

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2009
FOR
HEADSTRONG (UK) LTD

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HEADSTRONG (UK) LTD

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FOR THE YEAR ENDED 31ST DECEMBER 2009

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HEADSTRONG (UK) LTD

COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2009

DIRECTORS.	A Malhotra A Mehra A Valbrune B Singh S Sahai
SECRETARY:	A Valbrune
REGISTERED OFFICE	c/o Butler & Co Walmar House 288-292 Regent Street London W1B 3AL
REGISTERED NUMBER.	2582346
SENIOR STATUTORY AUDITOR.	Sanjeev Phadke
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 2009

The directors present their report with the financial statements of the company for the year ended 31st December 2009

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 2009

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 2009 to the date of this report

A Malhotra

A Mehra

A Valbrune

B Singh

Other changes in directors holding office are as follows

S Sahai - appointed 2nd February 2009

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 Report of the Directors 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 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

HEADSTRONG (UK) LTD

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2009

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 418 of the Companies Act 2006) 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

AUDITORS

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

ON BEHALF OF THE BOARD



Director - Mr A Mehra

Date 20/09/2010

**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 2009 on pages five to thirteen. 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 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

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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 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 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 company's affairs as at 31st 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

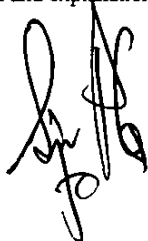
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Sanjeev Phadke (Senior Statutory Auditor)
for and on behalf of Butler & Co
Chartered Accountants
& Registered Auditors
3rd Floor Walmar House
288-292 Regent Street
London
W1B 3AL



Date

20 September 2010

HEADSTRONG (UK) LTD.**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2009**

	Notes	2009 £	2008 £
TURNOVER	2	8,783,231	8,679,317
Cost of sales		<u>6,252,767</u>	<u>6,107,804</u>
GROSS PROFIT		2,530,464	2,571,513
Administrative expenses		<u>1,573,785</u>	<u>2,031,614</u>
		956,679	539,899
Other operating income		<u>-</u>	<u>21,854</u>
OPERATING PROFIT	4	956,679	561,753
Interest receivable and similar income		<u>397</u>	<u>10,827</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		957,076	572,580
Tax on profit on ordinary activities	5	<u>1,172</u>	<u>3,534</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>955,904</u>	<u>569,046</u>

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 2009

	Notes	£	2009	£	2008	£
FIXED ASSETS						
Tangible assets	6			87,566		118,629
CURRENT ASSETS						
Debtors	7	2,927,479			1,752,254	
Cash at bank		713,197			1,371,352	
		<u>3,640,676</u>			<u>3,123,606</u>	
CREDITORS						
Amounts falling due within one year	8	<u>1,811,331</u>			<u>2,281,228</u>	
NET CURRENT ASSETS				<u>1,829,345</u>		<u>842,378</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>1,916,911</u>		<u>961,007</u>
CAPITAL AND RESERVES						
Called up share capital	10			104		104
Share premium	11			6,476,788		6,476,788
Profit and loss account	11			<u>(4,559,981)</u>		<u>(5,515,885)</u>
SHAREHOLDERS' FUNDS	15			<u>1,916,911</u>		<u>961,007</u>

The financial statements were approved by the Board of Directors on its behalf by

20/09/2010

and were signed on

Director


- Mr A Mehra

The notes form part of these financial statements

HEADSTRONG (UK) LTD**CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31ST DECEMBER 2009

	Notes	2009 £	2008 £
Net cash (outflow)/inflow from operating activities	1	(659,938)	987,155
Returns on investments and servicing of finance	2	397	10,827
Taxation		(3,247)	(2,601)
Capital expenditure	2	4,633	(210,808)
(Decrease)/Increase in cash in the period		<u>(658,155)</u>	<u>784,573</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		<u>(658,155)</u>	<u>784,573</u>
Change in net funds resulting from cash flows		<u>(658,155)</u>	<u>784,573</u>
Movement in net funds in the period		<u>(658,155)</u>	<u>784,573</u>
Net funds at 1st January		<u>1,371,352</u>	<u>586,779</u>
Net funds at 31st December		<u><u>713,197</u></u>	<u><u>1,371,352</u></u>

The notes form part of these financial statements

HEADSTRONG (UK) LTD**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2009****1 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM
OPERATING ACTIVITIES**

	2009 £	2008 £
Operating profit	956,679	561,753
Depreciation charges	26,053	92,179
Loss on disposal of fixed assets	-	930
Amounts owed to group undertakings	(773,050)	642,365
Increase in debtors	(1,060,836)	(306,887)
Increase/(Decrease) in creditors	191,216	(3,185)
Net cash (outflow)/inflow from operating activities	(659,938)	987,155

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

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	397	10,827
Net cash inflow for returns on investments and servicing of finance	397	10,827
Capital expenditure		
Purchase of tangible fixed assets	(2,170)	(210,808)
Sale of tangible fixed assets	6,803	-
Net cash inflow/(outflow) for capital expenditure	4,633	(210,808)

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/09 £	Cash flow £	At 31/12/09 £
Net cash			
Cash at bank	1,371,352	(658,155)	713,197
	<u>1,371,352</u>	<u>(658,155)</u>	<u>713,197</u>
Total	<u>1,371,352</u>	<u>(658,155)</u>	<u>713,197</u>

The notes form part of these financial statements

HEADSTRONG (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2009**

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

	2009	2008
	£	£
UK	7,551,420	7,562,966
North America	1,231,811	1,116,351
	<u>8,783,231</u>	<u>8,679,317</u>

3 STAFF COSTS

	2009	2008
	£	£
Wages and salaries	4,115,101	4,558,729
Social security costs	377,630	358,322
	<u>4,492,731</u>	<u>4,917,051</u>

HEADSTRONG (UK) LTD**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2009**3 STAFF COSTS - continued**

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

	2009	2008
Consulting	65	73
Sales and Support staff	11	12
	<u>76</u>	<u>85</u>

No emoluments were paid to the directors during the year

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2009	2008
	£	£
Depreciation - owned assets	26,430	92,179
Loss on disposal of fixed assets	-	930
Auditors' remuneration	18,510	12,348
Foreign exchange differences	<u>(31,705)</u>	<u>135,109</u>
Directors' remuneration	<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

	2009	2008
	£	£
Current tax	1,172	3,534
UK corporation tax	<u>1,172</u>	<u>3,534</u>
Tax on profit on ordinary activities	<u>1,172</u>	<u>3,534</u>

HEADSTRONG (UK) LTD**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2009****6 TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1st January 2009	117,229	4,288	55,729	33,562	210,808
Additions	2,170	-	-	-	2,170
Disposals	(7,180)	-	-	-	(7,180)
At 31st December 2009	112,219	4,288	55,729	33,562	205,798
DEPRECIATION					
At 1st January 2009	18,225	19	47,602	26,333	92,179
Charge for year	20,967	844	1,633	2,986	26,430
Eliminated on disposal	(377)	-	-	-	(377)
At 31st December 2009	38,815	863	49,235	29,319	118,232
NET BOOK VALUE					
At 31st December 2009	73,404	3,425	6,494	4,243	87,566
At 31st December 2008	99,004	4,269	8,127	7,229	118,629

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade debtors	1,144,974	928,411
Amounts owed by group undertakings	146,470	32,081
Other debtors	84,262	127,033
Prepayments and accrued income	1,551,773	664,729
	<u>2,927,479</u>	<u>1,752,254</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	459,894	512,407
Amounts owed to group undertakings	711,465	1,370,503
Tax	90	2,165
Social security and other taxes	65	2,312
Other creditors	30,056	-
Accruals and deferred income	609,761	393,841
	<u>1,811,331</u>	<u>2,281,228</u>

HEADSTRONG (UK) LTD**NOTES TO THE FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2009**9 OPERATING LEASE COMMITMENTS**

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

	Land and buildings	
	2009 £	2008 £
Expiring		
Between one and five years	<u>119,050</u>	<u>119,050</u>

10 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value £1	2009 £	2008 £
104	Ordinary		<u>104</u>	<u>104</u>

11 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1st January 2009	(5,515,885)	6,476,788	960,903
Profit for the year	<u>955,904</u>		<u>955,904</u>
At 31st December 2009	<u>(4,559,981)</u>	<u>6,476,788</u>	<u>1,916,807</u>

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 created a Rent Deposit Deed dated 13 October 2008, to secure £ 69,941 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 2009

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009	2008
	£	£
Profit for the financial year	955,904	569,046
Net addition to shareholders' funds	955,904	569,046
Opening shareholders' funds	961,007	391,961
Closing shareholders' funds	1,916,911	961,007