and loss account	16		2,502,226		192,634
SHAREHOLDERS' FUNDS	17		<u>3,443,893</u>		<u>999,302</u>

Approved by the Board of Directors on 17 June 2008



G R MANCHESTER

A J COPLESTON



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) Directors
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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 ST DECEMBER 2007

	Notes	2007 £	2006 £
CASH FLOW STATEMENT			
Net cash inflow from operating activities		1,696,223	1,624,483
Inflow/(outflow) on investments and servicing of finance	22	24,406	(1,109,933)
Increase in Share Capital		134,999	-
Taxation		(123,629)	(381,371)
Capital expenditure			
Payments to acquire tangible fixed assets		(376,252)	(103,519)
Foreign exchange movement on fixed assets		(830)	-
Increase in net cash		<u>1,354,917</u>	<u>29,660</u>
Reconciliation of net cashflow to movement in net cash			
Increase in cash in the year		1,354,917	29,660
Net cash at beginning of the year		473,679	444,019
Net cash at the end of the year		<u>1,828,596</u>	<u>473,679</u>

	1 January 2007 £	Cash flow £	31 December 2007 £
Analysis of Net Funds			
Cash at bank and in hand	690,074	1,138,522	1,828,596
Overdraft	(216,395)	216,395	-
	<u>473,679</u>	<u>1,354,917</u>	<u>1,828,596</u>

	2007 £	2006 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	1,915,114	1,066,443
Depreciation charges	133,095	62,697
Increase in debtors	(4,242,484)	(236,213)
Increase in creditors	3,890,498	731,556
Net cash inflow from operating activities	<u>1,696,223</u>	<u>1,624,483</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently in both the current and prior years, are described below.

a) Basis of Preparation

The accounts have been prepared under the historical cost accounting rules and in accordance with applicable United Kingdom Accounting Standards.

b) 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 maintenance and support sales is recognised over the period to which it relates.

c) Research and Development

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

d) Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on cost, 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
Other office equipment and furniture	- 25% per annum

e) Operating Lease Rentals

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

f) 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 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.

g) Pension Contributions

The company does not operate a pension scheme but makes contributions to the personal pension plans of its employees. Contributions are charged to profit and loss as they arise.

h) Basis of Consolidation

The assets, liabilities, turnover and results of all subsidiaries are consolidated into these accounts on the basis of the accounts to 31st December 2007.

No profit and loss account is presented for the parent company in accordance with Section 230 of the Companies Act 1985. The company made a profit during the year of £2,309,592 (2006 £777,697).

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting Policies (continued)

i) 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.

j) Investments

Investments are shown at cost less provision for impairment.

2 Turnover

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

	THE GROUP	
	2007 %	2006 %
United Kingdom and Europe	64	70
United States of America	20	19
Australia	16	11
	<u>100</u>	<u>100</u>

3 Operating Profit

	2007 £	2006 £
This is stated after charging		
Directors' remuneration (see note 5)	212,055	194,407
Auditors' remuneration - for audit services	27,500	19,000
- Group	22,000	15,000
- Company		
- tax advisory services - Group	-	74,527
- tax advisory services - Company	-	74,527
Operating lease rentals - other	278,457	145,979
Foreign exchange losses	2,095	100,186
Depreciation - owned assets	133,095	62,697

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Staff Costs

	2007 £	2006 £
Wages and salaries	4,641,783	3,443,642
Social security costs	561,927	411,078
Other pension costs	137,465	113,629
	<u>5,341,175</u>	<u>3,968,349</u>
 The average monthly number of employees (including executive directors) was	 <u>72</u>	 <u>45</u>

5 Directors' Remuneration

The emoluments of the directors were as follows

Remuneration for management services	210,938	193,660
Benefits in kind	1,117	747
	<u>212,055</u>	<u>194,407</u>

6 Taxation

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

	2007 £	2006 £
Current Tax		
Corporation Tax	-	270,000
Total current tax charge	<u>-</u>	<u>270,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Taxation (continued)

	2007 £	2006 £
<u>Factors affecting the tax charge for the period</u>		
Profit on ordinary activities before taxation	1,939,520	1,106,510
Profit on ordinary activities before taxation multiplied by a standard rate of UK corporation tax of 30% (2006 30%)	581,856	331,953
Effects of		
Non deductible expenses	22,970	5,084
Capital allowances less than depreciation	2,176	6,263
Overseas tax losses	111,944	-
Tax losses brought forward utilised in the period	-	(8,151)
Research and development enhanced expenditure	(87,666)	(62,596)
Share scheme relief	(631,280)	-
Other tax adjustments	-	(2,553)
	(581,856)	(61,953)
Current tax charge for the period	-	270,000

7 Dividends

	2007 £	2006 £
Amounts recognised as distributions to shareholders in the period		
2007 Nil		
(Interim dividends for the year ended 31st December 2006 of 142 56 pence per ordinary share)	Nil	1,150,000

NOTES TO THE FINANCIAL STATEMENTS - continued

8 **Tangible Fixed Assets**

<u>THE GROUP</u>	Computer Equipment	Other Office Furniture and Equipment	Total
	£	£	£
COST			
At 1st January 2007	204,775	16,718	221,493
Additions in the year	71,183	305,069	376,252
Foreign exchange differences	1,588	160	1,748
At 31st December 2007	277,546	321,947	599,493
DEPRECIATION			
At 1st January 2007	123,577	10,003	133,580
Charge for the year	70,471	62,624	133,095
Foreign exchange differences	888	30	918
At 31st December 2007	194,936	72,657	267,593
NET BOOK VALUE			
At 31st December 2007	82,610	249,290	331,900
At 31st December 2006	81,198	6,715	87,913

<u>THE COMPANY</u>	Computer Equipment	Other Office Furniture and Equipment	Total
	£	£	£
COST			
At 1st January 2007	152,527	13,893	166,420
Additions in the year	41,226	292,578	333,804
At 31st December 2007	193,753	306,471	500,224
DEPRECIATION			
At 1st January 2007	100,749	9,380	110,129
Charge for the year	51,339	59,898	111,237
At 31st December 2007	152,088	69,278	221,366
NET BOOK VALUE			
At 31st December 2007	41,665	237,193	278,858
At 31st December 2006	51,778	4,513	56,291

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Investment in Subsidiary Undertakings

	2007 £	2006 £
Shares in subsidiaries at cost	<u>93</u>	<u>93</u>

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

		Nature of Business	Investment £
Thunderhead PTY	100%	Software sales	41
-	<i>Incorporated in New South Wales, Australia</i>		
Thunderhead Inc	100%	Software sales	52
-	<i>Registered in Virginia, USA</i>		
			<u>93</u>

10 Debtors

	THE COMPANY		THE GROUP	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	4,294,024	1,025,845	5,937,945	1,764,663
Amounts owed by group undertakings	1,510,421	824,304	-	-
Other debtors and prepayments	687,274	667,308	744,592	675,390
	<u>6,491,719</u>	<u>2,517,457</u>	<u>6,682,537</u>	<u>2,440,053</u>

All amounts included as debtors are due within one year

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Creditors – amounts due within one year

	THE COMPANY		THE GROUP	
	2007 £	2006 £	2007 £	2006 £
Accruals and deferred income	2,384,480	1,177,930	3,533,599	1,618,434
Bank overdraft	-	216,395	-	216,395
Trade creditors	207,595	183,485	325,182	266,424
Corporation tax	-	113,629	-	123,629
Other taxes and social security costs	790,019	165,120	1,056,987	236,019
Other creditors	-	7,509	1,537	9,993
	<u>3,382,094</u>	<u>1,864,068</u>	<u>4,917,305</u>	<u>2,470,894</u>

12 Creditors – amounts due after more than one year

	THE COMPANY		THE GROUP	
	2007 £	2006 £	2007 £	2006 £
Accruals and deferred income	635,526	-	1,104,063	-
	<u>635,526</u>	<u>-</u>	<u>1,104,063</u>	<u>-</u>

13 Deferred Taxation

The group has an unprovided deferred tax asset of £232,630 (2006 £91,250) In relation to overseas losses, no deferred tax asset has been recognised due to the uncertainty surrounding the future profitability of these group companies

	At 31st December 2007		At 31st December 2006	
	Provided	Unprovided	Provided	Unprovided
Capital allowances less than depreciation	-	9,267	-	14,750
Losses carried forward	-	223,363	-	76,500
Deferred tax asset/(liability)	<u>-</u>	<u>232,630</u>	<u>-</u>	<u>91,250</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Share Capital

	THE COMPANY	
	2007 £	2006 £
Authorised		
20,000,000 Ordinary shares of 5 pence each (2006 20,000,000 Ordinary shares of 5 pence each)	1,000,000	1,000,000
Allotted, called-up and fully paid.		
18,833,340 Ordinary shares of 5 pence each (2006 16,133,360 Ordinary shares of 5 pence each)	941,667	806,668

15 Share Options

On 31st August 2002 options over 193,332 Ordinary shares were granted to certain staff members 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. 2,699,980 shares (2006 Nil) at 5 pence each were exercised during 2007. This leaves 1,166,660 vested options that had not been exercised at the balance sheet date.

The company has applied the transitional provisions of FRS 20 Share based payments, as the share options were granted before 7th November 2002.

16 Profit and Loss Account

	THE COMPANY		THE GROUP	
	2007 £	2006 £	2007 £	2006 £
At 1st January	192,634	564,937	(59,522)	253,968
Profit for the year	2,309,592	777,697	1,939,520	836,510
Dividends paid	-	(1,150,000)	-	(1,150,000)
At 31st December	2,502,226	192,634	1,879,998	(59,522)

NOTES TO THE FINANCIAL STATEMENTS - continued

17 **Reconciliation of Movement in Shareholders' Funds**

	THE COMPANY		THE GROUP	
	2007	2006	2007	2006
	£	£	£	£
Profit after taxation	2,309,592	777,697	1,939,520	836,510
Dividends paid	-	(1,150,000)	-	(1,150,000)
Increase in Share Capital	134,999	-	134,999	-
Net movement in shareholders' funds	2,444,591	(372,303)	2,074,519	(313,490)
Shareholders' funds brought forward	999,302	1,371,605	747,146	1,060,636
Shareholders' funds carried forward	3,443,893	999,302	2,821,665	747,146

18 **Pension Commitments**

During the year the group made contributions of £137,465 (2006 £113,629) to the personal pension plans of employees. There were no contributions due and outstanding at the balance sheet date (2006 £nil).

19 **Financial Commitments**

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

	Land and Buildings 2007 £	Land and Buildings 2006 £
Annual commitments under non-cancellable operating leases are as follows		
Expiry date		
-Between one and two years	31,844	-
-Between two and five years	-	153,019
-Between nine and ten years	143,928	-
	<u>175,772</u>	<u>153,019</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

20 **Related Party Transactions**

A J Copleston, a director of the company, is the proprietor of an accountancy firm. During the period his firm charged the company £61,442 (2006 £91,431) for professional accountancy and related services

P A Milton, a director of the company, is the proprietor of a firm of solicitors. During the year his firm charged the company £159,451 (2006 £104,525) for legal fees

21 **Controlling Party**

The company is under the control of G R Manchester, by virtue of his beneficial interest in 86% of the issued share capital

22 **Note to the Cash Flow Statement**

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	24,406	40,067
Dividends paid	-	(1,150,000)
	<u>24,406</u>	<u>(1,109,933)</u>

Thunderhead Limited

The additional unaudited information on pages 23 and 24 have been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them.

DETAILED COMPANY TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2007

	2007	2006
	£	£
SALES		
External Software licences	5,275,882	3,387,726
External Support and maintenance fees	1,911,585	1,458,001
Subsidiary licence charges	0	298,884
Professional services	740,063	528,700
	<u>7,927,530</u>	<u>5,673,311</u>
DIRECT COSTS		
External purchases	(62,360)	(120,602)
Internal sales commission	(699,765)	(414,542)
External sales commission	(46,350)	-
	<u>(808,475)</u>	<u>(535,144)</u>
GROSS PROFIT	<u>7,119,055</u>	<u>5,138,167</u>
Administrative Expenses	<u>(4,834,871)</u>	<u>(4,134,386)</u>
OPERATING PROFIT	<u>2,284,184</u>	<u>1,003,781</u>
Interest receivable	25,408	33,916
PROFIT BEFORE TAXATION	<u>2,309,592</u>	<u>1,037,697</u>
Taxation	-	(260,000)
PROFIT AFTER TAXATION	<u>2,309,592</u>	<u>777,697</u>

SCHEDULE OF COMPANY ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2007

	2007 £	2006 £
Software development sub-contractors	34,306	39,993
Directors' salaries	210,938	193,660
Other salary costs	2,171,950	1,906,126
Employers NIC	412,842	304,490
Employer's pension costs	74,006	71,894
Other staff benefits	38,331	39,685
Rent and rates	218,779	101,336
Other premises expenses	127,298	13,680
Insurance	1,040	3,348
Telephone	59,594	45,838
Printing, postage and stationery	6,896	9,932
Travelling	179,896	197,524
Accommodation and subsistence	90,685	47,150
Entertaining	32,567	16,948
Technical literature	10,513	390
Audit and accountancy	64,344	6,717
Other legal and professional fees	545,931	370,250
Software development licences	47,915	36,226
Subscriptions and donations	9,230	9,707
Computer consumables and maintenance	9,914	3,620
Marketing and public relations	360,068	572,280
Training courses	213	1,287
Sundry expenses	9,024	11,256
Bank charges	6,300	6,388
Foreign exchange differences and charges	1,052	76,406
Depreciation	111,236	48,255
	<u>4,834,871</u>	<u>4,134,386</u>