

**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008**  
**FOR**  
**HEADSTRONG (UK) LTD**

THURSDAY



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**HEADSTRONG (UK) LTD**

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**FOR THE YEAR ENDED 31ST DECEMBER 2008**

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**HEADSTRONG (UK) LTD**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

**DIRECTORS:**

A Malhotra  
A Mehra  
A Valbrune  
B Singh

**SECRETARY:**

A Valbrune

**REGISTERED OFFICE:**

c/o Butler & Co  
Walmar House  
288-292 Regent Street  
London  
W1B 3AL

**REGISTERED NUMBER:**

2582346

**AUDITORS:**

Butler & Co  
Chartered Accountants  
& Registered Auditors  
3rd Floor Walmar House  
288-292 Regent Street  
London  
W1B 3AL

## **HEADSTRONG (UK) LTD**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 31ST DECEMBER 2008**

The directors present their report with the financial statements of the company for the year ended 31st December 2008.

#### **PRINCIPAL ACTIVITY**

The main activity of the company is to provide computer systems development services and the supply of information technology products.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31st December 2008.

#### **FUTURE DEVELOPMENTS**

The directors anticipate increasing the resources available to the company in order to take advantage of the improvements in the trading environment.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1st January 2008 to the date of this report.

A Malhotra  
A Mehra  
A Valbrune  
B Singh

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made a non-political donation of £1,000 during the year.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 profit or 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**HEADSTRONG (UK) LTD**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

**AUDITORS**

The auditors, Butler & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
.....

Director

Date: 10/26/2008

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
HEADSTRONG (UK) LTD**

We have audited the financial statements of Headstrong (UK) Ltd for the year ended 31st December 2008 on pages six to fourteen. 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 a Report of the Auditors 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant 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 Report of the Directors is consistent with the financial statements.

In addition we report to you 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF**  
**HEADSTRONG (UK) LTD**

**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 company's affairs as at 31st December 2008 and of its 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 Report of the Directors is consistent with the financial statements.



Butler & Co  
Chartered Accountants  
& Registered Auditors  
3rd Floor Walmar House  
288-292 Regent Street  
London  
W1B 3AL

Date: 26 October 2009

**HEADSTRONG (UK) LTD****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

	Notes	2008 £	2007 £
<b>TURNOVER</b>	2	8,679,317	5,149,556
Cost of sales		6,107,804	3,907,216
<b>GROSS PROFIT</b>		2,571,513	1,242,340
Administrative expenses		2,031,614	1,036,627
		539,899	205,713
Other operating income		21,854	-
<b>OPERATING PROFIT</b>	4	561,753	205,713
Interest receivable and similar income		10,827	4,630
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		572,580	210,343
Tax on profit on ordinary activities	5	3,534	915
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		569,046	209,428

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profits for the current year or previous year.

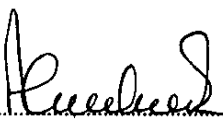
The notes form part of these financial statements



**HEADSTRONG (UK) LTD****BALANCE SHEET**  
**31ST DECEMBER 2008**

	Notes	2008 £	2007 £
<b>FIXED ASSETS</b>			
Tangible assets	6	118,629	930
<b>CURRENT ASSETS</b>			
Debtors	7	1,752,254	1,428,918
Cash at bank		1,371,352	586,779
		<u>3,123,606</u>	<u>2,015,697</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	<u>2,281,228</u>	<u>1,624,666</u>
<b>NET CURRENT ASSETS</b>		<u>842,378</u>	<u>391,031</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>961,007</u>	<u>391,961</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	104	104
Share premium	11	6,476,788	6,476,788
Profit and loss account	11	(5,515,885)	(6,084,931)
<b>SHAREHOLDERS' FUNDS</b>	15	<u>961,007</u>	<u>391,961</u>

The financial statements were approved by the Board of Directors on 10/26/2009 and were signed on its behalf by:

  
.....  
Director

The notes form part of these financial statements

**HEADSTRONG (UK) LTD****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2008**

	Notes	2008 £	2007 £
Net cash inflow from operating activities	1	987,155	567,010
Returns on investments and servicing of finance	2	10,827	4,630
Taxation		(2,601)	(1)
Capital expenditure	2	(210,808)	-
Increase in cash in the period		<u>784,573</u>	<u>571,639</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>784,573</u>	<u>571,639</u>
Change in net funds resulting from cash flows		<u>784,573</u>	<u>571,639</u>
Movement in net funds in the period		784,573	571,639
Net funds at 1st January		586,779	15,140
Net funds at 31st December		<u>1,371,352</u>	<u>586,779</u>

The notes form part of these financial statements

**HEADSTRONG (UK) LTD****NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2008****1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2008 £	2007 £
Operating profit	561,753	205,713
Depreciation charges	92,179	310
Loss on disposal of fixed assets	930	-
Amounts owed to group undertakings	642,365	623,213
Increase in debtors	(306,887)	(999,372)
(Decrease)/Increase in creditors	(3,185)	737,146
<b>Net cash inflow from operating activities</b>	<b>987,155</b>	<b>567,010</b>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2008 £	2007 £
<b>Returns on investments and servicing of finance</b>		
Interest received	10,827	4,630
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>10,827</b>	<b>4,630</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(210,808)	-
<b>Net cash outflow for capital expenditure</b>	<b>(210,808)</b>	<b>-</b>

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/1/08 £	Cash flow £	At 31/12/08 £
Net cash:			
Cash at bank	586,779	784,573	1,371,352
	586,779	784,573	1,371,352
<b>Total</b>	<b>586,779</b>	<b>784,573</b>	<b>1,371,352</b>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2008**

**1. ACCOUNTING POLICIES****Accounting convention**

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

**Turnover**

Turnover represents the invoiced value of consultancy service during the year, excluding value added taxes.

**Tangible fixed assets**

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

Improvement to property	- 20%
Computers	- 33.33 %
Fixtures & fittings	- 20%
Plant & Machinery	- 20%

In line with group policy, assets costing less than USD 5,000 are fully depreciated in the year of acquisition.

**Deferred tax**

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

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**2. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2008 £	2007 £
UK	7,562,966	3,509,506
North America	1,116,351	1,640,050
	<u>8,679,317</u>	<u>5,149,556</u>

**3. STAFF COSTS**

	2008 £	2007 £
Wages and salaries	4,558,729	2,756,373
Social security costs	358,322	189,989
	<u>4,917,051</u>	<u>2,946,362</u>

**HEADSTRONG (UK) LTD****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008****3. STAFF COSTS - continued**

The average monthly number of employees during the year was as follows:

	2008	2007
Consulting	73	53
Sales and Support staff	12	3
	<u>85</u>	<u>56</u>

No emoluments were paid to the directors during the year (2005 - £nil).

**4. OPERATING PROFIT**

The operating profit is stated after charging:

	2008	2007
	£	£
Depreciation - owned assets	92,179	310
Loss on disposal of fixed assets	930	-
Auditors' remuneration	12,348	5,416
Foreign exchange differences	<u>135,109</u>	<u>44,951</u>
Directors' emoluments	<u>-</u>	<u>-</u>

**5. TAXATION****Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2008	2007
	£	£
Current tax:		
UK corporation tax	<u>3,534</u>	<u>915</u>
Tax on profit on ordinary activities	<u>3,534</u>	<u>915</u>

**HEADSTRONG (UK) LTD****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2008****6. TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>					
At 1st January 2008	-	-	-	1,653	1,653
Additions	117,229	4,288	55,729	33,562	210,808
Disposals	-	-	-	(1,653)	(1,653)
At 31st December 2008	117,229	4,288	55,729	33,562	210,808
<b>DEPRECIATION</b>					
At 1st January 2008	-	-	-	723	723
Charge for year	18,225	19	47,602	26,333	92,179
Eliminated on disposal	-	-	-	(723)	(723)
At 31st December 2008	18,225	19	47,602	26,333	92,179
<b>NET BOOK VALUE</b>					
At 31st December 2008	99,004	4,269	8,127	7,229	118,629
At 31st December 2007	-	-	-	930	930

**7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008 £	2007 £
Trade debtors	928,411	1,326,138
Amounts owed by group undertakings	32,081	15,632
Other debtors	127,033	23,482
Prepayments and accrued income	664,729	63,666
	1,752,254	1,428,918

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008 £	2007 £
Trade creditors	512,407	453,592
Amounts owed to group undertakings	1,370,503	711,689
Tax	2,165	1,232
Social security and other taxes	2,312	134,613
Accruals and deferred income	393,841	323,540
	2,281,228	1,624,666

**HEADSTRONG (UK) LTD****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2008****9. OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid within one year:

	Land and buildings	
	2008 £	2007 £
Expiring: Between one and five years	119,050	74,976

**10. CALLED UP SHARE CAPITAL**

Authorised: Number:	Class:	Nominal value: £1	2008 £	2007 £
1,000	Ordinary		1,000	1,000

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2008 £	2007 £
102	Ordinary		104	104

**11. RESERVES**

	Profit and loss account £	Share premium £	Totals £
At 1st January 2008	(6,084,931)	6,476,788	391,857
Profit for the year	569,046		569,046
At 31st December 2008	(5,515,885)	6,476,788	960,903

**12. ULTIMATE PARENT COMPANY**

The company's immediate parent undertaking is Headstrong Worldwide Limited registered in UK.

The company's ultimate parent undertaking is Headstrong Corporation, which is incorporated in the USA registered at 4035 Ridge Top Road, Suite 300 Fairfax, Virginia 22030, USA.

**13. OTHER FINANCIAL COMMITMENTS**

The company has created a Rent Deposit Deed dated 13 October 2008, to secure £ 69,941.88 due or becoming due from the company to the lessor of the company premises.

**14. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption granted by Financial Reporting Standard No.8 not to disclose related party transactions with other members of Headstrong Corporation group of companies.

**HEADSTRONG (UK) LTD**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2008**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2008	2007
	£	£
Profit for the financial year	569,046	209,428
Net addition to shareholders' funds	569,046	209,428
Opening shareholders' funds	391,961	182,533
Closing shareholders' funds	961,007	391,961