Company Number 5200315

STRONTIUM PLC

ANNUAL REPORT

30 June 2012

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STRONTIUM PLC

DIRECTORS AND ADVISERS

Directors
M W Metcalfe (Chairman)
D W Barker
C M Brumpton

Secretary
G Withey

Auditors
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Bayshill Road
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GL50 3AT

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Company Registration Number
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Atlantic House
Imperial Way
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STRONTIUM PLC

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts for the year to 30 June 2012.

Overview of performance

Revenues on continuing operations decreased year on year by 18% to £1,811,611 (30 June 2011: £2,223,654). This performance yielded an operating loss of £70,002 (30 June 2011: loss £1,253,326 after goodwill impairment charge of £838,099 and "one off" item of £220,527).

The Board had expected that the Group would return to profitability in the year to 30 June 2012. However, although costs were substantially reduced, these were not sufficient for them to turn the results for the year as a whole to profit.

Business Environment and Review

The business environment for all SMEs continues to be demanding and the Board expects this situation to continue. With the lower cost base now established, the Group can operate on a lower level of turnover. At the same time opportunities are sought whereby an edge over competition is gained by taking advantage of the fast moving advances in communication technology. There is no doubt that businesses that survive the current economic difficulties will be those that are willing and able to adapt both the way they operate and the products they offer; both areas our management are focussed on.

Outlook

As reported last year, market conditions remain very difficult and uncertain but Strontium has taken to reduce costs, merge operations and improve business process. With the benefit of 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
December 2012

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 2012.

Results and dividends

The Group loss for the year amounted to £70,932 (2011 - loss £1,288,845) 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 2011:

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 2012, the Group had an average of 45 days (2011 - 72) 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.

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.

STRONTIUM PLC

DIRECTORS' REPORT (*continued*)

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

M W Metcalfe
Chairman
5 December 2012

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STRONTIUM PLC

We have audited the financial statements of Strontium plc for the year ended 30 June 2012 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 5, 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 2012 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 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 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.

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

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

5 December 2012

STRONTIUM PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Note	2012	2011
		£	**£**
Revenue		1,811,611	2,223,654
Cost of sales		(483,710)	(693,888)
Gross Profit		1,327,901	1,529,766
Administrative expenses		(1,397,903)	(1,944,993)
Goodwill impairment charge	*10*	-	(838,099)
Operating loss	*6*	(70,002)	(1,253,326)
Net finance income / (charge)	*7*	3,299	(10,965)
Loss before tax		(66,703)	(1,264,291)
Income tax	*9*	(4,229)	(24,554)
Loss for the year from continuing operations		(70,932)	(1,288,845)
Loss and comprehensive expense for the year attributable to equity holders of the company		**(70,932)**	**(1,288,845)**

STRONTIUM PLC

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

GROUP

	Share Capital	Share Premium	Retained Earnings	Total
	£	£	£	£
Balance at 1 July 2010	271,914	2,024,734	(654,971)	1,641,677
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	271,914	824,734	(731,550)	365,098
Loss for the year ended 30 June 2012	-	-	(70,932)	(70,932)
Balance at 30 June 2012	271,914	824,734	(802,482)	294,166

COMPANY

	Share Capital	Share Premium	Retained Earnings	Total
	£	£	£	£
Balance at 1 July 2010	271,914	2,024,734	(1,004,000)	1,292,648
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	271,914	824,734	(1,039,377)	57,271
Profit for the year ended 30 June 2012	-	-	191,697	191,697
Balance at 30 June 2012	271,914	824,734	(847,680)	248,968

STRONTIUM PLC

STATEMENT OF FINANCIAL POSITION
at 30 June 2012

	Note	GROUP 2012 £	GROUP 2011 £	COMPANY 2012 £	COMPANY 2011 £
Non-current assets					
Goodwill	10	332,875	332,875	332,875	-
Property, plant and equipment	11	38,192	57,090	38,192	538
Investments in subsidiaries	12	-	-	-	336,934
Total non-current assets		**371,067**	**389,965**	**371,067**	**337,472**
Current assets					
Trade and other receivables	13	441,282	583,284	351,897	104,589
Derivative financial instruments	2,3	9,820	-	9,820	-
Cash at bank		134,551	109,753	91,056	37,365
Total current assets		**585,653**	**693,037**	**452,773**	**141,954**
Total assets		**956,720**	**1,083,002**	**823,840**	**479,426**
Equity					
Issued share capital	14	271,914	271,914	271,914	271,914
Share premium	15	824,734	824,734	824,734	824,734
Retained earnings	15	(802,482)	(731,550)	(847,680)	(1,039,377)
Total equity		**294,166**	**365,098**	**248,968**	**57,271**
Liabilities					
Non-current liabilities					
Borrowings	18	225,000	-	225,000	-
Current liabilities					
Trade and other payables	17	362,554	554,172	274,872	258,423
Derivative Financial Instruments	2,3	-	13,732	-	13,732
Borrowings	18	75,000	150,000	75,000	150,000
Total current liabilities		**437,554**	**717,904**	**349,872**	**422,155**
Total liabilities		**662,554**	**717,904**	**574,872**	**422,155**
Total equity and liabilities		**956,720**	**1,083,002**	**823,840**	**479,426**

These financial statements were approved and authorised for issue by the Board of Directors on 5 December 2012 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 2012

	Note	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Cash flows from operating activities					
Cash absorbed by continuing operations	*19*	(137,165)	(650,658)	(98,422)	(234,889)
Net interest received / (paid)		3,299	(4,965)	3,250	-
Taxation refunded / (paid)		11,080	(23,802)	-	-
Net cash absorbed by operating activities		**(122,786)**	**(679,425)**	**(95,172)**	**(234,889)**
Cash flows from investing activities					
Payments to acquire property, plant and equipment		(2,416)	(19,166)	(1,137)	-
Proceeds from disposal of property, plant and equipment		-	589	-	589
Net cash (used in) / generated from investing activities		**(2,416)**	**(18,577)**	**(1,137)**	**589**
Financing activities					
Loans advanced		150,000	150,000	150,000	150,000
Cash inflow from financing activities		**150,000**	**150,000**	**150,000**	**150,000**
Net increase / (decrease) in cash and bank balances		24,798	(548,002)	53,691	(84,300)
Cash at bank at beginning of year		109,753	657,755	37,365	121,665
Cash at bank at end of year		**134,551**	**109,753**	**91,056**	**37,365**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

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 profit for the financial year of £191,697 (2011 – loss £1,245,143).

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 2012. 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.

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 2012 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.

IFRS 9 'Financial Instruments', effective for annual reporting periods beginning on or after 1 January 2015. The new standard details the requirements for the classification and measurement of financial assets and liabilities.

1 GENERAL INFORMATION *(continued)*

IFRS 13 'Fair Value Measurement', effective for annual reporting periods beginning on or after 1 January 2013. The standard defines fair value and provides guidance on its determination, and introduces disclosure requirement on fair measurements.

Amendments to IAS 1 'Presentation of Financial Statements – Presentation of Items and Other Comprehensive Income, effective for annual reporting periods beginning on or after 1 July 2012. The amendments require the grouping of items in other comprehensive income into those that may be reclassified to profit or loss in subsequent periods, and those that will not.

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.

On 31 May 2012 the trade and assets of the two trading subsidiaries in the group were transferred to the parent company for the book value of the tangible net assets of the subsidiaries plus £150,000 to reflect the estimated goodwill value inherent in the business of The Learning Eye Limited. The transaction is not considered to be a business combination as defined by International Financial Reporting Standards, there being no change in control. The directors consider this to be an internal reorganisation and have applied the principles of predecessor accounting so that the adjustments previously reflected on consolidation of the subsidiary companies are in substance reflected in the parent company's own balance sheet.

Goodwill

Goodwill arising 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 business, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

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 2012 was £111,011 (2011 - £173,817), which was settled since the end of the financial year.

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 2012 the group had limited cash resources available to it following a net cash outflow from operating activities of £122,786. M Metcalfe and C Brumpton, who are directors of the Company, advanced loans to the Company of £150,000 during the year ended 30 June 2012.

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 are repayable in 12 quarterly instalments and the first instalment falls due on 31 December 2012, followed by a further 11 quarterly instalments.

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, except for certain directors' loans as detailed in note 18.

Foreign currency risk

The Group has a limited number of customers who are invoiced in Euro. Cash and cash equivalents includes an amount of £nil (2011 - £29) 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 2012 a charge of £23,552 (2011 - £46,732) was included in the income statement in relation to movements in the fair value of the contracts. At 30 June 2012 the Group had an obligation to sell €172,500 for a Sterling equivalent of £149,372. The fair value of the derivative at the end of the financial year is recognised as an asset or liability as appropriate.

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.

3 FINANCIAL RISK MANAGEMENT (*continued*)

Profile of Group financial instruments

Financial assets

	2012 £	2011 £
Trade receivables	279,318	400,418
Derivatives	9,820	-
Cash and cash equivalents	134,551	109,753
	423,689	510,171

Financial liabilities (at amortised cost)

	2012 £	2011 £
Trade payables	99,676	198,183
Derivatives	-	13,732
Other payables	122,520	178,853
Borrowings due less than one year	300,000	150,000
	522,196	540,768

At 30 June 2012 trade receivables included £111,011 (2011 - £173,817) denominated in Swiss Francs.

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 10.

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 21.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (*continued*)

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 had been met as they forecast profits for the Company. Despite forecast profits the directors consider it inappropriate to recognise an asset as there is insufficient clarity in relation to the utilisation of these losses.

5 AUDITORS' REMUNERATION

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

	2012 £	2011 £
Audit services		
- statutory audit	19,500	16,250
Non-Audit services		
- taxation	3,500	4,750
- other	4,269	16,944

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.

6 OPERATING LOSS

Operating loss for the year has been arrived at after charging:

	2012 £	2011 £
Depreciation of property, plant and equipment	21,314	29,407
Lease payments under operating leases recognised as an expense in the year	59,759	79,176

7 NET FINANCE INCOME / (CHARGE)

	2012 £	2011 £
Interest receivable / (payable)	3,250	(5,111)
Bank interest receivable	49	146
Loan arrangement fees	-	(6,000)
	3,299	(10,965)

8 EMPLOYEE BENEFIT EXPENSE

	2012 £	2011 £
Wages and salaries	950,175	1,093,646
Social security costs	90,962	105,403
Pension costs - defined contribution schemes	12,000	12,000
Share based payments	-	9,766
	1,053,137	1,220,815

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

	2012 No.	2011 No.
Administration and sales	26	34

The directors' remuneration for the year was as follows:

	2012 £	2011 £
Remuneration	99,000	120,000
Pension contribution	12,000	12,000
	111,000	132,000

All remuneration related to the highest paid director. The directors are considered to be the senior management personnel of the Group and the total cost of employment, including employer's National Insurance, was £123,176.

9 TAX EXPENSE

The taxation credit for the year comprises:

	2012 £	2011 £
Current tax		
UK corporation tax based on results for the year	-	(22,187)
Prior year adjustment	-	(9,111)
Swiss income tax payable based on results for year	4,229	6,400
	4,229	(24,898)
Deferred taxation		
Reversal of timing differences	-	(10,216)
De-recognition of deferred tax asset	-	59,668
	4,229	24,554

The Group has tax losses available to carry forward against future taxable income and profits of approximately £650,000 (2011 - £570,000) in respect of which no deferred tax asset has been recognised.

Factors affecting the tax charge for the year	2012 £	2011 £
Loss on ordinary activities before taxation	(66,703)	(1,264,291)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 25.5% (2011: 27.5%)	(17,000)	(347,680)
Effects of:		
Expenses not deductible for tax purposes	42,534	8,147
Income not taxable	(38,250)	-
Difference in foreign tax rates	(6,558)	-
Depreciation in excess of capital allowances	3,984	-
(Utilised tax losses)/losses unutilised in year	(100,812)	84,866
Current year losses carried forward	120,292	-
De-recognition/recognition of unutilised losses	-	59,668
Goodwill impairment not tax deductable	-	230,477
Other differences	39	(1,813)
Prior year adjustment	-	(9,111)
Tax charge	4,229	24,554

10 GOODWILL

GROUP

	£
Cost	
At 1 July 2010, 30 June 2011 and 30 June 2012	1,500,377
Provision for impairment	
At 1 July 2010	329,403
Charge for the year	838,099
At 30 June 2011 and 30 June 2012	1,167,502
Carrying amount	
At 30 June 2012	332,875
At 30 June 2011	332,875
At 30 June 2010	1,170,974

COMPANY

	£
Cost	
At 1 July 2011	-
Reallocated from investment carrying value on hive up (see note 12)	332,875
Carrying amount	
At 30 June 2012	332,875
At 30 June 2011	-
At 30 June 2010	-

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

The Company 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 and the previous year the carrying value of goodwill related to the cash generating unit.

The Company 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.

10 GOODWILL *(continued)*

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 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 33% reduction in the level of forecast profits after taxation would be necessary before reflecting any impairment in the carrying value of goodwill.

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 to 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 in the previous financial year of fully impairing the goodwill relating to this business sector.

11 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Plant and Equipment **£**
Cost	
At 1 July 2010	119,318
Additions during the year	19,166
Disposals	(1,165)
At 30 June 2011	137,319
Additions during the year	2,416
At 30 June 2012	139,735
Depreciation	
At 1 July 2010	51,398
Charge for the year	29,407
Disposals	(576)
At 30 June 2011	80,229
Charge for the year	21,314
At 30 June 2012	101,543
Carrying amount	
At 30 June 2012	38,192
At 30 June 2011	57,090
At 30 June 2012	67,920

STRONTIUM PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

11 PROPERTY, PLANT AND EQUIPMENT (*continued*)

COMPANY

	Plant and Equipment **£**
Cost	
At 1 July 2010	10,650
Disposals	(1,165)
At 30 June 2011	9,485
Additions in year	1,137
Transfer from subsidiaries	168,940
At 30 June 2012	179,562
Depreciation	
At 1 July 2010	6,081
Charge for the year	3,442
	(576)
At 1 July 2011	8,947
Charge for the year	4,317
Transfer from subsidiaries	128,106
At 30 June 2012	141,370
Carrying amount	
At 30 June 2012	38,192
At 30 June 2011	538
At 30 June 2010	4,569

12 INVESTMENTS IN SUBSIDIARIES

COMPANY

	£
Cost	
At 1 July 2010 and 30 June 2011	1,490,737
Re-allocated to goodwill on hive up of subsidiaries	(1,486,678)
Written off on hive up of trades	(4,059)
At 30 June 2012	-
Provision for impairment	
At 1 July 2010 and 1 July 2011	1,153,803
Re-allocated to goodwill on hive up of subsidiaries	(1,153,803)
At 30 June 2012	-
Carrying amount	
At 30 June 2012	-
At 30 June 2011	336,934

Subsidiary undertakings

The Company's subsidiary undertakings, all of which are dormant, 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	Dormant (Non-clinical training for health professionals up to 31 May 2012)
The Learning Eye Limited	Dormant (Business intelligence and management and research consultants up to 31 May 2012)
The Former Learning Eye Limited	Dormant

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

The Learning Eye (Switzerland) Ltd is a wholly owned subsidiary of Strontium plc and provides business intelligence and management and research services. This company was previously a wholly owned subsidiary of The Learning Eye Limited, the shareholding was however acquired by Strontium plc on 31 May 2012.

On 31 May 2012 the trade and net assets of Miad UK Limited and The Learning Eye Limited were transferred to Strontium plc for a consideration equal to the carrying value of the related assets and liabilities, plus £150,000 reflecting an estimated goodwill value in The Learning Eye Limited business. A dividend was then paid from the subsidiary companies at an amount equal to the distributable reserves at the date of hive up. This reorganisation has been accounted for in the parent company using predecessor accounting rather than accounting as a business combination as no transfer of control has arisen. The goodwill and acquisition accounting previously reflected in the consolidated accounts of the Group is hence reflected in the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade receivables	279,318	400,418	168,307	-
Amounts owed by Subsidiary Undertakings	-	-	121,589	99,934
Prepayments and other receivables	146,216	156,038	46,253	4,655
Current tax asset	15,748	26,828	15,748	-
	441,282	583,284	351,897	104,589

The average credit period for trade receivables at the end of the year is 49 days (2011 - 39 days).

As at 30 June 2012 trade receivables of £279,318 (2011 - £400,418) were due, net of any bad debt provision. The ageing analysis of these trade receivables is as follows:

	Group	
	2012 £	2011 £
Debtors ageing:		
Up to 3 months	267,957	365,735
3 to 6 months old	14,361	37,683
Bad debt provision	(3,000)	(3,000)
	279,318	400,418

14 SHARE CAPITAL

	2012 £	2011 £
Authorised		
25,000,000 ordinary shares of 2p each	500,000	500,000
Allotted and fully paid:		
13,595,684 ordinary shares of 2p each	271,914	271,914

Options

Details relating to options to subscribe for ordinary shares in the company are set out at note 21 below.

15 RESERVES

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

16 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 25.5% (2011: 20%) was as follows:

	2012 £	2011 £
At beginning of year	-	(49,452)
Charged to income statement in the year	-	49,452
	-	-

17 TRADE AND OTHER PAYABLES

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade payables	99,676	198,183	96,008	20,568
Taxation and social security	62,045	85,240	27,755	10,955
Other payables	49,272	16,547	-	-
Amounts due to subsidiary undertakings	-	-	-	209,148
Accruals	73,247	162,306	72,795	17,752
Deferred income	78,314	91,896	78,314	-
	362,554	554,172	274,872	258,423

The average credit period taken to settle trade payables at the end of the year is 45 days (2011 – 72 days).

18 BORROWINGS

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Loan from directors	300,000	150,000	300,000	150,000

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 quarterly 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. In December 2011 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. £75,000 was hence payable within 12 months and £225,000 thereafter at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

19 CASH ABSORBED BY OPERATIONS

	GROUP		COMPANY	
	2012	2011	2012	2011
	£	£	£	£
Continuing activities				
Operating (loss)/profit	(70,002)	(1,253,326)	188,447	(1,244,833)
Depreciation of property, plant and equipment	21,314	29,407	4,317	3,442
Share based awards	-	12,266	-	9,766
Impairment of goodwill / investments	-	838,099	4,059	956,103
(Increase)/decrease in receivables	121,102	(224,500)	(257,128)	(60,968)
Increase/(decrease) in payables	(209,579)	(52,604)	(38,117)	101,601
Cash absorbed by continuing operations	(137,165)	(650,658)	(98,422)	(234,889)

20 RELATED PARTY TRANSACTIONS

COMPANY AND GROUP

M W Metcalfe and C M Brumpton provided loans to the company as set out in note 18.

COMPANY

The following transactions with subsidiary companies occurred during the year

	2012	2011
	£	£
Management charges receivable by Strontium plc from The Learning Eye Limited	35,520	41,690
Management charges receivable by Strontium plc from Miad UK Limited	52,528	95,640

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.

21 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 one and four years. If the options remain unexercised after a period of ten 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:

	2012 number of Options	2011 number of Options
Outstanding at the beginning of the year	2,010,000	2,150,000
Lapsed	(100,000)	(100,000)
Outstanding at the end of the period	1,910,000	2,050,000

Options over 1,610,000 (2011 - 1,450,000) shares are exercisable at the end of the year with a weighted average exercise price of 25.1p. None were exercised during the year. The options outstanding at 30 June 2012 had a weighted average exercise price of 25.5p (2011 - 25p) and range from 12p to 27.5p, with a weighted average remaining contractual life of one years.

22 FINANCIAL COMMITMENTS

The Group was committed to making annual payments of £58,439 at the 30 June 2012 (total commitment £59,759), under operating leases in respect of land and buildings (2011 - £83,940).