

Company Number 5200315

STRONTIUM PLC
ANNUAL REPORT
30 June 2011



CONTENTS

	Page
DIRECTORS, ADVISERS AND REGISTERED OFFICE	1
CHAIRMAN'S STATEMENT	2-3
DIRECTORS' REPORT	4-5
REPORT OF THE REMUNERATION COMMITTEE	6
STATEMENT OF DIRECTORS' RESPONSIBILITIES	7
AUDITORS' REPORT	8-9
CONSOLIDATED INCOME STATEMENT	10
STATEMENT OF CHANGES IN EQUITY	11
STATEMENT OF FINANCIAL POSITION	12
CASH FLOW STATEMENTS	13
NOTES TO THE FINANCIAL STATEMENTS	14-36

STRONTIUM PLC

DIRECTORS AND ADVISERS

Directors

M W Metcalfe (Chairman)

D W Barker

C M Brumpton

Secretary

G Withey

Auditors

Hazlewoods LLP

Windsor House

Bayshill Road

Cheltenham

GL50 3AT

Registrar

Share Registrars Limited

Suite E

First Floor

Lion and Lamb Yard

Farnham

Surrey

GU9 7LL

Bankers

National Westminster Bank Plc

Market Place

Reading

RG1 2EP

Solicitors

Collyer Bristow

4 Bedford Row

London

WC1R 4DF

Registered office

Atlantic House

Imperial Way

Reading

RG2 0TD

Company Registration Number

05200315

STRONTIUM PLC

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts for the year to 30 June 2011

Overview of performance

Revenues on continuing operations decreased year on year by 6% to £2,223,654 (30 June 2010 £2,369,178) This performance yielded an operating loss of £1,253,326 (June 2010 profit £174,188) This loss is after impairment provision against goodwill arising on the acquisition of The Learning Eye of £838,099 and costs of £220,527 identified by the Directors as being "One Off Costs", the underlying trading loss being £194,700

The One Off Costs arise as a result of the Board deciding to undertake a cost reduction and investment review as a result of the worsening market conditions both in the NHS and the general market These changes involved

- Cancelling the admission of its Ordinary Shares to trading on AIM ("Delisting"),
- Reviewing the value of the investments in Miad and The Learning Eye,
- Centralising operations into one location and the closure of the offices in Sevenoaks and Cheltenham,
- Reduction in manpower and re-engineering of business process

However, the general economic climate is one of great uncertainty and the type of clients that the Group contracts with are becoming cautious when committing to expenditure on the services the Group offers, particularly those of The Learning Eye In these circumstances the Board decided to take a prudent view when considering goodwill impairment and as a consequence decided to fully impair the goodwill relating to The Learning Eye

To assist in these changes, the Directors continue to support the operation and made a loan facility of £300,000 available to the Group on normal commercial terms At 30 June £150,000 had been drawn down against this facility Despite this loan, cash decreased to £109,753 (30 June 2010 £657,755) An additional £150,000 was drawn down in July 2011 (see note 20 in the Notes to the Financial Statement below)

Following the Delisting the Board reviewed the option to trade shares through JP Jenkins but decided that the costs of registration were an unwanted expense given the current financial situation of the Company However, shareholders are free to agree a price with one another and to transfer their shares to that individual A share transfer form must be completed and forwarded together with the covering share certificate to the Company's registrars [Share Registrars Ltd, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL] Shareholders should consult an independent financial adviser qualified to advise on investments before agreeing to a transfer

Acquisitions and Disposals

The UK and European economy continues to be extremely challenging for both Miad and The Learning Eye As a consequence no acquisitions or disposals were considered in this period

Business Environment and Review

The business environment for all SMEs continues to be demanding and the Board expects this situation to continue

The Board acknowledges that recent changes and uncertainty in the NHS has reduced expenditure in non-clinical training This has led to a reduction in Miad revenues of £37% to £1,144,118 (30 June 2010 £1,810,000) resulting in a loss before tax of £103,245 (after charging One Off Costs of £62,877), (30 June 2010 profit £244,682)

The challenges faced by the corporate clients of The Learning Eye persist Despite this revenues increased by 91% to £1,079,536 (30 June 2010 £563,000) However due to One Off Costs of £73,255 and a change in product mix the company suffered a loss before tax of £62,752 (30 June 2010 profit £108,799 before a one off profit of £67,800)

Outlook

Market conditions into 2012 remain very difficult and uncertain but given the steps Strontium has taken to reduce costs, merge operations, improve business process and the loans made available by its Directors the Board believes the business has been placed in the best position possible to survive in these turbulent times

The priority of the Board and the management is to return Strontium, as soon as possible, to profit and generate a positive cash flow

Finally I would like to thank our Managing Director David Barker, the management team and all of our staff for their contributions

M W Metcalfe
9 December 2011

STRONTIUM PLC

DIRECTORS' REPORT

Company number 5200315

The directors present their report and the financial statements for the Group for the year ended 30 June 2011

Results and dividends

The Group loss for the year amounted to £1,288,845 (2010 - profit £261,952) and the directors are unable to recommend the payment of a dividend

Principal activities and review of the business

The principal activity of the Group continues to be that of the provision of business services. A detailed review of the business and its future development can be found in the Chairman's Statement

Directors

The following directors have held office since 30 June 2010

M W Metcalfe
D W Barker
C M Brumpton

Financial instruments

Details of the Group's financial instruments and financial risk management policies can be found in note 3 to the financial statements

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with

At 30 June 2011, the Group had an average of 72 (2010 - 66) days' purchases outstanding in trade payables

Charitable and political donations

No charitable or political donations were made in the year. The policy of the directors is to leave the decision to make such contributions at the discretion of the individual shareholders

Going concern

After making enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements

STRONTIUM PLC

DIRECTORS' REPORT (continued)

Auditors

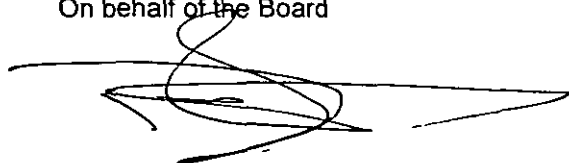
In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Hazlewoods LLP will be re-appointed will be put to the Annual General Meeting

Statement of disclosure to auditor

So far as each of the directors at the time of this report are aware, there is no relevant audit information of which the Group'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 Group's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

On behalf of the Board

A handwritten signature in black ink, appearing to be 'DW BARKER', written over a horizontal line.

~~MW Metcalfe~~ DW BARKER
Chairman MANAGING DIRECTOR
9 December 2011

STRONTIUM PLC

REPORT OF THE REMUNERATION COMMITTEE

The policy of the Group is to offer competitive remuneration packages that will attract, retain and motivate experienced and talented individuals who will enhance the value of the Group. The remuneration packages of the executive directors are reviewed and approved by the Remuneration Committee on an annual basis. The remuneration of other employees is the responsibility of the Managing Director.

The part of this remuneration report set out below is included within the scope of the auditors' opinion on pages 8 and 9.

Remuneration of the directors

Executive directors are paid a basic salary. In addition, one director benefits from defined contribution scheme pension contributions.

The remuneration of non-executive directors is approved by the Board. Individual non-executives do not participate in decisions concerning their own remuneration.

	Salary £	Pension Contribution £	Total 2011 £	Total 2010 £
D W Barker	120,000	12,000	132,000	163,250
C M Brumpton	-	-	-	-
M W Metcalfe	-	-	-	-
	<u>120,000</u>	<u>12,000</u>	<u>132,000</u>	<u>163,250</u>

Options

Directors' interests in share options are set out below.

Directors' names	Number of options	Exercise price	Date from which exercisable	Expiry date
	30 June 2010 and 30 June 2011			
M W Metcalfe	200,000	27 5p	30 6 2009	24 07 2017
M W Metcalfe	100,000	27 5p	30 6 2010	24 07 2017
M W Metcalfe	100,000	27 5p	30 6 2011	24 07 2017
M W Metcalfe	100,000	27 5p	30 6 2012	24 07 2017
D W Barker	400,000	27 5p	30 6 2009	24 07 2017
D W Barker	200,000	27 5p	30 6 2010	24 07 2017
D W Barker	200,000	27 5p	30 6 2011	24 07 2017
D W Barker	200,000	27 5p	30 6 2012	24 07 2017
C Brumpton	100,000	15 5p	1 12 2009	30 11 2011
C Brumpton	100,000	12 0p	1 12 2010	30 11 2012

An amount of £9,766 (2010 - £15,500) was charged to the Consolidated Income Statement in respect of share based awards in respect of directors' options set out above. No options were exercised.

M W Metcalfe
Chairman
9 December 2011

STRONTIUM PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the group and parent company financial statements in accordance with IFRSs as adopted by the EU 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 parent company and of their profit or loss for the year then ended. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether the financial statements comply with IFRSs as adopted in the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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

The directors are also responsible for the maintenance and integrity of the investor information included on the company's website. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STRONTIUM PLC

We have audited the financial statements of Strontium plc for the year ended 30 June 2011 which comprise the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the 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 Statement of Directors' Responsibilities set out on page 7, 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 the 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 30 June 2011 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

STRONTIUM PLC

INDEPENDENT AUDITORS' REPORT *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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

David Main (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

9 December 2011

STRONTIUM PLC**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 30 June 2011

	<i>Note</i>	2011	2010
		£	£
Continuing operations			
Revenue		2,223,654	2,369,178
Cost of sales		(693,888)	(485,186)
Gross Profit		1,529,766	1,883,992
Administrative expenses		(1,944,993)	(1,742,804)
Goodwill impairment charge		(838,099)	-
Other operating income		-	33,000
Operating (Loss)/profit	7	(1,253,326)	174,188
Net finance charge	8	(10,965)	-
(Loss)/Profit before tax		(1,264,291)	174,188
Tax (expense) / net credit for the year	10	(24,554)	24,273
(Loss)/Profit for the year from continuing operations		(1,288,845)	198,461
Discontinued operations			
Profit for the year from discontinued operations	11	-	63,491
(Loss)/Profit and comprehensive (expense)/income for the year attributable to equity holders of the company		(1,288,845)	261,952

STRONTIUM PLC**STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June 2011

GROUP

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 July 2009	267,394	1,995,463	(949,423)	1,313,434
Profit for the year ended 30 June 2010	-	-	261,952	261,952
Cost of share based awards	-	-	32,500	32,500
Shares issued in the year for services	1,087	5,163	-	6,250
Shares issued in the year for acquisitions	3,433	24,108	-	27,541
Balance at 30 June 2010	<u>271,914</u>	<u>2,024,734</u>	<u>(654,971)</u>	<u>1,641,677</u>
Loss for the year ended 30 June 2011	-	-	(1,288,845)	(1,288,845)
Cost of share based awards	-	-	12,266	12,266
Cancellation of Share Premium	-	(1,200,000)	1,200,000	-
Balance at 30 June 2011	<u>271,914</u>	<u>824,734</u>	<u>(731,550)</u>	<u>365,098</u>

COMPANY

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 July 2009	267,394	1,995,463	(869,234)	1,393,623
Loss for the year ended 30 June 2010	-	-	(167,266)	(167,266)
Cost of share based awards	-	-	32,500	32,500
Shares issued in the year for services	1,087	5,163	-	6,250
Shares issued in the year for acquisitions	3,433	24,108	-	27,541
Balance at 30 June 2010	<u>271,914</u>	<u>2,024,734</u>	<u>(1,004,000)</u>	<u>1,292,648</u>
Loss for the year ended 30 June 2011	-	-	(1,245,143)	(1,245,143)
Cost of share based awards	-	-	9,766	9,766
Cancellation of share premium	-	(1,200,000)	1,200,000	-
Balance at 30 June 2011	<u>271,914</u>	<u>824,734</u>	<u>(1,039,377)</u>	<u>57,271</u>

STRONTIUM PLC

STATEMENT OF FINANCIAL POSITION

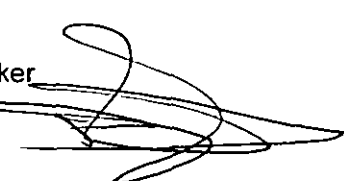
at 30 June 2011

	<i>Note</i>	GROUP		COMPANY	
		2011	2010	2011	2010
		£	£	£	£
Non-current assets					
Goodwill	12	332,875	1,170,974	-	-
Property, plant and equipment	13	57,090	67,920	538	4,569
Investments in subsidiaries	14	-	-	336,934	1,293,037
Deferred tax asset	18	-	59,668	-	310
Total non-current assets		389,965	1,298,562	337,472	1,297,916
Current assets					
Trade and other receivables	15	583,284	307,179	104,589	10,621
Derivative financial instruments	3	-	33,000	-	33,000
Cash at bank		109,753	657,755	37,365	121,665
Total current assets		693,037	997,934	141,954	165,286
Total assets		1,083,002	2,296,496	479,426	1,463,202
Equity					
Issued share capital	16	271,914	271,914	271,914	271,914
Share premium	17	824,734	2,024,734	824,734	2,024,734
Retained earnings	17	(731,550)	(654,971)	(1,039,377)	(1,004,000)
Total equity		365,098	1,641,677	57,271	1,292,648
Liabilities					
Non-current liabilities					
Deferred tax	18	-	10,216	-	-
Total non-current liabilities		-	10,216	-	-
Current liabilities					
Current tax liabilities		-	28,867	-	-
Trade and other payables	19	554,172	615,736	258,423	170,554
Derivative Financial Instruments	3	13,732	-	13,732	-
Borrowings	20	150,000	-	150,000	-
Total current liabilities		717,904	644,603	422,155	170,554
Total liabilities		717,904	654,819	422,155	170,554
Total equity and liabilities		1,083,002	2,296,496	479,426	1,463,202

These financial statements were approved and authorised for issue by the Board of Directors on 9 December 2011 and were signed on its behalf by

M W Metcalfe
Director

D W Barker
Director



STRONTIUM PLC

STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

		GROUP		COMPANY	
	Note	2011	2010	2011	2010
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from continuing operations	21	(650,658)	278,060	(84,889)	158,789
Cash generated from discontinued operations	21	-	112,938	-	-
Net interest paid		(4,965)	-	-	-
Taxation paid		(23,802)	(1,848)	-	-
Net cash (absorbed by)/ generated from operating activities		(679,425)	389,150	(84,889)	158,789
Cash flows from investing activities					
Payments to acquire subsidiary		-	(42,600)	-	(42,600)
Payments to acquire property, plant and equipment		(19,166)	(47,620)	-	(2,750)
Proceeds from disposal of property, plant and equipment		589	-	589	-
Proceeds from sale of shares in subsidiary		-	67,800	-	-
Net cash (used in) from investing activities		(18,577)	(22,420)	589	(45,350)
Financing Activities					
Loans advanced		150,000	-	-	-
Cash inflow from financing activities		150,000	-	-	-
Net (decrease)/increase in cash and bank balances		(548,002)	366,730	(84,300)	113,439
Cash at bank and bank overdrafts at beginning of year		657,755	291,025	121,665	8,226
Cash at bank and bank overdrafts at end of year		109,753	657,755	37,365	121,665

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

1 GENERAL INFORMATION

Strontium plc ("the Company") and its subsidiaries (together "the Group") are providers of business services

The Company is a limited liability company incorporated and domiciled in England whose registered office address and principal place of business is Atlantic House, Imperial Way, Reading

These group financial statements are prepared in Pounds Sterling because that is the currency of the primary economic environment in which the group operates

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union

As permitted by sections 495 and 496 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. Strontium plc reported a loss for the financial year of £1,245,143 (2010 – profit £167,266)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

New standards adopted

There are no new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board which have impacted the reported results or disclosures

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

1 GENERAL INFORMATION *(continued)*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2011 financial statements

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective

The new standards and Interpretations that have been issued are not expected to have a material impact on the Group's financial statements

2 SIGNIFICANT ACCOUNTING POLICIES

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the conditions for recognition under IFRS 3 (Revised) Business Combinations, are recognised at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Property, plant and equipment

Property, plant and equipment is measured at cost less provision for depreciation.

Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of tangible fixed assets over their expected useful lives at the following rates -

Plant and equipment	Over three to four years
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STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components. All operating segments operating results are reviewed regularly by the Board of Directors to make decision about resources to be allocated to the segment and asses it performance, and for which discrete financial information is available.

Income recognition

Turnover represents the fair value of services provided during the year on business service assignments. Turnover is recognised as the assignment activity progresses and the right to consideration is earned. Fair value reflects the amounts expected to be recoverable from customers and is based on time spent and costs incurred to date as a percentage of total anticipated contract costs. Unbilled turnover is included within receivables.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss for the year.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share based awards

The Group issues equity settled payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Retirement benefit costs

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged as an expense as they fall due.

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company and the Group after deducting all of its liabilities.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Derivative financial instruments

The Group uses Euro forward contracts to manage the exposure to changes in translation rates and these are classified as derivative financial instruments. All derivative financial instruments are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. Any change in the fair value of the instruments is recognised in the Income Statement.

3 FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash, liquid resources and various items, such as receivables and payables, which arise directly from its operations.

The main risk arising from the Group's financial instruments is interest rate risk and foreign currency risk. The Group seeks to maximise returns on surplus cash by placing this on money market term deposits. Foreign exchange risk is managed where considered appropriate by use of derivative financial instruments.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debts. At present the Group is unable to pay dividends or return capital to shareholders.

The Group had no debt.

Credit risk

The Group has a low credit risk, its principal customers being NHS departments and major organisations. The highest credit risk exposure to a single customer at 30 June 2011 was £173,817 (2010 - £61,805), which was settled since the end of the financial year.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

3 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Company has prepared forecasts for the forthcoming year which indicate that in the directors' opinion it will have sufficient resources to fund the continuation of trade

At 30 June 2011 the company had limited cash resources available to it following a net cash outflow from operating activities of £679,425. M Metcalfe and C Brumpton, who are directors of the Company, advanced loans to the Company of £75,000 each at 30 June 2011. They have also made available further facilities of £75,000 each which could be drawn down at 24 hours notice up to 30 September 2011, all of which has been advanced since the end of the year.

The directors have prepared forecasts for the current financial year applying revenue assumptions that they believe are achievable and reflecting cost reduction measures that they have implemented. Based on these assumptions the directors are of the opinion that the Group will be able to operate within available facilities. The directors continue to closely monitor all cashflows and the headroom available to the group.

The loans from M Metcalfe and C Brumpton were repayable in 12 quarterly instalments from date of draw down. No such repayments had been made by 30 June 2011 so at that date they reverted to being repayable on demand. Since 30 June 2011 M Metcalfe and C Brumpton have amended the terms of these loans such that the first instalment falls due on 31 December 2012 and is followed by a further 11 quarterly instalment.

Interest rate risk profile of financial assets and liabilities

The Group receives interest at a floating rate on its cash at bank. No other financial assets or liabilities of the Group are interest bearing.

Foreign currency risk

The Group has a limited number of customers who are invoiced in Euro. Cash and cash equivalents includes an amount of £29 (2010 - £17,660) denominated in Euro. The Group entered into forward Euro exchange contracts totalling €690,000 for the period 16 August 2010 to 28 December 2013 in order to provide a hedge against future revenues contracted to be received from a customer in Euros. In the year ended 30 June 2011 a charge (2010 credit) of £46,732 (2010 - £33,000) was included in the income statement in relation to movements in the fair value of the contracts. At 30 June 2011 the Group had an obligation to sell €402,500 for a Sterling equivalent of £349,765. The fair value of the derivative at the end of the financial year is recognised as an asset or liability as appropriate.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

3 FINANCIAL RISK MANAGEMENT (*continued*)

Fair value of financial instruments

The Group's financial instruments, which comprise cash and short term deposits and bank overdrafts, are carried at cost, which is also considered to be equivalent to their fair value. All financial assets and liabilities mature within 6 months.

Profile of Group financial instruments

Financial assets	2011	2010
	£	£
Trade receivables	400,418	238,854
Other receivables	-	33,500
Derivatives	-	33,000
Cash and cash equivalents	109,753	657,755
	<u>510,171</u>	<u>963,109</u>
Financial liabilities (at amortised cost)	2011	2010
	£	£
Trade payables	198,183	125,763
Derivatives	13,732	-
Other payables	178,853	254,929
Borrowings	150,000	-
	<u>540,768</u>	<u>380,692</u>

At 30 June 2011 trade receivables included £173,817 (2010 £18,001) denominated in Swiss Francs

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas where accounting estimates and judgements are considered critical in the reporting of financial performance are

Income recognition

As set out in the accounting policy note turnover is recognised as contract activity progresses and the right to consideration is earned. In certain cases, judgement is required in assessing the level of work performed and therefore the amount of income to be recognised on contracts. Amounts recognised in excess of, or exceeded by, amounts billed are classified under receivables or payables respectively.

Goodwill impairment

Goodwill is tested annually for impairment. This test requires estimates and judgements to be made in respect of future revenues. Further details of the impairment reviews undertaken can be found in note 12.

Share based payments

The Group has made awards of options over its unissued share capital to certain directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 23.

Deferred tax asset

In previous years the Group recognised a deferred tax asset in respect of unutilised trading losses carried forward by The Learning Eye Limited. The directors considered that the recognition criteria have been met as they forecast profits for the Company. Based on the results for the current financial year the directors now consider it is not appropriate to recognise an asset as there is insufficient clarity in relation to the utilisation of these losses.

In identifying its operating segments, management follow the Group's revenue lines which represent the main markets within which the Group operates. These operating segments are managed separately as each requires different expertise, knowledge and a specialised marketing approach. An operating segment is a group of assets and activities engaged in operations that is subject to risks and returns that are different from those of other business segments. All inter-segment transfers are carried out at arm's length prices.

The Group is organised into two operating segments, Business Communications and Non-clinical Medical Training. Each of these operating segments offer services to different markets and are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker (CODM) who has been identified as the Board of Directors. The CODM is responsible for allocating resources and assessing the performance of the operating segments. All revenue and profits are generated in, and assets are located in the UK.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

5 OPERATING SEGMENTS (continued)

	2011			2010		
	Business communi- cations	Non-clinical medical training	Consolidated	Business communi- cations	Non-clinical medical training	Consol- idated
	£	£	£	£	£	£
RESULT						
Revenue	1,079,536	1,144,118	2,223,654	558,935	1,810,243	2,369,178
Segment operating (loss) profit	(872,034)	(103,245)	(975,279)	130,799	244,682	375,481
Unallocated corporate costs			(278,047)			(201,293)
Operating (loss) / profit			(1,253,326)			174,188
Net finance (charge)/ income			(10,965)			-
(Loss) / profit before tax			(1,264,291)			174,188
Tax (charge) / credit			(24,554)			24,273
(Loss)/profit for the year from continuing operations			(1,288,845)			198,461
BALANCE SHEET						
Goodwill	-	332,875	332,875	838,099	332,875	1,170,974
Other segment assets	344,159	258,232	602,391	182,197	221,971	404,168
Segment assets	344,159	591,107	935,266	1,020,296	554,846	1,575,142
Unallocated corporate assets			147,736			721,354
Consolidated assets			1,083,002			2,296,496
Segment liabilities	(209,617)	(279,761)	489,378	(214,040)	(333,114)	(547,154)
Unallocated corporate liabilities			228,526			(107,665)
Consolidated liabilities			717,904			(654,819)

Unallocated assets include Group cash balances, taxation receivables and plant and equipment and receivables attributable to the Parent Company

Unallocated liabilities include tax, deferred consideration payable for acquisitions and trade and other payables attributable to the Parent Company

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

5 OPERATING SEGMENTS (*continued*)

Major customers

Including in revenue arising from Business communications (2010 Non-clinical Medical Training) are revenues of £335,847 (2010 - £729,994) which arose from sales to the Group's largest customer

6 AUDITORS' REMUNERATION

During the year the Group obtained the following services from the group's auditor

	2011 £	2010 £
Audit services		
- statutory audit	16,250	16,355
Non-Audit services		
- taxation	4,750	4,725
- other	16,944	17,251
	<hr/>	<hr/>

Other non-audit services above comprise financial reporting and IFRS compliance advice, consultancy and company secretarial services. The directors do not consider that the level of fees paid to the auditors for non-audit services threatens their independence. The auditors have confirmed they agree with this conclusion.

7 OPERATING (LOSS)/PROFIT

Operating profit for the year has been arrived at after charging

	2011 £	2010 £
Depreciation of property, plant and equipment	29,407	21,155
Lease payments under operating leases recognised as an expense in the year	79,176	43,554
	<hr/>	<hr/>

STRONTIUM PLC**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2011

8 NET FINANCE CHARGE

	2011 £	2010 £
Interest payable	(5,111)	-
Bank interest receivable	146	-
Loan arrangement fees	(6,000)	-
Net interest payable	<u>(10,965)</u>	<u>-</u>

9 EMPLOYEE BENEFIT EXPENSE

	2011 £	2010 £
Wages and salaries	1,093,646	1,135,351
Social security costs	105,403	105,094
Pension costs - defined contribution schemes	12,000	12,000
Share based payments	12,266	32,500
	<u>1,223,315</u>	<u>1,284,945</u>

The average monthly number of persons employed by the Group, including directors, during the year was as follows

	2011 No.	2010 No.
Administration and sales	34	30
	<u>34</u>	<u>30</u>

Details of directors' emoluments, including details of share option schemes are given in the report of the Remuneration Committee. These disclosures form part of the audited financial statements of the Group. The directors of the Parent Company are considered to represent key management of the Group as defined by IFRS.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

10 TAX EXPENSE

The taxation credit for the year comprises

	2011	2010
	£	£
Current tax		
UK corporation tax based on results for the year	(22,187)	28,867
Prior year adjustment	(9,111)	-
Swiss income tax payable based on results for year	6,400	-
	<u>(24,898)</u>	<u>28,867</u>
Deferred taxation		
Reversal of timing differences	(10,216)	8,350
De-recognition/(recognition) of deferred tax asset	59,668	(61,490)
	<u>24,554</u>	<u>(24,273)</u>

The Group has tax losses available to carry forward against future taxable income and profits of approximately £570,000 (2010 - £244,067) in respect of which no deferred tax asset has been recognised. At 30 June 2010 £59,668 was recognised as an asset where it was anticipated that future taxable profits will be available against which those losses would be utilised.

	2011	2010
	£	£
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(1,264,291)	237,679
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 27.5% (2010 28%)	<u>(347,680)</u>	<u>66,550</u>
Effects of.		
Expenses not deductible for tax purposes	8,147	15,815
Deferred tax asset recognised at small company rate	-	15,615
Accelerated capital allowances	-	(9,120)
Unutilised tax losses/(losses utilised) in year	84,866	(41,908)
De-recognition / recognition of unutilised losses	59,668	(45,423)
Tax payable at UK small company rate	-	(6,818)
Profit on disposal of subsidiary not taxable	-	(18,984)
Goodwill impairment not tax deductible	230,477	-
Other differences	(1,813)	-
Prior year adjustment	(9,111)	-
Tax charge / (credit)	<u>24,554</u>	<u>(24,273)</u>

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

11 DISCONTINUED OPERATIONS

During the previous year the company sold its entire holding in its Australian subsidiary The Learning Eye International PTY Limited

The results of the discontinued operations which have been included in the consolidated income statement were as follows

	£
Revenue	241,837
Expenses	(262,790)
Attributable tax expense	-
Loss after tax	<u>(20,953)</u>
Profit on disposal of discontinued operation	<u>84,444</u>
Attributable tax expense	-
Net profit attributable to discontinued operation	<u>63,491</u>

12 GOODWILL

Group	£
Cost	
At 1 July 2009	1,525,377
Adjustment to provision for contingent consideration	(25,000)
	<u>1,500,377</u>
At 1 July 2010 and 30 June 2011	<u>1,500,377</u>
Provision for impairment	
At 1 July 2009 and 1 July 2010	329,403
Charge in the year	838,099
At 30 June 2011	<u>1,167,502</u>
Carrying amount	
At 30 June 2011	<u>322,875</u>
At 30 June 2010	<u>1,170,974</u>

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

12 GOODWILL (*continued*)

Goodwill arises in respect of the acquisition of various companies and businesses

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired

The recoverable amount of the assets is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the business.

At the end of the year the carrying value of goodwill related to the following cash generating units

	2011 £	2010 £
Business communications	-	838,099
Non-clinical medical training	332,875	332,875
30 June 2011	<u>332,875</u>	<u>1,170,974</u>

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years and extrapolates cash flows based on no assumed growth for the period of the forecast.

The post-tax rate used to discount the forecast post-tax cash flows is 12% per cent.

Goodwill arising on acquisition relates to items that do not meet the criteria for recognition as separate intangible fixed assets. This relates primarily to non-contractual customer relationships that are not capable of reliable measurement and the key employees of the acquired entities.

In assessing the future cash flows of certain income generating units, the directors have estimated the amount of new business to be secured in the coming year, but are otherwise based on historical performance.

The cash flow forecasts, which the directors believe to have been prepared on a prudent basis, indicate that a 3% reduction in the level of forecast cash flows would be necessary before reflecting any impairment in the carrying value of goodwill attributable to the Non-clinical Medical Training business segment.

The directors have carefully considered the environment in which the Business Communications business segment operates and the type of clients that it works with. It is considered that this sector is particularly impacted by the current global uncertainties and that this may cause delays in implementation in the type of projects that create revenues in this sector. The directors have taken steps to reposition the business so that it is now well positioned to compete in this environment. However, the directors do not believe it will be immune from these external factors and have therefore decided to take the prudent and cautious stance of fully impairing the goodwill relating to this business sector.

STRONTIUM PLC**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 30 June 2011**13 PROPERTY, PLANT AND EQUIPMENT**

GROUP	Plant and Equipment £
Cost	
At 1 July 2009	71,698
Additions during the year	47,620
At 30 June 2010	<u>119,318</u>
Additions during the year	19,166
Disposals	<u>(1,165)</u>
At 30 June 2011	<u>137,319</u>
Depreciation	
At 1 July 2009	30,243
Charge for the year	21,155
At 30 June 2010	<u>51,398</u>
Charge for the year	29,407
	<u>(576)</u>
At 30 June 2011	<u>80,229</u>
Carrying amount	
At 30 June 2011	<u>57,090</u>
At 30 June 2010	<u>67,920</u>

STRONTIUM PLC**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2011

13 PROPERTY, PLANT AND EQUIPMENT (*continued*)

COMPANY	Plant and Equipment £
Cost	
At 1 July 2009	7,900
Additions in year	2,750
At 30 June 2010	<u>10,650</u>
Disposals	(1,165)
At 30 June 2011	<u>9,485</u>
Depreciation	
At 1 July 2009	4,700
Charge for the year	1,381
At 1 July 2010	<u>6,081</u>
Charge for the year	3,442
Disposals	(576)
At 30 June 2011	<u>8,947</u>
Carrying amount	
At 30 June 2011	<u>538</u>
At 30 June 2010	<u>4,569</u>

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

14 INVESTMENTS IN SUBSIDIARIES

Company	£
Cost	
At 1 July 2009	1,515,737
Adjustment to provision for contingent Consideration	(25,000)
	<hr/>
At 30 June 2010 and 30 June 2011	1,490,737
	<hr/>
Provision for impairment	
At 1 July 2009 and 1 July 2010	197,700
Charge for the year	956,103
	<hr/>
	1,153,803
	<hr/>
Carrying amount	
At 30 June 2011	336,934
	<hr/> <hr/>
At 30 June 2010	1,293,037
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Subsidiary undertakings

The Company's subsidiary undertakings principal activities, all of which are wholly owned and incorporated in England and Wales, are as follows

Company	Activity
Aspect Information Management Limited	Dormant
Executive Development Consultants Limited	Dormant
Miad UK Limited	Non-clinical training for health professionals
The Learning Eye Limited	Business intelligence and management and research consultants
The Former Learning Eye Limited	Dormant

The Learning Eye (Switzerland) SA is a wholly owned subsidiary of The Learning Eye Limited and is engaged in the same business as The Learning Eye Limited

The results of all subsidiaries have been consolidated in the group financial statements

STRONTIUM PLC**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2011

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade receivables	400,418	238,854	-	294
Amounts owed by Subsidiary Undertakings	-	-	99,934	-
Prepayments and other receivables	156,038	66,153	4,655	10,327
Current tax asset	26,828	2,172	-	-
	<u>583,284</u>	<u>307,179</u>	<u>104,589</u>	<u>10,621</u>

The average credit period for trade receivables at the end of the year is 39 days (2010 - 57 days)

As at 30 June 2011 trade receivables of £400,418 (2010 - £238,854) were due, net of any bad debt provision. The ageing analysis of these trade receivables is as follows

	Group	
	2011	2010
	£	£
Debtors ageing		
Up to 3 months	365,735	168,996
3 to 6 months old	37,683	73,808
Over 6 months old	-	7,855
Bad debt provision	(3,000)	(11,805)
	<u>400,418</u>	<u>238,854</u>

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

16 SHARE CAPITAL

	2011 £	2010 £
Authorised 25,000,000 ordinary shares of 2p each	<u>500,000</u>	<u>500,000</u>
Allotted and fully paid: 13,595,684 ordinary shares of 2p each	<u>271,914</u>	<u>271,914</u>

Options

Details relating to options to subscribe for ordinary shares in the company are set out at note 23 below

17 RESERVES

Movements in reserves are set out in the statement of changes in equity

The share premium account was reduced by £1,200,000 as confirmed by a Court Order dated 15 December 2010

18 DEFERRED TAX

The movement for the year in the Group's net deferred tax asset provided at the small company rate UK corporation tax of 20 % (2010 21%) was as follows

	2011 £	2010 £
At beginning of year	(49,452)	3,688
Charged / (Credited) to income statement in the year	49,452	(53,140)
	<u>-</u>	<u>(49,452)</u>

Deferred tax recognised comprises

	2011 £	2010 £
Accelerated capital allowances	-	10,216
Losses	-	(59,668)
Net asset	<u>-</u>	<u>(49,452)</u>
Deferred tax assets	-	(59,668)
Deferred tax liabilities	-	10,216
Net asset	<u>-</u>	<u>(49,452)</u>

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

19 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011 £	2010 £	2011 £	2010 £
Trade payables	198,183	125,763	20,568	9,572
Taxation and social security	85,240	107,310	10,955	4,895
Other payables	16,547	32,587	-	32,400
Amounts due to subsidiary undertakings	-	-	209,148	89,623
Accruals	162,306	222,342	17,752	34,064
Deferred income	91,896	127,734	-	-
	<u>554,172</u>	<u>615,736</u>	<u>258,423</u>	<u>170,554</u>

The average credit period taken for trade payables at the end of the year is 72 days (2010 - 66 days) Amounts shown as other payables within non-current liabilities comprise deferred consideration in respect of the acquisition of Miad UK Limited

20 BORROWINGS

	GROUP		COMPANY	
	2011 £	2010 £	2011 £	2010 £
Loan from directors	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>

M Metcalfe and C Brumpton advanced £75,000 each to the Company in January 2011 and a further £75,000 each in July 2011 under the terms of loan facilities made available to the Company. The loans were subject to a £2,250 arrangement fee and were subject to interest of 4% over bank base rate with a minimum rate of 7% applicable.

The loans were repayable in 12 quarter instalments, the first of which was due for repayment in April 2011. No repayments were made and therefore under the terms of the loans the whole balance was repayable on demand at 30 June 2011. Since the end of the financial year the directors have agreed revised terms under which the first instalment under the loan will fall due on 31 December 2012 and a further 11 subsequent instalments will be made each quarter.

STRONTIUM PLC**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2011

21 CASH (ABSORBED BY)/GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2011 £	2010 £	2011 £	2010 £
Continuing activities				
Operating (loss)/profit	(1,253,326)	174,188	(1,244,833)	(167,576)
Depreciation of property, plant and equipment	29,407	21,155	3,442	1,381
Share based awards	12,266	32,500	9,766	32,500
Impairment of goodwill / investments	838,099	-	956,103	-
Increase/(decrease) in receivables	(218,500)	47,697	(60,968)	232,334
Increase/(decrease) in payables	(52,604)	(31,271)	251,601	26,359
Liabilities discharged by share issue	-	33,791	-	33,791
Cash (absorbed by) / generated from continuing operations	<u>(644,658)</u>	<u>278,060</u>	<u>(84,889)</u>	<u>158,789</u>
Discontinued activities				
Operating loss	-	(20,953)		
Profit arising on disposal of subsidiary company	-	84,444		
Depreciation of property, plant and equipment	-	-		
Decrease in receivables	-	47,156		
Increase in payables	-	2,291		
Cash generated from discontinued operations	<u>-</u>	<u>112,938</u>		

22 RELATED PARTY TRANSACTIONS**COMPANY AND GROUP**

M W Metcalfe and C M Brumpton provided loans to the company as set out in note 20

COMPANY

The following transactions with subsidiary companies occurred during the year

	2011 £	2010 £
Management charges receivable by Strontium plc from The Learning Eye Limited	41,690	106,270
Management charges receivable by Strontium plc from Mirad UK Limited	95,640	102,060

Management charges relate to services provided by the management and employees of Strontium plc for management control and supervision of the subsidiary companies and for consultancy and project management services provided to clients of those companies. It also includes charges for the provision of office facilities.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

23 EQUITY SETTLED SHARE OPTION SCHEME

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period varies between 1 and 4 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows

	2011 number of Options	2011 Exercise Price £	2010 number of Options	2010 Exercise Price £
Outstanding at the beginning of the year	2,150,000		2,090,000	
Granted 2 November 2009	-		100,000	155
Granted 3 March 2010	-		100,000	120
Lapsed	(100,000)		(140,000)	
Outstanding at the end of the period	<u>2,050,000</u>		<u>2,150,000</u>	

Options over 1,450,000 (2010 - 700,000) shares are exercisable at the end of the year with a weighted average exercise price of 23.8p. None were exercised during the year. The options outstanding at 30 June 2011 had a weighted average exercise price of 25p (2010 - 25p) and range from 12p to 27.5p, with a weighted average remaining contractual life of 1 year.

The key inputs to the Black Scholes model for options granted in the previous year are as follows

	Options granted 13 February 2009	Options granted 2 November 2009	Options granted 3 March 2010
Number of options granted	390,000	100,000	100,000
Share price at grant date	20.0p	15.5p	12.0p
Option exercise price	20.0p	15.5p	12.0p
Expected volatility	38%	33%	29%
Expected life	5 years	2 years	2 years
Risk free rate of return	1.6%	1.0%	1.0%
Expected dividend yield	0%	0%	0%
Fair value of option	6p	3p	3p
Sub-optimal coefficient	<u>15%</u>	<u>16%</u>	<u>19%</u>
Fair value of award	<u>£23,400</u>	<u>£2,500</u>	<u>£2,500</u>

Expected volatility of options granted in the year was determined by calculating the historical volatility of the Group's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Group recognised total expenses of £12,266 and £32,500 related to equity settled share based payment transactions in the year ended 30 June 2011 and the year ended 30 June 2010 respectively.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

24 FINANCIAL COMMITMENTS

The Group was committed to making annual payments of £83,940 at the 30 June 2011 (total commitment £111,920), under operating leases in respect of land and buildings (2010 - £23,213)