

Company Number 05200315

**STRONTIUM PLC**

**ANNUAL REPORT**

**30 June 2006**

**strontium**  
business alliance <sup>SR</sup> <sub>ZZ</sub>

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# **STRONTIUM PLC**

## **DIRECTORS AND ADVISERS**

### **Directors**

M W Metcalfe (Chairman)

D W Barker (Chief Executive)

### **Secretary**

G Withey

### **Auditors**

Hazlewoods LLP

Chartered Accountants

Windsor House

Barnett Way

Barnwood

Gloucester

GL4 3RT

### **Nominated Adviser and Broker**

City Financial Associates Limited

Pountney Hill House

6 Laurence Pountney Hill

London

EC4R 0BL

### **Registrar**

Share Registrars Limited

Careven House

West Street

Farnham

Surrey

GU9 7EN

### **Bankers**

National Westminster

Market Place

Reading

RG1 2EP

### **Solicitors**

KSB Law LLP

Elan House

5-11 Fetter Street

London

EC4A 1QD

### **Registered Office**

6 Porter Street

London

W1M 1HZ

### **Company Registration Number**

05200315

## STRONTIUM PLC

### CHAIRMAN'S STATEMENT

The Group had a challenging, busy and successful time during the financial year ended 30 June 2006.

The Company's admission to the AIM market of the London Stock Exchange was a major objective and focus for the management team.

I would like to thank David Barker, our Managing Director, his very able management team and all our staff for their contributions during this past challenging year.

#### *Admission to AIM*

The major focus of the first half of the year was to obtain the Company's admission to trading on AIM which occurred on 2 February 2006. The AIM listing is strategically critical to the Company's ambition to create the Strontium Alliance. We believe the admission has increased the Company's access to funds and enhances our reputation.

#### *Financial Highlights*

The past year has been one of major transition for the Group in which the foundations were laid for future growth, namely, the Company's admission to AIM, the launch of the Strontium Alliance, the move to new premises and the increase in management resources all of which had a short term but negative effect on the financial performance of the Group.

Sales increased year on year by approximately 2% to £552,019 (30 June 2005: £538,653) although sales of continuing operations were significantly down. The Loss before Exceptional Expenses and Amortisation and Taxation was £85,317 (30 June 2005: £198,903 profit). Included in the Normal Administrative Expenses for the year are the Marketing Costs of £57,249 to launch the Strontium Alliance; the underlying performance of the business excluding these launch costs was a loss of £28,068.

The second half of the year showed a marked improvement over the first half with Turnover increasing by approximately 50% to £331,442 (6 months to December 2005 £220,577) and Losses on Ordinary Activities before Taxation down to £50,461 (6 months to December 2005 £167,450). In my view, this is a good result given the demands on and the other achievements of our small management team.

The Group's balance sheet strengthened during the year by the issue of 6,404,628 new ordinary shares for cash (£722,827). A further 349,225 shares were issued at a value of £116,800 as consideration for two new businesses acquired during the year. Shareholders' funds amounted to £778,644 (30 June 2005: £143,904). Cash at bank increased to £462,028 (30 June 2005 £200,472).

#### *Acquisitions*

In July 2005, the Group acquired a distribution business from Collectpoint Limited for a consideration of £15,000.

In March 2006, Strontium issued 144,225 new ordinary shares in consideration for the deferred cash payment of £31,200 payable for the remaining 24% of Executive Development Consultants Limited ("EDC"), and the deferred payment of £20,000 relating to the original purchase of 66% of EDC. Following this transaction EDC became a wholly owned subsidiary of Strontium.

In April 2006 Strontium acquired a business from Link Up Mitaka Limited (which trades as "The Big Word"). The business recruits multilingual speakers for a variety of projects, has an existing client base and is now operated as a separate business within Aspect Information Management Limited, a subsidiary of Strontium. The consideration for the acquisition was £75,000 cash and the issue of 205,000 new ordinary shares in Strontium.

## **STRONTIUM PLC**

### **CHAIRMAN'S STATEMENT (Continued)**

2 of the 3 acquisitions completed during the year demonstrated the value of the Company's listing on AIM; it enabled the Company to issue its own shares for part of the consideration, thus saving cash resources.

#### ***Strategy***

The Groups key objective is to manage growth without significantly increasing fixed cost. It manages this through a network of freelance consultants engaged to work on specific projects.

Strontium intends to create a community of up to 100 professional service enterprises, the Strontium Alliance, enabling them to leverage the complementary skills of other Alliance members to create revenue generating opportunities with third party clients. Strontium will provide a sales and marketing platform to bring business to members of the Alliance.

The Strontium Alliance will increase both the number of business opportunities and the number of consultants available who are able to perform to the high standard expected by the Group's corporate clients.

#### ***Business Environment***

Many smaller organisations are unable to do business with larger firms or break into larger markets due to the smaller companies' perceived lack of management experience and the necessary understanding of how to do business with large and multinational entities.

Strontium helps smaller companies to successfully win work from large and multinational businesses via the Alliance, providing introductions to key decision makers, management, financial or other support necessary for them to enter into this market.

#### ***Business Review and Principal Activities***

The Group's focus is on improving efficiency and turnover of both its corporate clients and Alliance members.

The year saw the launch of the Strontium Alliance which we plan to grow into a group of independent but symbiotic organisations. Over the year we continued to develop the concept, potential Alliance members have been identified and the process of signing formal agreements has commenced. Currently we have 4 Associate Members and 4 Principal Members.

As yet Alliance is in its early stages and benefits are only now starting to feed into the Group's own trading subsidiaries.

We also strengthened our management team that now includes Alistair King as director of finance. Alistair is a Chartered Accountant and Chartered Tax Advisor, who specialises in advising businesses on strategic growth and management information systems.

The Company's office was relocated in July 2006 without any disruption to the business. This was an important step for the Group as extra space was needed for the staff from the acquisition of The Big Word business.

#### ***Principal Risks and Uncertainties***

Risks are formally reviewed by the board and appropriate measures put in place to mitigate them. The Groups performance depends largely on the organisation of and performance of its staff and is heavily dependant on the continued participation of David Barker, the Chief Executive. Key roles are regularly reviewed to ensure that these positions are filled by personnel with appropriate skills.

## STRONTIUM PLC

### CHAIRMAN'S STATEMENT (Continued)

The success of the Group is based on the Directors' ability to identify and attract new Alliance members. The larger corporations to whom the Alliance members intend to market their services may have financial, organisational or legal requirements that the Alliance may not be capable of meeting. The Directors are encouraged by the high levels of interest that the concept is currently attracting.

#### *Key Performance indicators*

The profits on all significant contracts are reviewed on a project by project basis to ensure anticipated margins are achieved. Contributions from contracts are shown at the Profit and Loss account as Gross Profit.

At this stage in the Group's growth it is not considered meaningful to provide further analysis.

#### *Outlook*

Looking forward, the Board is confident about the Group's prospects for the current year. The sales team has ensured that our order book and the list of potential new Alliance Members is significantly greater than at the same time last year. We aim to recruit further Alliance Members during the current year.

The integration of the acquisitions into the Group is now complete and we expect to review a number of further opportunities during the current financial year.

The Board will be looking to appoint an independent director during the current year.

M Metcalfe  
Chairman

12 October 2006

## **STRONTIUM PLC**

### **DIRECTORS' REPORT**

The directors present their report and accounts for the Group for the year ended 30 June 2006.

#### **Results and Dividends**

A commentary on the Group's results for the year is included within the Chairman's Statement.

Given the result for the year, the directors do not consider it appropriate to recommend 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 1 July 2005:

M W Metcalfe (Chairman, appointed 16 January 2006)

D W Barker (Chief Executive)

#### **Directors' Interests**

The directors who served during the year, and their beneficial interests in the shares of the Company were as follows:-

<b>Ordinary Shares of 1p each</b>	<b>2006</b>	<b>2005</b>
M W Metcalfe	2,307,295	-
D W Barker	3,552,085	4,750,000

There have been no changes to the above shareholdings between the balance sheet date and the date of approval of these financial statements.

## STRONTIUM PLC

### DIRECTORS' REPORT (Continued)

#### Substantial Shareholdings

In addition to M W Metcalfe and D W Barker shareholdings shown above, the directors are aware of the following shareholdings of 3% or more of the issued share capital of the Company.

<i>Beneficial Holder</i>	<i>Number of Ordinary Shares of 2 pence</i>	<i>% of Issued Ordinary Share Capital</i>
C Brumpton	1,147,570	14.8%

#### 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 2006, the Group had an average of 62 days (2005: 65 days) purchases outstanding in trade creditors.

#### 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 and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

#### Disclosure of information to auditors

At the date of approval of the financial statements, in so far as the directors are aware, all relevant audit information has been provided to the auditors and the directors have taken steps to ensure that they have made themselves aware of any relevant audit information and to establish that the auditors are aware of such information.

#### Auditors

In accordance with Section 385 of the Companies Act, a resolution proposing that Hazlewoods LLP will be re-appointed will be put to the Annual General Meeting.

By order of the Board

D W Barker  
Director

12 October 2006



## STRONTIUM PLC

### REMUNERATION REPORT

for the year ended 30 June 2006

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 Chairman.

#### Remuneration of the Directors

Executive directors are paid a basic salary. Certain directors have payments made into their personal pension plans.

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 contributions	Total
	£	£	£
M W Metcalfe	-	-	-
D W Barker	46,000	1,600	47,600
	<hr/>	<hr/>	<hr/>
	46,000	1,600	47,600
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No remuneration was paid in the previous financial year.

#### Share Options

The Company operates a share option scheme by which employees, including directors, are able to acquire shares, which qualifies as an Enterprise Management Incentive scheme ('The EMI Scheme').

The employee share ownership trust owns sufficient shares to satisfy the options currently granted.

At 30 June 2006 135,000 options had been granted to employees under the EMI Scheme. No directors have been granted options under the EMI scheme. The qualifying employee has since left the Company and the options lapsed.

M W Metcalfe  
Chairman

12 October 2006

## **STRONTIUM PLC**

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

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these accounts, 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF**

### **STRONTIUM PLC**

We have audited the accounts of Strontium plc and details of directors' remuneration set out in the Remuneration Report for the year ended 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheets, the Group Cash Flow Statement and the related notes. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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 the directors and auditors**

The Directors' Responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the Chairman's Statement and Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF**

**STRONTIUM PLC (Continued)**

**Opinion**

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state the Group's and the Company's affairs at 30 June 2006 and of the Group's loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

**HAZLEWOODS LLP**  
**Chartered Accountants**  
**Registered Auditors**  
**Windsor House**  
**Barnett Way**  
**Barnwood**  
**Gloucester**  
**GL4 3RT**

**Gloucester**  
**12 October 2006**

**STRONTIUM PLC**

**GROUP PROFIT AND LOSS ACCOUNT**

for the year ended 30 June 2006

	Notes	2006 £	2005 £
<b>Turnover</b>			
Continuing operations		340,591	531,434
Acquired operations		211,428	-
Discontinued activities		-	7,219
		<hr/>	<hr/>
	<b>2</b>	552,019	538,653
Cost of sales	<b>3</b>	(185,494)	(151,936)
		<hr/>	<hr/>
<b>Gross profit</b>		366,525	386,717
Administrative expenses - normal	<b>3</b>	(474,634)	(153,330)
Administrative expenses – exceptional	<b>3</b>	(115,021)	-
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>			
Continuing operations		(206,301)	262,877
Acquired operations (after charge of £17,573 for goodwill amortisation)		(16,829)	-
Discontinued activities		-	(29,490)
		<hr/>	<hr/>
	<b>4</b>	(223,130)	233,387
Loss on disposal of subsidiary		-	(34,484)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before interest</b>		(223,130)	198,903
Net interest receivable	<b>5</b>	5,219	-
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		(217,911)	198,903
Taxation	<b>7</b>	13,024	(56,475)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation</b>	<b>8</b>	(204,887)	142,428
		<hr/>	<hr/>
<b>(Loss)/earnings per share</b>			
Basic	<b>9</b>	(3.40)p	15.18p

The Group had no recognised gains and losses other than those included in the profit and loss account above.

**STRONTIUM PLC**

**GROUP BALANCE SHEET**

as at 30 June 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Intangible assets	10	291,830	-
Tangible assets	11	22,173	7,414
Investments	12	-	14,000
		<hr/>	<hr/>
		314,003	21,414
<b>Current assets</b>			
Debtors	13	89,727	54,214
Cash at bank and in hand		462,028	200,472
		<hr/>	<hr/>
		551,755	254,686
<b>Creditors:</b>			
Amounts falling due within one year	14	(87,114)	(132,196)
		<hr/>	<hr/>
<b>Net current assets</b>		464,641	122,490
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		778,644	143,904
		<hr/>	<hr/>
<b>Capital and Reserves</b>			
Called up share capital	16	155,077	100,000
Share premium account	17	784,550	-
Profit and loss account	17	(160,983)	43,904
		<hr/>	<hr/>
<b>Shareholders' funds - Equity interests</b>	18	778,644	143,904
		<hr/>	<hr/>

These accounts were approved by the Board of Directors on 12 October 2006 and were signed on its behalf by:

M W Metcalfe  
Director

D W Barker  
Director

**STRONTIUM PLC****BALANCE SHEET**

as at 30 June 2006

		2006	2005
	Notes	£	£
<b>Fixed assets</b>			
Intangible assets	10	4,500	-
Tangible assets	11	12,567	-
Investments	12	172,701	14,001
		<hr/>	<hr/>
		189,768	14,001
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	13	216,655	42,017
Cash at bank and in hand		401,413	179,007
		<hr/>	<hr/>
		618,068	221,024
<b>Creditors:</b>			
Amounts falling due within one year	14	(35,165)	(105,477)
		<hr/>	<hr/>
<b>Net current assets</b>		582,903	115,547
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		772,671	129,548
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	16	155,077	100,000
Share premium account	17	784,550	-
Profit and loss account	17	(166,956)	29,548
		<hr/>	<hr/>
<b>Shareholders' funds - Equity interests</b>		772,671	129,548
		<hr/> <hr/>	<hr/> <hr/>

These accounts were approved by the Board of Directors on 12 October 2006 and were signed on its behalf by:

M W Metcalfe  
Director

D W Barker  
Director

**STRONTIUM PLC****GROUP CASH FLOW STATEMENT**

for the year ended 30 June 2006

	Notes	2006 £	2005 £
<b>Net cash (outflow)/inflow from operating activities</b>	<b>19</b>	<b>(256,582)</b>	<b>274,736</b>
		<hr/>	<hr/>
<b>Returns on investments and servicing of finance</b>			
Net interest received		5,219	-
		<hr/>	<hr/>
<b>Taxation paid</b>			
Taxation paid		(58,119)	-
		<hr/>	<hr/>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(15,518)	(8,474)
		<hr/>	<hr/>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings		(107,500)	(62,399)
Purchase of investments		-	(14,000)
Purchase of goodwill		(93,000)	(5,000)
Cash acquired with subsidiary		60,646	-
Sale of subsidiary		-	15,608
		<hr/>	<hr/>
		(139,854)	(65,791)
		<hr/>	<hr/>
<b>Net cash (outflow)/inflow before financing</b>		<b>(464,854)</b>	<b>200,471</b>
		<hr/>	<hr/>
<b>Financing</b>			
Shares issued during the year		722,827	1
		<hr/>	<hr/>
<b>Net cash inflow from financing</b>		<b>722,827</b>	<b>1</b>
		<hr/>	<hr/>
<b>Increase in cash</b>	<b>20</b>	<b>257,973</b>	<b>200,472</b>
		<hr/> <hr/>	<hr/> <hr/>



# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

### 1 ACCOUNTING POLICIES

#### **Basis of preparation**

The accounts have been prepared under the historical cost convention, adopting the following accounting policies, all of which are in accordance with applicable United Kingdom accounting standards.

#### **Basis of consolidation**

The Group financial statements consolidate the accounts of Strontium plc and its subsidiary undertakings as at 30 June 2006 applying the acquisition method of accounting.

No company profit and loss account is presented as permitted by Section 230 of the Companies Act 1985.

#### **Goodwill**

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated economic life of ten years.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of tangible fixed assets over their expected useful lives at the following rates:-

Fixtures and fittings	25% to 33% of cost per annum
-----------------------	------------------------------

#### **Fixed asset investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value.

#### **Pensions**

The Group makes contributions to the personal pension plans of certain employees. Contributions are charged in the profit and loss account as they become payable.

#### **Operating leases**

Operating lease rentals have been charged and credited to the profit and loss account on a straight line basis over the lease term.

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

### 1 ACCOUNTING POLICIES (Continued)

#### Deferred taxation

In accordance with Financial Reporting Standard (FRS) 19 Deferred Tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

### 2 TURNOVER

Turnover represents the invoice value of goods and services supplied by the Group exclusive of VAT and intra-group transactions. The total turnover of the Group for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

### 3 COST OF SALES AND ADMINISTRATIVE EXPENSES

Year ended 30 June 2006	Continuing £	Acquired £	Total £
Cost of sales	96,555	88,939	185,494
Administrative expenses - normal	335,316	121,745	457,061
Administrative expenses -goodwill amortisation	-	17,573	17,573
	<hr/>	<hr/>	<hr/>
	335,316	139,318	474,634
	<hr/>	<hr/>	<hr/>
Administrative expenses - exceptional	115,021	-	115,021
	<hr/>	<hr/>	<hr/>
Total	546,892	228,257	775,149
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The exceptional administrative expenses of £115,021 (2005: £nil) relate to the costs of Admission to the Alternative Investment Market.

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

	2006	2005
	£	£
<b>4 OPERATING LOSS</b>		
Operating loss is stated after charging:		
Auditors' remuneration - audit	10,000	6,000
- other	3,000	-
Depreciation of tangible assets	6,365	1,060
Amortisation of goodwill	17,573	-
Operating lease rentals - land and buildings	23,700	-
	<u>          </u>	<u>          </u>

Other fees paid to auditors relate to services in connection with advice on financial reporting and corporation tax.

Auditors' remuneration in respect of the Company was £4,000 for audit services and £500 for non-audit services.

## 5 NET INTEREST RECEIVABLE

Interest received	5,645	-
Overdraft interest	(426)	-
	<u>          </u>	<u>          </u>
	5,219	-
	<u>          </u>	<u>          </u>

## 6 STAFF COSTS

Wages and salaries	192,777	79,308
Social security costs	21,204	8,737
Other pension costs – defined contribution scheme	1,600	-
	<u>          </u>	<u>          </u>
	215,581	88,045
	<u>          </u>	<u>          </u>

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

	2006	2005
	No.	No.
Administration and sales	6	4
	<u>          </u>	<u>          </u>

Details of directors' emoluments, including details of share option schemes are given in the Remuneration Report. These disclosures form part of the audited accounts of the Group.

**STRONTIUM PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 2006

	2006	2005
	£	£
<b>7 TAXATION</b>		
<b>Current year tax</b>		
Corporation tax (credit)/charge	(14,668)	56,475
Adjustments in respect of prior year	1,644	-
	<u>          </u>	<u>          </u>
	(13,024)	56,475
	<u>          </u>	<u>          </u>
<b>Factors affecting the tax charge for the year</b>		
(Loss)/profit on ordinary activities before taxation	(217,911)	198,903
	<u>          </u>	<u>          </u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30%	(65,373)	59,671
<b>Effects of:</b>		
Non deductible expenses	47,656	22,847
Capital allowances in excess of depreciation	(186)	(953)
Capital loss on disposal of subsidiary not deductible	-	(8,404)
Marginal tax relief	3,235	(17,757)
Adjustments in respect of prior year	1,644	-
Unutilised losses	-	1,071
	<u>          </u>	<u>          </u>
<b>Current tax (credit)/charge</b>	(13,024)	56,475
	<u>          </u>	<u>          </u>

**8 (LOSS)/PROFIT ATTRIBUTABLE TO PARENT COMPANY**

The (loss) / profit dealt with in the accounts of the parent company was £(196,504) (2005: £129,547).

**9 (LOSS)/EARNINGS PER SHARE**

The calculation of (loss)/earnings per share for the year is based on the loss of £204,887 (2005: profit - £142,428) for the year, and 6,026,462 ordinary shares (2005: 938,502) being the weighted average number of ordinary shares in issue during the year.

**STRONTIUM PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 2006

**10 INTANGIBLE FIXED ASSETS**

**Goodwill**

	<b>Group</b> £	<b>Company</b> £
<b>Cost</b>		
At 1 July 2005	-	-
Additions	309,403	5,000
	<hr/>	<hr/>
	309,403	5,000
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 July 2005	-	-
Charge for the year	17,573	500
	<hr/>	<hr/>
At 30 June 2006	17,573	500
	<hr/>	<hr/>
<b>Net book value</b>		
At 30 June 2006	291,830	4,500
	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2005	-	-
	<hr/> <hr/>	<hr/> <hr/>

Details of the acquisitions giving rise to the additions above can be found in note 21.

**11 TANGIBLE FIXED ASSETS**

**Fixtures and fittings**

	<b>Group</b> £	<b>Company</b> £
<b>Cost</b>		
At 1 July 2005	8,474	-
Additions	21,124	14,400
	<hr/>	<hr/>
	29,598	14,400
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 July 2005	1,060	-
Charge for the year	6,365	1,833
	<hr/>	<hr/>
At 30 June 2006	7,425	1,833
	<hr/>	<hr/>
<b>Net book value</b>		
At 30 June 2006	22,173	12,567
	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2005	7,414	-
	<hr/> <hr/>	<hr/> <hr/>

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

### 12 INVESTMENTS

#### GROUP

	£
<b>Cost and net book value</b>	
At 1 July 2005	14,000
Transferred on acquisition to investment in subsidiary undertaking	(14,000)
	<hr/>
At 30 June 2006	-
	<hr/> <hr/>

COMPANY	Subsidiary undertakings £	Unlisted investments £	Total £
<b>Cost</b>			
At 1 March 2005	1	14,000	14,001
Additions	158,700	-	158,700
Transferred on acquisition	14,000	(14,000)	-
	<hr/>	<hr/>	<hr/>
At 30 June 2006	172,701	-	172,701
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2006	172,701	-	172,701
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2005	1	14,000	14,001
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which it is stated in the balance sheets.

#### Subsidiary Undertakings

The Company's subsidiary undertakings are as follows:

Name of undertaking	Interest in Ordinary share capital
Aspect Information Management Limited	100%
Executive Development Consultants Limited	100%

Both companies are incorporated in England and Wales.

**STRONTIUM PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 2006

**12 INVESTMENTS (continued)**

The principal activity of Aspect Information Management Limited is that of management and research consultants. The principal activity of Executive Development Consultants Limited is executive development consultancy.

**13 DEBTORS**

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	63,562	33,727	21,044	24,530
Amounts owed by Group undertakings	-	-	172,435	-
Other debtors	2,641	20,487	2,391	17,487
Prepayments	8,855	-	6,116	-
Corporation tax	14,669	-	14,669	-
	<u>89,727</u>	<u>54,214</u>	<u>216,655</u>	<u>42,017</u>

**14 CREDITORS - amounts falling due within one year**

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	30,762	-	11,208	-
Bank overdraft	3,583	-	-	-
Taxation and social security	16,294	64,433	2,997	26,745
Other creditors	4,604	26,409	-	22,748
Amounts owed to Group companies	-	-	8,669	40,121
Accruals	31,871	41,354	12,291	15,863
	<u>87,114</u>	<u>132,196</u>	<u>35,165</u>	<u>105,477</u>

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

#### 15 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors that arise directly from its operations. It is, and has been throughout the year of review, the Group's policy that financial derivatives shall not be used. As a result, the Group has not used interest rate hedges and currency swaps during the year.

The main risk arising from the Group's financial instruments is interest rate risk. The Group monitors its interest rate risk primarily through monthly cash flow forecasting.

##### Short term and debtors and creditors

Short term debtors and creditors have been excluded from the following disclosures.

##### Interest rate risk

The Group finances its operations through shareholder equity and working capital. Throughout the year the Group's exposure to interest rate fluctuations was on its cash deposits which are held at variable rates of interest.

##### Foreign currency risk

The Group enters into certain transactions with customers in Euros. The risk of currency fluctuations was not considered sufficiently significant to take specific steps to mitigate the risk.

##### Interest rate risk profile of financial assets and liabilities

The interest rate profile of the Group's financial assets and liabilities were:

	<b>Floating rate financial assets (liabilities) 2006 £</b>	<b>Floating rate financial assets (liabilities) 2005 £</b>
Sterling cash balances	458,445	200,472
Sterling overdraft	(3,583)	-
	<hr/>	<hr/>
	454,862	200,472
	<hr/> <hr/>	<hr/> <hr/>

The cash balances and overdraft above attract interest rates linked to LIBOR.

##### Fair value of financial instruments

The Group's financial instruments, which comprise cash and short term deposits, are carried at cost, which is also considered to be equivalent to their fair value.



## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

	2006 £	2005 £
<b>16 SHARE CAPITAL</b>		
<b>Authorised</b>		
25,000,000 ordinary shares of 2p each (2005 : 5,000,000 ordinary shares of 10p each)	500,000	500,000
<b>Allotted and fully paid:</b>		
7,753,853 ordinary shares of 2p each (2005 : 1,000,000 ordinary shares of 10p each)	155,077	100,000

On 17 January 2006 each issued and unissued share of 10p each in the capital of the Company was subdivided into 5 ordinary shares of 2p each.

During the year, the company has undertaken the following share issues:

Date	Number of shares	Par value p	Price per share p	Total £
4 November 2005	104,167	10	144	150,000
19 December 2005	159,723	10	144	230,000
2 February 2006	84,483	2	29	24,500
8 February 2006	63,195	2	29	18,327
24 February 2006	144,225	2	35½	51,200
10 April 2006	205,000	2	32	65,600
18 May 2006	937,500	2	32	300,000

#### Share option schemes

The Company operates an Enterprise Management Incentive share option scheme ('the EMI Scheme').

At 30 June 2006, under the EMI Scheme there were options outstanding over 135,000 (2005: 0) ordinary shares. The options can be exercised by the option holder at 32p per share, providing certain performance criteria are met, at one month's notice at any time from 23 February 2007 to 23 February 2017. These options have now lapsed.

The directors have considered the value of the option granted in accordance with Financial Reporting Standard 20 and concluded that the charge arising is not material to the financial statements. The qualifying employee has since left the company and the options lapsed.

**STRONTIUM PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 2006

**17 RESERVES**

	<b>Share Premium account £</b>	<b>Profit and loss account £</b>
<b>GROUP</b>		
At 1 July 2005	-	43,904
Loss for the year	-	(204,887)
Premium on shares issued during the year	784,550	-
	<hr/>	<hr/>
At 30 June 2006	784,550	(160,983)
	<hr/> <hr/>	<hr/> <hr/>
<b>COMPANY</b>		
At 1 July 2005	-	29,548
Loss for year	-	(196,504)
Premium on shares issued during the year	784,550	-
	<hr/>	<hr/>
At 30 June 2006	784,550	(166,956)
	<hr/> <hr/>	<hr/> <hr/>

**18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

<b>GROUP</b>	<b>2006 £</b>	<b>2005 £</b>
Opening shareholders funds	143,904	-
(Loss)/profit for the year	(204,887)	143,903
Shares issued during the year	839,627	100,000
Bonus issue during year	-	(99,999)
	<hr/>	<hr/>
Closing shareholders funds	778,644	143,904
	<hr/> <hr/>	<hr/> <hr/>

**19 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>2006 £</b>	<b>2005 £</b>
Operating (loss)/ profit	(223,130)	233,387
Amortisation of goodwill	17,573	-
Depreciation of tangible fixed assets	6,365	2,183
Increase in debtors	(29,750)	(54,214)
(Decrease)/increase in creditors and provisions	(27,640)	75,721
Net of debtors and creditors of subsidiary at date of disposal	-	17,659
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(256,582)</b>	<b>274,736</b>
	<hr/> <hr/>	<hr/> <hr/>

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

#### 20 ANALYSIS OF MOVEMENTS IN NET FUNDS

	At 1 July 2005 £	Cash flow £	At 30 June 2006 £
Cash in bank and in hand	200,472	261,556	462,028
Overdrafts	-	(3,583)	(3,583)
	<hr/>	<hr/>	<hr/>
Net funds	200,472	257,973	458,445
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### Non-cash transactions

During the year the Group issued shares to the value of £116,800 to acquire two businesses as described in note 21.

#### 21 ACQUISITIONS

The Group purchased the remaining 90% interest in of Executive Development Consultants Limited during the year. The book values equate to the fair value on acquisition.

Net assets at date of acquisition and consolidation paid were as follows:

	Book value £
Tangible fixed assets	5,606
Debtors	17,465
Bank balance	60,646
Creditors	(61,820)
	<hr/>
Net assets acquired	21,897
Goodwill	150,803
	<hr/>
Consideration	172,700
	<hr/> <hr/>
<b>Consideration satisfied by:</b>	
Shares issued	51,200
Cash consideration	106,000
Transferred from unlisted investment	14,000
Cash outflow in respect of professional fees	1,500
	<hr/>
	172,700
	<hr/> <hr/>

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2006

#### 21 ACQUISITIONS (continued)

The Group purchased the recruitment business of Big Word Translation services during the year.

	<b>Book value £</b>
Goodwill	153,600
	<hr/>
Consideration	153,600
	<hr/> <hr/>
<b>Consideration satisfied by:</b>	
Shares issued	65,600
Cash consideration	75,000
Cash outflow in respect of professional fees	13,000
	<hr/>
	153,600
	<hr/> <hr/>

The Group acquired the distribution business, Collectpoint, from Collectpoint Limited during the year, making a cash payment of £15,000, being £5,000 for goodwill and £10,000 for other fixed assets. M W Metcalfe has an interest in Collectpoint Limited.

#### 22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with Group companies on the grounds that consolidated financial statements are prepared.