

ANNUAL REPORT TO OUR STAKEHOLDERS – financial year '10-'11

We are delighted to report to you on our progress since we launched in January '09 and in particular on our results for our last financial year which ended on 31st March '11.

We are now into our third trading year with a permanent workforce of 4 lead consultants and a small admin team. We have developed, and deliver, 3 very successful HR consultancy services, namely COMPLY, PERFORM and ADAPT, designed to attract, and meet the needs of, our target audience of small and medium-sized civil society organisations rather than to maximise profit.



We are very pleased with our success to date. We are growing steadily and sustainably and increased our income in year 2 by 28% over year 1, not bad considering the economic conditions. Earlier this year we were delighted to be shortlisted for Social Enterprise Start Up of the Year and Social Enterprise Mark Holder of the Year. Other achievements have included gaining preferred supplier status for HR services to Greater Manchester's Voluntary Sector Support Group's

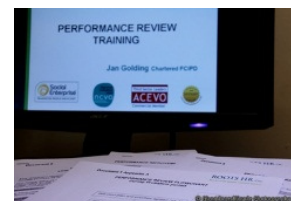
Market Place, a free, no obligation service for voluntary, community and faith groups in Manchester to access deals on goods and services. We have also developed a partnership with Sutcliffe Ltd in Worcester which enables us to offer our own optional insurance for employment law expenses.

We are 100% funded through trading and have created a profit or trading surplus each year to date. Following consultation last year with various stakeholders we have used this in fy '10-'11 to provide:

- 100 hours of free consultancy support to 34 small or medium-sized civil society organisations
- 2 free 12 month subscriptions to our COMPLY service for Birth and Beyond Consultancy Ltd in Hull and Sport4Life in Birmingham
- 16.5 days of free education and advice to the sector through speaking at events, running workshops and developing free tools such as newsletters and factsheets
- employment opportunities for 2 people who had previously found it hard to re-enter the job market and who have now gone on to other paid employment.

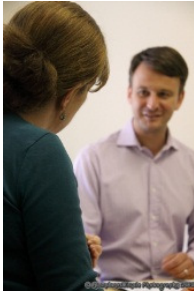
We calculate the value of all of this at our usual rate of £50 per hour. The value of our work delivered through our trading surpluses in fy '09-'10 was £7,775, equating to 6.4% of our net income; in fy '10-'11 it was £11,600, equating to 7.4% of our net income, an overall increase of 49%.

In order to fund our social impact work, we continue to provide what we hope our clients view as high quality, affordable human resources consultancy services tailored to the needs and the culture of their organisation. We now have over 70 fee-paying small and medium sized civil society organisations as clients. Last year these organisations engaged us for general advice and case work or projects ranging from a 1-off half a day to projects of 20 days and up to a regular retainer of 12





hours per month. Our clients all have between 1 and 250 employees and some have a casual and / or volunteer workforce on which we also advise. The average number of employees is 45 and the median is 21; 25% of our clients have 6-10 employees. 66% of our clients are based in the West Midlands, the other 34 % being based across the UK, some with national or international coverage.



A major focus for us is the transfer of learning to our client organisations so that through working with us, line managers become better people managers and can work increasingly independently of our advice and support. 83% of our COMPLY clients renewed their subscriptions this year, all but one of these taking less the same or hours than previously. 100% of COMPLY clients due to renew their subscriptions in fy '11-'12 to date have done so with the same or less hours. We see this as a significant success and one which we will continue to monitor in time to come.

We are very pleased with these results but aspire to do more. This third year of trading is a year of consolidation and of implementing systems that will allow us to grow sustainably and to constantly improve our customer service. We are developing our systems and processes for managing client accounts and service delivery. We are also installing a VOIP phone system that will allow us to handle upto 6 phone calls at any one time and which will communicate more effectively with clients when we are out of the office or on other calls.

I would personally like to take this opportunity to thank you very much for your support for Roots HR. We love what we do and we couldn't do it without you. If you have any comments or suggestions for how we can improve our services or make Roots HR more useful or effective to you, your organisation or our sector, please do not hesitate to contact us. We are always pleased to hear from you.



Jan Golding
Chief Executive
August '11