

Company Registration Number 4303041

THUNDERHEAD LIMITED
Report and Financial Statements
31 December 2009

THURSDAY



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COMPANY INFORMATION

Directors	G R Manchester M Davey P A Milton
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Secretary	P A Milton
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Registered Office	Catalyst House 720 Centennial Court Centennial Park Elstree Hertfordshire WD6 3SY
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Auditors	Ernst & Young LLP Apex Plaza Reading Berkshire RG1 1YE
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Principal Bankers	Allied Irish Bank Plc 10 Berkeley Square London W1J 6AA
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**REPORT OF THE DIRECTORS'
FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors present their annual report together with the audited consolidated financial statements of the company and of the group for the year ended 31 December 2009

866,600 shares of 5 pence each were issued during 2009 at par

Principal Activity

The principal activity of the group is the development, sale and support of computer software for customer engagement through personalised and interactive multichannel communications

Chief Executive Officer's Business Review

Thunderhead changes the way companies engage with their customers, enabling measurement and learning from every interaction to drive greater loyalty and profitability. With Thunderhead's software, an organisation can manage the complete range of enterprise communications, from transaction-driven, compliant, multi-variant, business-to-business (B2B) agreements to highly personalised, multi-channel messaging supporting consumer engagement for big brand marketing strategies.

The Thunderhead NOW platform has three key features that differentiate the offering strongly in the market. First, it is based completely on open standards (primarily XML). Secondly, it has been designed to enable business users to take control of the process of creating and managing communications, minimising reliance on technology specialists and resulting in dramatic improvements in productivity, flexibility as well as significantly reduced costs. Thirdly, the system keeps a contextual record of all communications allowing personalisation of communications and compliant record keeping.

Thunderhead's technology has established itself as the leader in enterprise scale customer communications, and now numbers many of the world's leading consumer facing financial services and insurance organisations as satisfied and successful customers. In B2B markets, Thunderhead has become the de facto standard for derivative trade confirmations and term sheet generation, and is now deployed by 14 of the top 16 investment banking firms. Thunderhead has expanded its go-to-market strategy on the financial services, insurance, public sector utilities and healthcare markets with approximately 130 customer organisations worldwide.

2009 in Review

Despite a continued downturn in the global economic climate, financial year 2009 was another year of outstanding growth and profitability for Thunderhead. In 2009, the group delivered £18.3 million in revenue and £3.0 million in pre-taxation profits. This represents 15.3% growth in revenue over 2008 and, due to continued cost controls and focused management of the business, an impressive 4.0% growth in profits before taxation.

During the course of the year, Thunderhead was again widely recognised by leading organisations and publications. In June of 2009, a Forrester Wave™ report on Customer Communications Management ranked Thunderhead NOW as the number one offering and sole "leader" in the "interactive" segment – the fastest-growing and most critical segment in the market. Additionally, Thunderhead received the highest ranking in the report for its overall strategy, garnering top scores for both its corporate and product strategies. Earlier this year, Gartner named Thunderhead as a "cool vendor" in CRM Marketing for 2010. A "cool vendor" designation is reserved for emerging, market-changing technologies and illustrates the critical role that personalised, multi-channel communications play in engaging customer interactions.

Amongst numerous other accolades in 2009, Thunderhead was particularly pleased to see two of its customers recognised for innovative use of its technology. In March, Citigroup was awarded "Best Use of IT in Wholesale and Investment Banking" in the 2009 Financial Sector Technology Awards. And, in May, Credit Suisse received a 2009 Innovation in Technology Award from The Banker for "Innovation in Clearing and Settlement."

REPORT OF THE DIRECTORS' (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

The group continues to attract new customers, particularly in its core retail banking and insurance verticals. Notable new business wins in 2009 include Admiral Insurance, AXA Australia, Allianz Worldwide, Bank of America, CIBC, Jackson Life and Swinton. Thunderhead was also successful in selling new technology to its existing customers, securing additional license revenue from key customers including Australia's Department of Immigration and Citizenship, Barclays Capital, Credit Suisse and RBS Group.

2009 also saw Thunderhead accomplish a number of strategic wins. During the year, Thunderhead attracted its first Italian customer, Gruppo Credito Valtellinese, a leading banking organization. It also expanded on its existing deployment at ANZ Bank where Thunderhead NOW will now be deployed across South East Asia, providing a notable reference customer in the region. The group secured another key reference customer in the US government market, winning a significant opportunity at the State of Oregon's Department of Justice.

The group continues to work closely with a number of strategic partners, leveraging their complementary technologies and presence in discrete markets or geographies to expand Thunderhead's go-to-market activities. In 2009, Thunderhead was awarded IBM's Independent Software Vendor (ISV) "Partner of the Year" award and was recently recognized with a Beacon Award for Innovation in Information Management. The Beacon Award is IBM's most prestigious award for partners and recognizes Thunderhead for its outstanding achievement amongst more than 650 vendor applicants.

IBM is still our top-performing partner, although during the year, the company also formed new partnerships with Silanis and Guidewire – the latter to optimize customer communications in the insurance market. Other notable developments included a new alliance with Bravura to improve multi-channel communications in wealth management and a new partnership with DocuConsulting to provide a migration path for existing Oracle DocuMerge and DocuMaker customers.

Looking Ahead to 2010

Thunderhead is optimistic about the outlook for 2010. The economy and general market conditions remain a concern for all businesses. Thunderhead has entered the year with a substantial pipeline and, in the first few months of the year, has already seen a significant number of new opportunities emerge. As a result, the company is again targeting revenue growth for the year. The management team will also continue to contain costs to drive strong profitability.

The company's strategy is to continue to invest in the North American market and, in 2010, North America is anticipated to contribute the greatest percentage of group revenues. Thunderhead will leverage its market-leading position in investment banking, explore new opportunities in retail and commercial banking, and continue to capitalise on high demand for its technology in the insurance and healthcare markets. The company expects to see substantial returns from worldwide investments in the public sector and Thunderhead is actively engaged in a number of large government opportunities. 2010 is also expected to deliver new revenues in Europe from Germany and Switzerland and in Asia from Singapore and Hong Kong.

In our markets we observe that consumer behaviour is changing. Differentiation for our clients is increasingly difficult particularly with the proliferation of devices (often mobile), market channels and social networks. Advanced personalisation will be the hallmark of effective customer communications, driving superior customer engagement, satisfaction and retention by delivering highly contextual and relevant communications. Companies will also embrace multi-channel digital communications to a much greater extent in 2010 and beyond, enabling them to supporting corporate "green" objectives.

The company will broaden its investment in partner relations during 2010, building on proven relationships with IBM, HCL and Capgemini. It will begin exploring select channel opportunities in 2010 and seek to engage with value-added resellers (VARs) in target geographies. At the same time, Thunderhead will continue to invest in its internal professional services organisation and scaling its global delivery capabilities to effectively support increased customer and partner demand.

REPORT OF THE DIRECTORS' (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

In conclusion, Thunderhead has established a substantial global presence at the expense of some significantly bigger competitor brands through specialisation, a strongly advanced and differentiated product, and innovative new functionality. With nine global trading centres, supporting a 24/7 global business, continued re-investment in technology development and a proven portfolio of direct to customer and partner relationships, we have the expectation that Thunderhead will deliver further growth and profitability in 2010.

Principal Risks and Uncertainties

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

Exchange risk

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

Credit risk

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

Going Concern

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

The current economic conditions create uncertainty over the level of demand for the company's services and the availability of finance through banking facilities. The Company has a positive cash balance.

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

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

Dividends

Dividends of £1,200,000 were declared and paid for the year (2008: £574,001).

Directors

No Directors resigned and no new Director's were appointed during 2009.

Directors' statement as to disclosure of information to auditors

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

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

REPORT OF THE DIRECTORS' (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

Auditors

During the year Deloitte LLP resigned as auditors of the company and Ernst & Young LLP were duly appointed. Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

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



P A MILTON
Secretary

Date 20 August 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of Thunderhead Limited for the year ended 31 December 2009, which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

Date *23/8/10*

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
TURNOVER	2	18,289,035	15 858,666
Cost of Sales		(1,701,664)	(2,411,310)
GROSS PROFIT		<u>16,587,371</u>	<u>13,447,356</u>
Administrative Expenses		(13,693,921)	(10,708,077)
OPERATING PROFIT	3	<u>2,893,450</u>	<u>2,739,279</u>
Interest receivable and similar income		33,072	110,522
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,926,522</u>	<u>2,849,801</u>
Taxation	6	(379,220)	297,629
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>2,547,302</u>	<u>3,147,430</u>

The above amounts represent the results of continuing activities

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	2,547,302	3,147,430
Exchange loss on translation of foreign operations	16	(645,564)	(165,478)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>1,901,738</u>	<u>2,981,952</u>

Thunderhead Limited

GROUP BALANCE SHEET AT 31 DECEMBER 2009

	Notes	2009 £	2009 £	2008 £	2008 £
FIXED ASSETS					
Tangible Assets	7		263,233		308,193
CURRENT ASSETS					
Debtors	9	7,539,059		7,020,459	
Cash at bank and in hand		7,328,588		6,146,300	
		<u>14,867,647</u>		<u>13,166,759</u>	
CREDITORS					
Amounts falling due within one year	10	(8,077,376)		(6,913,243)	
NET CURRENT ASSETS			6,790,271		6,253,516
CREDITORS					
Amounts falling due after more than one year	11		(1,047,726)		(1,317,093)
NET ASSETS			<u>6,005,778</u>		<u>5,244,616</u>
CAPITAL AND RESERVES					
Called up share capital	13		1,000,000		956,667
Profit and loss account	16		4,989,687		4,287,949
Share based payments reserve	15		16,091		-
SHAREHOLDERS' FUNDS	16		<u>6,005,778</u>		<u>5,244,616</u>

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

P A Milton

P A MILTON
Director

Date *20 August 2010*

Thunderhead Limited

PARENT COMPANY BALANCE SHEET
AT 31 DECEMBER 2009

	Notes	2009 £	2009 £	2008 £	2008 £
FIXED ASSETS					
Tangible assets	7		217,718		266,268
Investments	8		93		93
			<u>217,811</u>		<u>266,361</u>
CURRENT ASSETS					
Debtors	9	10 322 041		7,382 479	
Cash at bank and in hand		1,764,033		2,349,648	
		<u>12,086,074</u>		<u>9,732,127</u>	
CREDITORS amounts falling due within one year	10	(5,653,560)		(4 536,491)	
NET CURRENT ASSETS			6,432,514		5,195,636
CREDITORS amounts falling due in more than one year	11		(784,307)		(799,270)
NET ASSETS			<u>5,866,018</u>		<u>4,662,727</u>
CAPITAL AND RESERVES					
Called up share capital	13		1,000,000		956,667
Profit and loss account	16		4,849,927		3,706,060
Share based payment reserve	15		16,091		-
SHAREHOLDERS' FUNDS	16		<u>5,866,018</u>		<u>4,662,727</u>

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

P A Milton

P A MILTON
Director

Date 20 August 2010

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
Net cash inflow from operating activities		2,546,841	4,536,069
Outflow on investments and servicing of finance		(1,166,928)	(463,479)
Increase in Share Capital	16	43,333	15,000
Taxation (paid)/refund		(132,868)	386,828
Capital expenditure			
Payments to acquire tangible fixed assets	7	(104,447)	(148,047)
Foreign exchange movement on fixed assets	7	(3,643)	(8,669)
Increase in net cash		<u>1,182,288</u>	<u>4,317,704</u>

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET CASH**

Increase in cash in the year	1,182,288	4,317,704
Net cash at beginning of the year	6,146,300	1,828,596
Net cash at the end of the year	<u>7,328,588</u>	<u>6,146,300</u>

	1 January 2009 £	Cash flow £	31 December 2009 £
ANALYSIS OF NET FUNDS			
Cash at bank and in hand	6,146,300	1,182,288	7,328,588
	<u>6,146,300</u>	<u>1,182,288</u>	<u>7,328,588</u>

**RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW FROM OPERATING
ACTIVITIES**

	2009 £	2008 £
Operating profit	2,893,450	2,739,279
Depreciation charges	153,050	180,422
Share based payment	16,091	-
Increase in debtors	(819,166)	(500,436)
Increase in creditors	303,416	2,116,804
Net cash inflow from operating activities	<u>2,546,841</u>	<u>4,536,069</u>

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

1 **Accounting Policies**

Basis of Preparation

The financial statements of Thunderhead Limited were approved for issue by the Board of Directors on 20 August 2010. The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Thunderhead Limited and all its subsidiary undertakings drawn up to 31 December 2009. No profit and loss account is presented for the parent company as permitted by section 408 of the Companies Act 2006. The company made a profit during the year of £2,343,867 (2008: £1,777,835).

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.

Research and Development

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

Tangible Fixed Assets

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

Computer equipment	- 33.33% per annum
Other office equipment and furniture	- 25% per annum
Motor vehicles	- 33.33% per annum

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009- continued

1 **Accounting Policies (continued)**

Pension Contributions

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

Foreign Currencies

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

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

Investments

Investments are shown at cost less provision for impairment.

Share Based Payment

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

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

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

2 **Turnover**

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

	THE GROUP	
	2009 %	2008 %
United Kingdom	50	55
United States of America	39	35
Australia	11	10
	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009- continued

3 **Operating Profit**

	2009 £	2008 £
This is stated after charging/(crediting)		
Directors' remuneration (see note 5)	725,957	453,298
Auditors' remuneration - for audit services		
- Group	30,000	27,500
- Company	22,000	22,000
- tax advisory services - Group	49,000	11,280
- tax advisory services - Company	48,500	6,280
Operating lease rentals - land and buildings	318,368	270,164
Share based payments	8,110	7,981
Foreign exchange (gains)/ losses	(377,830)	(797,463)
Depreciation - owned assets (see note 7)	153,050	180,422
	<u> </u>	<u> </u>

4 **Staff Costs**

	2009 £	2008 £
Wages and salaries	7,259,955	5,676,911
Social security costs	783,699	683,993
Other pension costs	246,474	204,740
	<u>8,290,128</u>	<u>6,565,644</u>
 The average monthly number of employees (including executive directors) was	 <u>98</u>	 <u>94</u>

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009- continued

5 **Directors' Remuneration**

	2009 £	2008 £
The emoluments of the directors were as follows		
Remuneration for management services	684,479	432,923
Benefits in kind	41,478	20,375
	<u>725,957</u>	<u>453,298</u>
	2009 £	2008 £
In respect of the highest paid director		
Aggregate remuneration	<u>489,801</u>	<u>360,104</u>

6 **Taxation**

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

	2009 £	2008 £
UK Corporation Tax		
UK corporation tax on profits in the year	303,394	89,140
Adjustments in respect of prior periods	(689)	(386,769)
Total UK taxes	<u>302,705</u>	<u>(297,629)</u>
Foreign Tax		
Current year	115,666	-
Adjustments in respect of prior years	52,231	-
Total Foreign taxes	<u>167,897</u>	<u>-</u>
Deferred Tax		
Originating and reversal of timing differences	(91,382)	-
Total deferred tax	<u>(91,382)</u>	<u>-</u>
Total tax charge/(credit)	<u>379,220</u>	<u>(297,629)</u>

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 – continued

6 **Taxation (continued)**

	2009 £	2008 £
<u>Factors affecting the tax charge for the period</u>		
Profit on ordinary activities before taxation	2,926,522	2,849,801
Profit on ordinary activities before taxation multiplied by a standard rate of UK corporation tax of 28% (2008 28%)	819,426	797,944
Effects of		
Expenses not deductible for tax purposes/(non taxable income)	(157,925)	(145,055)
Accelerated capital allowances	2,082	10,094
Other timing differences	(57,151)	-
Overseas tax losses carried forward	-	120,934
Brought forward tax losses utilised	(218,716)	(450,557)
Research and development enhanced expenditure	-	(114,800)
Share scheme relief	-	(147,000)
Adjustments to tax charge in respect of prior periods	51,542	(386,769)
Other tax rates	31,344	17,580
	(348,824)	(1,095,573)
Current tax charge/(credit) for the period	470,602	(297,629)

Tax rate change disclosure note

In his Budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which if enacted in the proposed manner, will have an effect on the company's future tax position. As at 31 December 2009, the tax changes announced in the Budget had not been 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the company's financial statements as at 31 December 2009.

The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year from April 2011. Each 1% reduction will be enacted annually. The effect of the reduction in the tax rate to 24% would be to reduce the UK deferred tax asset relating to fixed assets and other timing differences to £30,276.

The effect on the company of these proposed changes to the UK tax system will be reflected in the company's statutory accounts in future years, as appropriate, once the proposals have been substantively enacted.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 - continued

7 Tangible Fixed Assets

<u>THE GROUP</u>	Computer equipment	Other office furniture and equipment	Motor vehicles	Total
	£	£	£	£
COST				
At 1st January 2009	372,997	327,408	65,826	766,231
Additions in the year	103,460	987	-	104,447
Disposals in the year	(188,077)	(13,026)	-	(201,103)
Foreign exchange differences	5,697	2,592	-	8 289
At 31st December 2009	294,077	317,961	65,826	677,864
DEPRECIATION				
At 1st January 2009	288,424	156,818	12,796	458,038
Charge for the year	53,097	78,017	21,936	153,050
Disposal in the year	(188,077)	(13,026)	-	(201,103)
Foreign exchange differences	3,489	1,157	-	4,646
At 31st December 2009	156,933	222,966	34 732	414 631
NET BOOK VALUE				
At 31st December 2009	137,144	94,995	31,094	263,233
At 31st December 2008	84,573	170 590	53,030	308,193

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 - continued

7 **Tangible Fixed Assets (continued)**

<u>THE COMPANY</u>	Computer equipment	Other office furniture and equipment	Motor vehicles	Total
	£	£	£	£
COST				
At 1st January 2009	254,898	308,426	65,826	629,150
Additions in the year	78,457	-	-	78,457
Disposals	(152,886)	(10,953)	-	(163,839)
At 31st December 2009	180,469	297,473	65,826	543,768
DEPRECIATION				
At 1st January 2009	202,024	148,062	12,796	362,882
Charge for the year	31,880	73,191	21,936	127,007
Disposals	(152,886)	(10,953)	-	(163,839)
At 31st December 2009	81,018	210,300	34,732	326,050
NET BOOK VALUE				
At 31st December 2009	99,451	87,173	31,094	217,718
At 31st December 2008	52,874	160,364	53,030	266,268

8 **Investment in Subsidiary Undertakings**

	2009 £	2008 £
Shares in subsidiaries at cost	93	93

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 - continued

9 **Debtors**

	THE COMPANY		THE GROUP	
	2009 £	2008 £	2009 £	2008 £
Trade debtors	5 299,934	4,084,694	7,122,123	6,455 387
Amounts owed by group undertakings	4,783 836	2,953,291	-	-
Other debtors and prepayments	238,271	344,494	416,936	565,072
	<u>10,322 041</u>	<u>7,382,479</u>	<u>7,539,059</u>	<u>7,020,459</u>

All amounts included as debtors are due within one year

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

	THE COMPANY		THE GROUP	
	2009 £	2008 £	2009 £	2008 £
Accruals and deferred income	4,107,086	3 679 194	6,033,140	5,738 647
Trade creditors	385,744	270,848	505,236	406,007
Other taxes and social security costs	846,639	559,748	908,781	648 539
Corporation tax	302,705	16,088	408,490	89,140
Other creditors	11,386	10,613	221,729	30,910
	<u>5,653,560</u>	<u>4,536,491</u>	<u>8,077,376</u>	<u>6,913,243</u>

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

	THE COMPANY		THE GROUP	
	2009 £	2008 £	2009 £	2008 £
Accruals and deferred income	<u>784,307</u>	<u>799,270</u>	<u>1,047,726</u>	<u>1,317,093</u>

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 - continued

12 **Deferred Taxation**

The group has an unprovided deferred tax asset of £nil (2008 £176,137)

	At 31st December 2009		At 31st December 2008	
	Provided	Unprovided	Provided	Unprovided
Capital allowances less than depreciation	22,382	-	-	49,210
Losses carried forward	-	-	-	126,927
Other timing differences	71,961	-	-	-
Deferred tax asset/(liability)	<u>94,343</u>	<u>-</u>	<u>-</u>	<u>176,137</u>

13 **Share Capital**

Group and Parent Company

	2009 £	2008 £
Allotted, called-up and fully paid		
20,000,000 Ordinary shares of 5 pence each (2008 19,133,340 Ordinary shares of 5 pence each)	<u>1,000,000</u>	<u>956,667</u>

The increase in share capital relates to the exercise of shares as explained in Note 15

14 **Dividends**

	2009 £	2008 £
Amounts recognised as distributions to shareholders in the period of 6p per share (2008 3p)	<u>1,200,000</u>	<u>574,001</u>

15 **Share Based Payments**

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

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

Following the company 20:1 share split carried out on 20th September 2006, the options represented 3,866,640 ordinary shares of 5 pence per share. 866,660 shares (2008 300,000) of 5 pence each were exercised during 2009 at par. This leaves zero (2008 866,660) vested options that had not been exercised at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 – continued

15 **Share Based Payments (continued)**

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

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2009 is £8,110 (2008: £7,981).

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

	2009		2008	
	No	WAEP	No	WAEP
Outstanding as at 1 January (1)	2,070,034	£0.17	2,476,238	£0.16
Granted during the year	229,192	£0.61	10,000	£0.25
Exercised during the year (2)	(866,660)	£0.05	(392,666)	£0.10
Expired during the year	(437,334)	£0.25	(23,538)	£0.25
Outstanding at 31 December	<u>995,232</u>	<u>£0.33</u>	<u>2,070,034</u>	<u>£0.17</u>
Exercisable at 31 December	<u>640,000</u>		<u>939,334</u>	

- 1 Included within this balance are options over 866,660 (2008: 1,116,660) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.
- 2 The weighted average share price at the date of exercise for the options exercised is £0.45 (2008: £0.86).

The weighted average fair value of options granted during the year was £0.03 (2008: £0.31). The range of exercise prices for options outstanding at the end of the year was £0.25 - £1.20 (2008: £0.05 - £0.25).

The fair value of share options granted is estimated as at the date of grant using a model that is based on the 'binomial' or 'lattice' option pricing method, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 December 2009 and 31 December 2008.

	2009	2008
Weighted average share price	£0.45	£0.86
Risk-free interest rate	3.91%	2.88%
Expected life of option (years)	4.40 yrs	3.49 yrs
Expected volatility	45.00%	45.00%
Expected dividend yield	10.00%	10.00%

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 – continued

15 **Share Based Payments (continued)**

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

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

	THE COMPANY		THE GROUP	
	2009 £	2008 £	2009 £	2008 £
Profit after taxation	2,343,867	1,777,835	2,547,302	3,147,430
Exchange loss on translation of foreign operations	-	-	(645,564)	(165,478)
Dividends paid	(1,200,000)	(574,001)	(1,200,000)	(574,001)
Increase in share capital	43,333	15,000	43,333	15,000
Share based payments	16,091	-	16,091	-
Net movement in shareholders' funds	1,203,291	1,218,834	761,162	2,422,951
Shareholders' funds brought forward	4,662,727	3,443,893	5,244,616	2,821,665
Shareholders' funds carried forward	5,866,018	4,662,727	6,005,778	5,244,616

17 **Pension Commitments**

During the year the group made contributions of £246,474 (2008: £204,740) to the personal pension plans of employees.

18 **Financial Commitments**

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

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

Group	Land and Buildings 2009 £	Land and Buildings 2008 £
Expiry date		
- Within one year	180,478	-
- Between two and five years	182,678	-
- After more than five years	-	143,928
	363,156	143,928

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009 – continued

18 **Financial Commitments (continued)**

Parent company	Land and Buildings 2009 £	Land and Buildings 2008 £
Expiry date		
-Within one year	26,400	-
-Between two and five years	143,928	-
-After more than five years	-	143,928
	<u>170,328</u>	<u>143,928</u>

19 **Related Party Transactions**

P A Milton, a director of the company, is the proprietor of a firm of solicitors. During the year his firm charged the company £122,747 (2008 £125,704) for legal fees.

20 **Controlling Party**

The company is under the control of G R Manchester, by virtue of his beneficial interest in 80.54% (2008 84%) of the issued share capital.

21 **Director's advances**

During the course of business an interest free advance has been made to one of the directors. At 31 December 2009 the amount owed to the business was £9,969 (2008 £5,516). During 2009 £150,000 was repaid (2008 £425,000).