

**Company Number 05200315**

**STRONTIUM PLC**

**ANNUAL REPORT**

**30 June 2007**



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# **STRONTIUM PLC**

## **DIRECTORS AND ADVISERS**

### **Directors**

M W Metcalfe (Chairman)  
D W Barker (Managing Director)  
P L Hogarth (Non 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  
Craven House  
West Street  
Farnham  
Surrey  
GU9 7EN

### **Bankers**

National Westminster  
Market Place  
Reading  
RG1 2EP

### **Solicitors**

Collyer Bristow  
4 Bedford Row  
London  
WC1R 4DF

### **Registered Office**

6 Porter Street  
London  
W1M 1HZ

### **Company Registration Number**

05200315

## **STRONTIUM PLC**

### **CHAIRMAN'S STATEMENT**

I am pleased to announce that in the financial year that ended 30 June 2007 there were improvements across all the operating businesses of the Group.

The past year has been one of evolution for Strontium in which constituents for further growth were developed, including the enlargement of the Strontium Alliance, an increase in management resources and the acquisition of Miad UK Limited ("Miad").

#### **Financial Highlights**

Sales increased year on year by approximately 50% to £824,204 (2006: £552,019). The loss on ordinary activities before taxation was reduced by 33% to £146,868 (2006: £217,911). In my view, any loss is disappointing but I am pleased that the business continues to expand and this is a good result given the demands on and the other achievements of our small management team.

Strontium has kept its costs within the budget set for the financial year.

The Group's balance sheet strengthened during the year by the issue of 1,140,000 new 2p ordinary shares for total proceeds of £300,960. A further 218,182 shares were issued at a value of £60,000 as consideration for the new business acquired during the year. Shareholders' funds amounted to £992,736 (2006: £778,644).

The issue of ordinary shares for cash and for the acquisition combined with a rigorous policy of controlling cash has enabled the Group to increase its cash reserves to £651,302 (2006: £462,028) despite operational losses and the acquisition of Miad.

#### **Acquisitions and Disposals**

Following a review of the business in November 2006, the Board decided to sell the Collectpoint business as it was not part of the core business and to focus on Professional Services. The sale of the Collectpoint assets was completed in January 2007.

In April 2007, consistent with our strategy (see below), Strontium acquired Miad, a UK based training and education organisation specialising in management training for doctors. Over its 10 years of existence Miad has been very successful in building a reputable brand in the market of NHS training and affords Strontium with an opportunity to expand its revenues and profits.

The consideration for Miad was a cash payment on completion of £165,699 together with the allotment of 218,182 ordinary shares at 27.5 pence per share (£60,000) for the entire issued share capital of Miad. A refund of the purchase consideration of £38,738 has been agreed as a consequence of net assets at completion being less than the agreed amount; this makes the net cash consideration £126,961. The Company also agreed a further earn out payment to a maximum of £187,500 (to be satisfied equally in shares and cash) based on profits for the period to June 2010; the Directors' best estimate of the amount payable is £108,000 which has been reflected in the Accounts.

Again, this acquisition 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.

The integration of the acquisition into the Group is now complete.

**STRONTIUM PLC**

**CHAIRMAN'S STATEMENT (Continued)**

**Strategy**

Strontium is a professional services group with the objective to grow by developing existing businesses and by acquiring equity holdings in small, high growth professional services businesses. Following the review of the business, the Board decided to refine the Company’s strategy and to build 4 operating divisions, viz:

- Training and Development - trading through Miad
- Executive Services - trading through Executive Development Consultants Ltd (“EDC”)
- Business Intelligence - trading through Aspect Information Management Ltd (“Aspect”)
- Strontium Alliance - trading through Strontium plc

The Directors are encouraged by the high levels of interest that the strategy adopted by Strontium is attracting from investors, the media and prospective Alliance members.

**Business Environment**

Strontium operates in a marketplace that has a small number of large consultancy organisations and a myriad of small firms.

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

**Business Review and Principal Activities**

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

**Training and Development**

Miad’s post acquisition performance was a loss of £7,510, this being a traditionally quiet period for the Company as it follows immediately after the end of the NHS budget year. Historically, Miad was undercapitalised and lacked a clear business plan for sustainable growth. Post-acquisition, a plan for expansion has been developed for the current financial year. The Directors anticipate this business will make a positive contribution to the growth of the Training and Development Division. We are pleased with the progress that has been made since acquisition.

**Business Intelligence**

The assimilation of “The Big Word” business into Aspect has expanded the Division into temporary multilingual personnel for external research agencies and increased its margins on our own research projects. This has lead to a sales increase of 51% over the previous year and 4% points improvement in margins on research assignments.

I am delighted that Toyota Financial Services recently signed a 3 year deal with Aspect for €750,000; this confirms our ability to win substantial research projects from blue chip clients.

## **STRONTIUM PLC**

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

#### **Executive Services**

EDC turnover grew by 73% to £196,623 (2006: £113,239). The loss was reduced to £1,995 (2006: £18,019).

In the past, EDC has relied on external consultants to add capacity when required. This strategy has been reviewed and the decision taken to employ up to 4 coaches dedicated to EDC. Although this will require short term investment the Board believes this will build a better platform for longer term development of the business. (See Personnel section below.)

#### **The Strontium Alliance**

The Strontium Alliance is a community of up to 100 professional service enterprises, each using the complementary skills of other Alliance Members to create revenue generating opportunities with third party clients.

Strontium aims to help Members to win contracts from large and multinational businesses, providing the necessary management, financial, sales and marketing skills, as well as introductions to key decision makers.

The Alliance has grown to 28 member companies. The first Alliance conference took place in May 2007 and was well received. More meetings will be held this coming year and we anticipate adding further members.

The Alliance has yet to generate fee income for Strontium, however it has contributed to the awareness of the brand and opportunities should increase as membership grows. The Strontium Alliance also increases the number of business opportunities and the number of able consultants available to Strontium.

#### **Strontium plc**

In April 2007, Bishopsgate Communications Limited was appointed as financial PR consultant to the Group.

The Group has made some investments during the year:

- to overhaul the website to reflect the focus on the 4 Divisions
- to remodel the Members section of the Alliance site,
- to raise the profile of Strontium using targeted PR (9 articles published since 1 April 2007)
- to hold the first Alliance conference and
- advertising to recruit new management for 2 Divisions.

During the year, one small source of revenue to Strontium plc ceased when the assets of Collectpoint were sold.

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

Risks are formally reviewed by the Board and appropriate measures put in place to mitigate them.

The Group's performance depends largely on the organisation of and performance of its staff and is heavily dependant on the continued participation of David Barker, the Managing Director. Key roles are regularly reviewed to ensure that these positions are filled by personnel with appropriate skills.

## **STRONTIUM PLC**

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

#### **Principal Risks and Uncertainties (Continued)**

The success of the Group is based on the Directors' ability to identify and attract new Alliance members, acquisitions and the availability of funds to support business growth.

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.

#### **Key Performance indicators**

One of the Group's key objectives is to manage growth without significantly increasing fixed cost. It manages this through using a network of freelance consultants engaged to work on specific projects.

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.

#### **Personnel**

The Board appointed Peter Hogarth as a non-executive, independent director in December 2006. A former Partner in KPMG, Executive Director of the London Stock Exchange and with 15 years as a senior executive coach working with the boards of many publicly listed companies, Peter brings welcome additional knowledge to the Board.

I am pleased to announce the appointment of Ross Broadbent as Divisional Director of Business Intelligence as of 1st October 2007. His principal responsibility will be to develop and grow this Division.

Julie Wootton joined EDC on 3rd September 2007, as Senior Executive Coach, to win new business, manage Corporate Client relationships and deliver Coaching Programmes – including leadership and top team development at Executive and Board level.

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.

#### **Outlook**

The Board believes the outlook and business environment remains favourable for the areas of Professional Services within which the group operates and is confident about the Group's prospects for the current year. The sales team has ensured that our order book is significantly greater than at the same time last year.

The investment in senior personnel is expected to produce results in the second half of the current year.

The continued growth of membership of the Alliance will enable the group to expand its services as opportunities arise with clients and will keep the group well placed to make the acquisition of rapidly expanding smaller companies.

**M W Metcalfe**  
**2 October 2007**

## **STRONTIUM PLC**

### **DIRECTORS' REPORT**

The directors present their report and accounts for the Group for the year ended 30 June 2007.

#### **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 2006:

M W Metcalfe (Chairman)

D W Barker (Managing Director)

P L Hogarth (Non-executive, appointed 13 December 2006)

#### **Financial risks**

Details of financial risks are set out in note 16 to the accounts.

#### **Substantial Shareholdings**

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>
M W Metcalfe	2,674,000	29.3%
D W Barker	2,788,927	30.6%
C Brumpton	1,437,044	15.8%

#### **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 2007, the Group had an average of 69 days (2006: 62 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 to the discretion of the individual shareholders.

## **STRONTIUM PLC**

### **DIRECTORS' REPORT (Continued)**

#### **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

2 October 2007

## STRONTIUM PLC

### REMUNERATION REPORT

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.

	<b>Salary</b>	<b>Pension</b>	<b>Bonus</b>	<b>Total</b>	<b>2006</b>
	<b>£</b>	<b>contributions</b>	<b>£</b>		
		<b>£</b>	<b>£</b>		
M W Metcalfe	-	-	-	-	-
D W Barker	52,000	5,600	7,500	65,100	47,600
P L Hogarth	-	-	-	-	-
	-----	-----	-----	-----	-----
	52,000	5,600	7,500	65,100	47,600
	=====	=====	=====	=====	=====

#### Share Options

Directors' interests in unapproved share options are set out below.

<b>Director's name</b>	<b>Number of options</b>	<b>During the year</b>		<b>Exercise price</b>	<b>Date from which exercisable</b>	<b>Expiry date</b>
	<b>1 July 2006</b>	<b>Granted</b>	<b>Exercised</b>			
P L Hogarth	-	100,000	-	100,000	30p	01.12.07 30.11.09

M W Metcalfe  
Chairman

2 October 2007

## **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.

## **STRONTIUM PLC**

### **AIM RULE COMPLIANCE REPORT**

Strontium plc is listed on AIM and, as such under AIM Rule 31 the Company is required to:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its nominated adviser (“Nomad”) regarding its compliance with the AIM Rules whenever appropriate and take that advice into account;
- Provide the Company’s Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
- Ensure that each of the Company’s Directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and
- Ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure that these obligations are being discharged the Board ensures that there is regular liaison with the Company’s Nomad and that any relevant issues are fully disclosed to them.

Having reviewed relevant Board papers, the Board is satisfied that the Company’s obligations under AIM Rule 31 have been satisfied during the period under review.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF**

### **STRONTIUM PLC**

We have audited the accounts of Strontium plc for the year ended 30 June 2007 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. We have also audited the information in the Remuneration Report.

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 the 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 2007 and of the Group's loss for the year then ended;
- the accounts and the Remuneration Report 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**  
**2 October 2007**

**STRONTIUM PLC****GROUP PROFIT AND LOSS ACCOUNT**

for the year ended 30 June 2007

		<b>2007</b>	<b>2006</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>			
Continuing operations		742,271	477,283
Acquired operations		40,933	-
Discontinued activities		45,000	74,736
		<hr/>	<hr/>
	<b>2</b>	828,204	552,019
Cost of sales	<b>3</b>	(252,260)	(185,494)
		<hr/>	<hr/>
<b>Gross profit</b>		575,944	366,525
Administrative expenses - normal	<b>3</b>	(724,451)	(474,634)
Administrative expenses - exceptional	<b>3</b>	-	(115,021)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>			
Continuing operations		(151,161)	(239,949)
Acquired operations		(12,114)	-
Discontinued activities		14,768	16,819
		<hr/>	<hr/>
<b>Loss on ordinary activities before interest</b>	<b>4</b>	(148,507)	(223,130)
<b>Non-operating exceptional item</b>			
Loss on termination of discontinued activity		(5,600)	-
		<hr/>	<hr/>
		(154,107)	(223,130)
Net interest receivable	<b>5</b>	7,239	5,219
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(146,868)	(217,911)
Taxation	<b>7</b>	-	13,024
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation</b>	<b>8</b>	(146,868)	(204,887)
		<hr/>	<hr/>
<b>Loss per share</b>			
Basic	<b>9</b>	(1.81)p	(3.40)p

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 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	10	563,080	291,830
Tangible assets	11	25,835	22,173
		<hr/>	<hr/>
		588,915	314,003
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	13	170,324	89,727
Cash at bank and in hand		651,302	462,028
		<hr/>	<hr/>
		821,626	551,755
<b>Creditors:</b>			
Amounts falling due within one year	14	(345,805)	(87,114)
		<hr/>	<hr/>
<b>Net current assets</b>		475,821	464,641
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,064,736	778,644
<b>Creditors: amounts falling due after more than one year</b>	15	(72,000)	-
		<hr/>	<hr/>
<b>Net assets</b>		992,736	778,644
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and Reserves</b>			
Called up share capital	17	182,241	155,077
Share premium account	19	1,118,346	784,550
Profit and loss account	19	(307,851)	(160,983)
		<hr/>	<hr/>
<b>Shareholders' funds</b>	20	992,736	778,644
		<hr/> <hr/>	<hr/> <hr/>

These accounts were approved and authorised for issue by the Board of Directors on 2 October 2007 and were signed on its behalf by:

M W Metcalfe  
Director

D W Barker  
Director

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

as at 30 June 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	10	-	4,500
Tangible assets	11	13,047	12,567
Investments	12	487,557	172,701
		<hr/>	<hr/>
		500,604	189,768
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	13	332,271	216,655
Cash at bank and in hand		295,231	401,413
		<hr/>	<hr/>
		627,502	618,068
<b>Creditors:</b>			
Amounts falling due within one year	14	(85,391)	(35,165)
		<hr/>	<hr/>
<b>Net current assets</b>		542,111	582,903
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,042,715	772,671
<b>Creditors: amounts falling due after more than one year</b>			
	15	(72,000)	-
		<hr/>	<hr/>
<b>Net assets</b>		970,715	772,671
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	17	182,241	155,077
Share premium account	19	1,118,346	784,550
Profit and loss account	19	(329,872)	(166,956)
		<hr/>	<hr/>
<b>Shareholders' funds</b>		970,715	772,671
		<hr/> <hr/>	<hr/> <hr/>

These accounts were approved and authorised for issue by the Board of Directors on 2 October 2007 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 2007

	Notes	2007 £	2006 £
<b>Net cash inflow/(outflow) from operating activities</b>	<b>21</b>	61,833	(256,582)
		<hr/>	<hr/>
<b>Returns on investments and servicing of finance</b>			
Net interest received		7,239	5,219
		<hr/>	<hr/>
<b>Taxation paid</b>			
Taxation refunded/(paid)		21,612	(58,119)
		<hr/>	<hr/>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(19,098)	(15,518)
Proceeds from disposals of fixed assets		8,000	-
		<hr/>	<hr/>
		(11,098)	(15,518)
		<hr/>	<hr/>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings		(185,594)	(107,500)
Purchase of goodwill		-	(93,000)
(Bank overdraft)/cash acquired with subsidiary		(2,095)	60,646
		<hr/>	<hr/>
		(187,689)	(139,854)
		<hr/>	<hr/>
<b>Net cash outflow before financing</b>		(108,103)	(464,854)
		<hr/>	<hr/>
<b>Financing</b>			
Proceeds from shares issued during the year		300,960	722,827
		<hr/>	<hr/>
<b>Net cash inflow from financing</b>		300,960	722,827
		<hr/>	<hr/>
<b>Increase in cash</b>	<b>22</b>	192,857	257,973
		<hr/> <hr/>	<hr/> <hr/>

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

### 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 2007 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 2007

### 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.

#### Share based awards

The Group has applied the requirements of FRS 20 *Share based payment*. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006.

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 directors have provided their best estimates for expected share volatility, dividend yield, expected life of the options and the expected risk-free interest rate. The charge estimated by the directors using this method has not been included in these accounts on the grounds of materiality.

### 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 2007	Continuing £	Discontinued £	Acquired £	Total £
Cost of sales	220,033	30,232	1,995	252,260
Administrative expenses				
- normal	642,999	-	46,448	689,447
- goodwill amortisation	30,400	-	4,604	35,004
	673,399	-	51,052	724,451

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

### 3 COST OF SALES AND ADMINISTRATIVE EXPENSES (Continued)

There were no administrative expenses attributable to discontinued operations in the previous financial year. Cost of sales attributable to discontinued operations was £57,917.

Exceptional costs in the previous financial year relate to the costs of admission to AIM.

4 OPERATING LOSS	2007	2006
	£	£
Operating loss is stated after charging:		
Auditors' remuneration - audit	16,500	10,000
- other	5,161	3,000
Depreciation of tangible assets	9,188	6,365
Amortisation of goodwill	35,044	17,573
Operating lease rentals - land and buildings	30,976	23,700
	<u>          </u>	<u>          </u>

Other fees paid to auditors relate to services in connection with advice on aborted acquisitions of £4,050 and corporation tax £1,111. A further £7,500 relating to fees paid to the auditors for due diligence services in connection with acquisitions has been included in the cost of investments.

Auditors' remuneration in respect of the Company was £4,000 for audit services and £12,661 for non-audit services.

5 NET INTEREST RECEIVABLE	2007	2006
	£	£
Interest received	7,972	5,645
Overdraft interest paid	(733)	(426)
	<u>          </u>	<u>          </u>
	7,239	5,219
	<u>          </u>	<u>          </u>

### 6 STAFF COSTS

Wages and salaries	337,003	192,777
Social security costs	34,800	21,204
Other pension costs - defined contribution scheme	5,600	1,600
	<u>          </u>	<u>          </u>
	377,403	215,581
	<u>          </u>	<u>          </u>

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

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

<b>6</b>	<b>STAFF COSTS</b>	<b>2007</b>	<b>2006</b>
		<b>No.</b>	<b>No.</b>
	Administration and sales	6	6
	Researchers	3	-
		—	—
		9	6
		==	==

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.

<b>7</b>	<b>TAXATION</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	<b>Current year tax</b>		
	Corporation tax credit	-	(14,668)
	Adjustments in respect of prior year	-	1,644
		—	—
		-	(13,024)
		==	==
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(146,868)	(217,911)
		—	—
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2006: 30%)	(41,123)	(65,373)
	<b>Effects of:</b>		
	Non deductible expenses	9,261	47,656
	Capital allowances in excess of depreciation	(1,205)	(186)
	Marginal rate tax relief	-	3,235
	Adjustments in respect of prior year	-	1,644
	Unutilised losses carried forward	33,067	-
		—	—
	<b>Current tax credit</b>	-	(13,024)
		==	==

The parent company has unutilised excess expenses of management of £100,000 which are available for offset only against future income of the parent company. A deferred tax asset has not been reflected in respect of these losses because the criteria for recognition in Financial Reporting Standard 19 has not been met.

### **8** LOSS ATTRIBUTABLE TO PARENT COMPANY

The loss dealt with in the accounts of the parent company was £162,916 (2006: £196,504).

### **9** LOSS PER SHARE

The calculation of loss per share for the year is based on the loss of £146,868 (2006: loss - £204,887) for the year, and 8,127,115 ordinary shares (2006: 6,026,462) being the weighted average number of ordinary shares in issue during the year.

Earnings per share attributable to discontinued activities was 0.2p (2006: 0.3p).

**STRONTIUM PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 2007

<b>10 INTANGIBLE FIXED ASSETS</b>	<b>Group</b>	<b>Company</b>
<b>Goodwill</b>	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 July 2006	309,403	5,000
Additions	310,794	-
Disposals	(5,000)	(5,000)
	<hr/>	<hr/>
	615,197	-
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 July 2006	17,573	500
Charge for the year	35,044	-
Disposals	(500)	(500)
	<hr/>	<hr/>
At 30 June 2007	52,117	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 30 June 2007	563,080	-
	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2006	291,830	4,500
	<hr/> <hr/>	<hr/> <hr/>

Details of the acquisitions giving rise to the additions above can be found in note 23.

<b>11 TANGIBLE FIXED ASSETS</b>	<b>Group</b>	<b>Company</b>
<b>Fixtures and fittings</b>	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 July 2006	29,598	14,400
Additions	19,098	12,798
Acquisitions	2,852	-
Disposals	(10,000)	(10,000)
	<hr/>	<hr/>
	41,548	17,198
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 July 2006	7,425	1,833
Charge for the year	9,188	3,218
Disposals	(900)	(900)
	<hr/>	<hr/>
At 30 June 2007	15,713	4,151
	<hr/>	<hr/>
<b>Net book value</b>		
At 30 June 2007	25,835	13,047
	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2006	22,173	12,567
	<hr/> <hr/>	<hr/> <hr/>

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS for the year ended 30 June 2007

#### 12 INVESTMENTS

<b>COMPANY</b>	<b>Subsidiary undertakings £</b>
<b>Cost and net book value</b>	
At 1 July 2006	172,701
Additions	314,856
	<hr/>
At 30 June 2007	487,557
	<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:

<b>Name of undertaking</b>	<b>Interest in Ordinary share capital</b>
Aspect Information Management Limited	100%
Executive Development Consultants Limited	100%
MiAD UK Limited	100%

All companies are incorporated in England and Wales.

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. The principal activity of MiAD UK Limited is training of healthcare professionals.

**STRONTIUM PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 2007

**13 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	93,329	63,562	-	21,044
Amounts owed by group undertakings	-	-	274,690	172,435
Other debtors	48,635	2,641	38,738	2,391
Prepayments	8,791	8,855	4,174	6,116
Corporation tax	19,569	14,669	14,669	14,669
	<u>170,324</u>	<u>89,727</u>	<u>332,271</u>	<u>216,655</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	47,512	30,762	24,088	11,208
Bank overdraft	-	3,583	-	-
Taxation and social security	60,019	16,294	10,049	2,997
Corporation tax	21,612	-	-	-
Other creditors	40,604	4,604	36,000	-
Amounts owed to Group companies	-	-	-	8,669
Accruals and deferred income	176,058	31,871	15,254	12,291
	<u>345,805</u>	<u>87,114</u>	<u>85,391</u>	<u>35,165</u>

**15 CREDITORS - amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other creditors	72,000	-	72,000	-
	<u>72,000</u>	<u>-</u>	<u>72,000</u>	<u>-</u>

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

#### 16 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) 2007 £</b>	<b>Floating rate financial assets (liabilities) 2006 £</b>
Sterling cash balances	651,302	462,028
Sterling overdraft	-	(3,583)
	<hr/>	<hr/>
	651,302	458,445
	<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 2007

<b>17 SHARE CAPITAL</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
25,000,000 ordinary shares of 2p each	500,000	500,000
	<u>          </u>	<u>          </u>
<b>Allotted and fully paid:</b>		
9,112,035 ordinary shares of 2p each		
(2006 : 7,753,853 ordinary shares of 2p each)	182,241	155,077
	<u>          </u>	<u>          </u>

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

<b>Date</b>	<b>Number of shares</b>	<b>Par value</b>	<b>Price per share</b>	<b>Total</b>
		<b>p</b>	<b>p</b>	<b>£</b>
12 March 2007	1,140,000	2	26.4	300,960
11 April 2007	218,182	2	27.5	60,000

## 18 SHARE OPTION SCHEMES

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 is 1 year. If the options remain unexercised after a period of 2 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before options vest.

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

	<b>Number of Shares</b>	<b>Exercise price</b>
Outstanding at the beginning of the period	-	-
Granted 13 December 2006	100,000	30p
	<u>          </u>	
Outstanding at the end of the period	100,000	
	<u>          </u>	

No options are exercisable at the end of the period.

No expense has been recognised in the year in respect of share based payments in the form of the options referred to above. The directors have used the Black Scholes model to value options granted and based on their calculations concluded that any charge to the profit and loss account would be immaterial. Expected volatility is based on historical movements in the Company's share price.

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

### 18 SHARE OPTION SCHEMES (Continued)

Details of the assumptions applied in valuing the options are as follows:

Exercise price (mid market price at date of grant)	30p
Share bid price at date of grant	29p
Contractual and expected life of options	3 years
Expected volatility	15%
Risk free interest rate	4.5%
Expected dividend yield	Nil
Fair value of one option	4p

### 19 RESERVES

	<b>Share Premium account £</b>	<b>Profit and loss account £</b>
<b>GROUP</b>		
At 1 July 2006	784,550	(160,983)
Loss for the year	-	(146,868)
Premium on shares issued during the year	333,796	-
	<hr/>	<hr/>
At 30 June 2007	1,118,346	(307,851)
	<hr/> <hr/>	<hr/> <hr/>
<b>COMPANY</b>		
At 1 July 2006	784,550	(166,956)
Loss for the year	-	(162,916)
Premium on shares issued during the year	333,796	-
	<hr/>	<hr/>
At 30 June 2007	1,118,346	(329,872)
	<hr/> <hr/>	<hr/> <hr/>

### 20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<b>GROUP</b>	<b>2007 £</b>	<b>2006 £</b>
Opening shareholders funds	778,644	143,904
Loss for the year	(146,868)	(204,887)
Shares issued during the year	360,960	839,627
	<hr/>	<hr/>
Closing shareholders funds	992,736	778,644
	<hr/> <hr/>	<hr/> <hr/>

# STRONTIUM PLC

## NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

### 21 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating loss	(148,507)	(223,130)
Amortisation of goodwill	35,044	17,573
Depreciation of tangible fixed assets	9,188	6,365
Decrease/(increase) in debtors	52,549	(29,750)
Increase/(decrease) in creditors and provisions	113,559	(27,640)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>61,833</b>	<b>(256,582)</b>
	<hr/> <hr/>	<hr/> <hr/>

### 22 ANALYSIS OF MOVEMENTS IN NET FUNDS

	At 1 July 2006 £	Cash flow £	At 30 June 2007 £
Cash in bank and in hand	462,028	189,274	651,302
Overdrafts	(3,583)	3,583	-
	<hr/>	<hr/>	<hr/>
Net funds	458,445	192,857	651,302
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### Non-cash transactions

During the year the Group issued shares to the value of £60,000 as part of the consideration to acquire Miad UK Limited as described in note 23.

### 23 ACQUISITIONS

The Group purchased 100% of MiAD UK 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	2,852
Debtors	94,408
Bank balance	(2,095)
Creditors	(91,103)
	<hr/>
Net assets acquired	4,062
Goodwill	310,794
	<hr/>
Consideration	314,856
	<hr/> <hr/>

## STRONTIUM PLC

### NOTES TO THE ACCOUNTS

for the year ended 30 June 2007

#### 23 ACQUISITIONS (Continued)

Consideration satisfied by:	£
Shares issued	60,000
Cash consideration	165,699
Refund due on cash consideration included in debtors	(38,738)
Consideration dependent on performance	108,000
Cash outflow in respect of professional fees and stamp duty	19,895
	<hr/>
	314,856
	<hr/> <hr/>

#### 24 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.

#### 25 CONTINGENT LIABILITIES

Under the terms of the acquisition of MiAD UK Limited, further consideration of up to £187,500 is payable depending on the profits derived from that business for the period up to 30 June 2010. The directors' best estimate of the amount payable is £108,000 which has been reflected in creditors due within one year (£36,000) and after one year (£72,000).