



VOLVERE PLC

Annual report and financial statements

Year ended 31 December 2010

Volvere plc

Annual report and financial statements for the year ended 31 December 2010

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Country of incorporation

England and Wales

Company secretary

Nick Lander

Company number

04478674

Registered office

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Tel: 020 7634 9707

Web: www.volvere.co.uk

Directors and professional advisers

Directors

Lord Kalms, Chairman, aged 79

Lord Kalms is Chairman of Volvere. He grew Dixons Group (now Dixons Retail plc) into the UK's leading electrical retailer with a turnover of £4.9 billion and nearly 34,000 employees. He stood down as Chairman of Dixons in 2002 and has been appointed President of Dixons Retail plc. In 1996 he was knighted in recognition of his services to electrical retailing. He was a governor of Dixons City Technology College in Bradford and was Chairman of Kings' Healthcare NHS Trust (1993-1996). He was Treasurer of the Conservative Party (2002-2003) and a founder of Business for Sterling. Lord Kalms holds several honorary degrees and other academic awards in recognition of his commercial and industrial achievements.

Jonathan Lander, Chief Executive Officer, aged 43

Jonathan is Chief Executive Officer of Volvere. Jonathan has over 20 years experience in the financial services industry, including 13 years as CEO of Dawnay, Day Lander Limited, a London-based venture capital firm. He has been both an adviser and a principal investor in numerous public and private technology sector transactions. He holds an M.A. in Law from Cambridge University and is a Chartered Financial Analyst.

Nick Lander, Chief Financial & Operating Officer and Company Secretary, aged 44

Nick is Chief Financial & Operating Officer of Volvere. He has worked for a number of private and public companies in both financial and operational roles. He previously held the positions of Corporate Development Director at Clyde Blowers PLC and Deputy Managing Director at Clyde Materials Handling Limited. Prior to joining Clyde Blowers, Nick spent 6 years with APV plc (formerly part of Invensys plc), latterly as Managing Director of a subsidiary business. Nick qualified as a chartered accountant with PricewaterhouseCoopers in 1990.

Neil Ashley, Non-Executive Director, aged 74

Neil is a Non-Executive Director of Volvere. He was the Chairman of Amey plc from a management buy-out in 1989 until his retirement in May 2001. This period included Amey's flotation on the Official List of the London Stock Exchange in 1994. From November 2000 until April 2003 he was Chairman of the Oxford Radcliffe Hospitals Trust, one of the ten largest NHS trusts in the UK. He is a Director of Clarson Goff Management Limited and Chairman of several medical related charities. He is a former Chairman of the CBI Southern Region, was Chairman of Energy Power Resources Limited until May 2006, was Governor of Oxford Brookes University until November 2006 (from which he was awarded an Honorary Doctorate) and was a member of the Medical Sciences Board of Oxford University until 2003.

David Buchler, Non-Executive Director, aged 58

David is a Non-Executive Director of Volvere and has some 30 years experience in the field of corporate turnaround. He was a partner at Arthur Andersen prior to becoming a founding partner of Buchler Phillips, the financial recovery and restructuring specialist which was acquired by the Kroll-O'Gara Company, the world's leading risk mitigation firm, in 1999. Until 2003, he was Chairman of Kroll for Europe and Africa. He is a former President of R3, the association of business recovery and turnaround professionals, was until 2006 Vice-Chairman of Tottenham Hotspur Football Club and is currently a Board Member and Chairman of Development at the English National Opera. He is currently Chairman of DB Consultants Limited and Langbar International Limited.

Directors and professional advisers (*continued*)

Bankers

Bank of Scotland
Level 6
110 St Vincent Street
Glasgow
G2 5ER

Royal Bank of Scotland plc
2nd Floor, The Gemini Building
24/25 St Andrew Square
Edinburgh
EH2 1AF

Solicitors

Squire, Sanders & Dempsey (UK) LLP
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH

Bircham Dyson Bell LLP
50 Broadway
London
SW1H 0BL

Broker and nominated adviser

Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London
EC2Y 9AR

Auditor

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Churchill House
Chalvey Road East
Slough
SL1 2LS

Chairman's statement and Chief Executive's statement

Chairman's statement

The last year has been particularly challenging. Using our financial resources we have invested cautiously and made a satisfactory return. It is uncertain that this performance can be repeated this year, with the economic scenario continuing to be unsettled.

Acquisitions have been difficult, and we have declined to invest against that background. Where the opportunity exists we will be well-positioned to select promising companies.

Lord Kalms
Chairman

31 March 2011

Chief Executive's statement

Introduction

I am pleased to report on another successful year for the Group. Despite lacklustre growth in the UK economy, we increased our net assets per share (excluding non-controlling interests) by 10% to £3.43 (2009: £3.11) as a result principally of gains in our bonds and equities portfolio coupled with a good trading performance.

Operating review

During the year the Group operated in two segments: online marketing & data services and security solutions. The financial performance of each segment is summarised in the financial review on pages 5 to 6 and detailed in note 5 to the financial statements.

Online marketing & data services

Our online marketing and data services business, IPT, produced revenue and profit before interest, tax and amortisation of £8.5 million and £1.1 million respectively (2009: £10.4 million and £1.7 million). This was in excess of our expectations at the beginning of the year. The company made significant efforts to improve the quality and quantity of its prospect data through close monitoring of suppliers, increasing the range and depth of its data. In 2011 the company is investing significant resource in new products which we expect will continue this trend.

IPT's sector is challenging and the result for 2010, whilst excellent, was still below that of 2009. I am cautious about the outlook for 2011 more because of the general economic environment rather than for any IPT-specific reason. IPT has a talented workforce and a strong management team who respond to market conditions appropriately and we remain committed to them.

The total cash received by way of loan repayments and dividends from IPT since acquisition in 2008 has, following a dividend received in 2011, reached £2.65 million compared with an original investment cost of £1.4 million. During the year, our stake in IPT was reduced to approximately 45% following the exercise of share options by the management team. IPT has already been a successful investment for us and it continues to be so.

Security solutions

Sira Defence & Security continued to expand the SiraView user base and to undertake security-related and other consulting work, resulting in its first ever profitable year. Government spending reductions are affecting many of our clients but a number of successes with projects during 2010 gives us some confidence that follow-on work will materialise. Revenue for the year was £0.5 million (2009: £0.4 million) with profit before interest and tax of £0.04 million (2009: loss £0.04 million).

Chief Executive's statement (*continued*)

Cash and investments

At the year end the Group had cash of £3.1 million and a total of £16.4 million (at cost) invested in available for sale investments, with a valuation of £17.8 million.

Acquisitions and future strategy

We reported in our interim report that deal flow had been increasing and this has continued into 2011. We avoided entering the recession with significant exposure and have enjoyed the rebound in the valuation of financial securities and more recently of corporate bonds and large cap equities. At this time we continue to seek quality acquisition opportunities commensurate with our skills and resources.

Jonathan Lander
Chief Executive

31 March 2011

Financial review

This financial review covers the Group's performance for the year ended 31 December 2010. It should be read in conjunction with the Chairman's and Chief Executive's statements.

Accounting policies and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Group's accounting policies are set out in note 1 to the consolidated financial statements.

Revenue and operating performance

Detailed information about the Group's segments is set out in note 5 to these financial statements and should be read in conjunction with this financial review.

Total revenue from continuing operations was £9.0 million for the year, a fall of 17% compared with the prior year (2009: £10.9 million). Revenue by segment is shown in note 5 to the financial statements. Profit before tax from continuing businesses was £0.9 million (2009: £0.5 million) but the improvement was due largely to a lower finance expense in respect of share capital treated as debt (2010: £0.3 million; 2009: £1.0 million) and increased investment income, offset partly by weaker trading in IPT.

Online marketing and data services

The Group's principal trading subsidiary throughout 2010 was IPT, which forms the online marketing & data services segment. IPT's revenue for 2010 as a whole fell by 19% from £10.4 million in 2009 to £8.5 million. There was a corresponding fall in profit before tax from £1.7 million to £1.1 million. Although revenue for the second half of 2010 was only 2% lower than the first half, profits before tax were lower at £0.45 million (first half £0.63 million) as a result of a less profitable revenue mix.

Security solutions

Revenue from security solutions increased by 26% to £0.5 million (2009: £0.4 million) following delivery of a number of successful projects and encouraging SiraView sales. The effect of the increased revenue was a move for the first time into profit for the year as a whole with a profit before tax of £0.04 million (2009: loss £0.04m). Activity in the second half of the year was lower than the first half due to uncertainty surrounding public sector spending cuts but we are hopeful that in 2011 both further project work will be forthcoming along with efficiency-driven SiraView sales.

Investment revenues, other gains and losses and finance income and expense

Whilst continuing to review and assess further investments in trading activities, the Group has had significant cash on hand and has continued with active treasury management in response to prevailing low interest rates. This resulted in investment revenues, other gains and losses and finance income totalling £1.2 million (2009: £1.0 million).

Statement of financial position

Deferred tax

The group has recognised a deferred tax asset in the year of £0.9 million.

Cash and cash equivalents

Cash at the year end totalled £3.1 million (2009: £8.8 million). The reduction was a result of the investment by the Group in available for sale investments as part of treasury management. The Group's cash includes (by virtue of its full consolidation) £1.2 million (2009: £1.1 million) held in its 45% owned subsidiary, Interactive Prospect Targeting Limited.

Financial review (*continued*)

Available for sale investments

At the year end the Group's available for sale investments had a market value of £17.8 million; the base cost of these investments was £16.4 million. The investments are in a mixture of non-investment grade bank fixed income securities, a FTSE tracker fund and another investment grade asset-backed securities fund of mainly US issuers.

Hedging

It is not the Group's policy to enter into derivative instruments to hedge interest rate risk. Certain of the investments are denominated in US dollars (base cost \$4 million, valuation \$4.3 million) and the Group has entered into a foreign exchange contract for the sale of \$4.25 million in November 2011 at a rate of \$1.5871/£1. The difference between the foreign exchange contract rate and the spot rate has resulted in a charge to the income statement of £0.07 million in 2010.

Dividends

In accordance with the policy set out in the prospectus on admission to AIM, the Board does not currently intend to recommend payment of a dividend and prefers to retain profits as they arise for investment in future opportunities. During the year, however, Interactive Prospect Targeting Limited paid dividends totalling £0.77 million (2009: £1.7million), of which £0.42 million (2009: £0.85 million) was paid to third party (i.e. non-Group) shareholders.

Purchase of own shares

The Group purchased for treasury a total of 298,000 shares at a total consideration of £0.88 million (representing an average price of £2.95 per share).

Earnings per share

The basic and diluted earnings per ordinary share were 19.44p and 19.39p respectively (2009: basic and diluted 113.57p). During the year the Company continued the operation of a share option scheme in which certain staff are entitled to participate, subject to the scheme's terms and conditions.

Key performance indicators

The Group uses key performance indicators suitable for the nature and size of the Group's businesses. These are primarily monthly reports of profitability, levels of working capital and workload. In the online marketing and data services segment, the Group monitors traffic statistics both in terms of yield and cost as well as overall profitability. Order intake is monitored weekly and reported monthly in respect of the security solutions segment. The segmental analysis in note 5 to these financial statements summarises the performance of each segment.

Risk factors

The Company and Group face a number of specific business risks that could affect the Company's or Group's success. The Company and Group invests in distressed businesses and securities, which by their nature, often carry a higher degree of risk than those that are not distressed. The Group's businesses are principally engaged in the provision of services that are dependent on the continued employment of the Group's employees and availability of suitable, profitable workload. In addition, the online marketing and data services segment is particularly dependent on IT systems and infrastructure, the unavailability of which could impact the Group materially.

More information on the Group's financial risks is disclosed in note 16 to the financial statements.

Nick Lander
Chief Financial & Operating Officer

31 March 2011

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

Principal activities

The Company is a holding company that identifies and invests principally in undervalued and distressed businesses and securities as well as businesses that are complementary to existing Group companies. The Company provides management services to those businesses.

The trading subsidiaries' principal activities are online marketing & data services and security solutions.

Business review

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements of the business review can be found in the Chairman's statement, Chief Executive's statement and the financial review on pages 3 to 6, which are incorporated in this report by reference and should be read in conjunction with it. Those reports also include details of expected future developments in the businesses of the Group.

Dividends

The Directors do not recommend the payment of a dividend (2009: £Nil). There was no interim dividend (2009: £Nil). During the year, the Group's 45% owned subsidiary, Interactive Prospect Targeting Limited paid dividends totalling £0.77 million (2009: £1.7 million), of which £0.42 million (2009: £0.85 million) was paid to third party (i.e. non-Group) shareholders.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 19. The Company has issued shares in the following classes:

Class	Nominal value per share	% of voting rights	% of total capital
Ordinary shares	£0.0000001	100	-
A shares	£0.49999995	-	41.17
B shares	£0.49999995	-	41.17
Deferred shares	£0.00000001	-	17.66

None of the Company's shares have a right to fixed income. The Ordinary shares carry the right to one vote each at general meetings of the Company and rank *pari passu* with the A and B shares on a return of capital. The A and B shares became capable of being converted into Ordinary shares at the option of the holder on or after 24 December 2003 and 24 December 2004 respectively, on a predetermined conversion formula based upon share price performance and the weighted average issue price of Ordinary share capital, whereby approximately 15% of the growth in market capitalisation of the Group over the weighted average issue price of Ordinary shares issued is attributable to the holders of A and B shares. The A and B shares carry no voting rights. The Deferred shares carry no rights to participate in the profits or assets of the Company and carry no voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company operates an EMI share scheme in which employees of certain Group companies may participate subject to the rules of the scheme and certain other conditions and has granted unapproved options outside of this scheme. In addition, Interactive Prospect Targeting Limited has an EMI share scheme in place. Further details relating to these schemes are set out in note 23.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Directors' report (*continued*)

Capital structure (*continued*)

At the Company's annual general meeting on 23 June 2010 a number of resolutions were passed in relation to the Company's capital structure. Those remaining in force are summarised below:

- The Directors may allot unissued shares in the capital of the Company up to an aggregate nominal amount of £2.00, such authority to expire fifteen months after the passing of the resolution or if earlier, on the conclusion of the next annual general meeting.
- The Directors may offer and allot equity securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise. The Directors may exercise such authority in respect of Ordinary shares having an aggregate nominal amount of £2.00. The authority expires fifteen months after the date the resolution was passed or if earlier, on the conclusion of the next annual general meeting.

At a general meeting of the Company on 22 February 2010 there were certain resolutions passed in relation to the Company's capital structure, which are summarised below:

- The Company may make market purchases of its Ordinary shares of up to a total of 2,854,360 Ordinary shares. This authority expires on the fifth anniversary of its passing unless previously renewed, varied or revoked. The minimum price per share to be paid on exercise of the authority would be its nominal value (£0.0000001) and the maximum price (unless the Company made a tender or partial offer to all holders of Ordinary Shares on the same terms) would not exceed 5 per cent. above the average closing offer prices for an Ordinary share as derived from the London Stock Exchange Official List for the 5 business days immediately preceding the day of purchase.
- There has been a waiver granted by the Panel of Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers for a concert party (whose members include certain Directors) individually or collectively to make a general offer to shareholders arising as a result of either the Company making purchases of its own shares or as a result of the conversion of A shares and B shares into Ordinary shares.

Directors

The Directors of the Company during the year were as named below. All served throughout the year and remain Directors at the date of this report, except as indicated.

Lord Kalms – Chairman

Jonathan Lander – Chief Executive Officer

Nick Lander – Chief Financial & Operating Officer

Richard Kalms – Business Development Director (resigned 31 March 2010)

Neil Ashley – Non-Executive Director

David Buchler – Independent Non-Executive Director

The current Directors' biographies are set out on page 1 and are incorporated here by reference. Neil Ashley and Jonathan Lander retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

Directors' report (continued)

Directors' interests

The Directors' interests in the share capital of the Company at 31 December are disclosed below:

	Number of Ordinary Shares 2010	Number of A Shares 2010	Number of B Shares 2010	Number of Ordinary Shares 2009	Number of A Shares 2009	Number of B Shares 2009
Lord Kalms	596,287	3,225	3,225	571,287	3,225	3,225
Neil Ashley*	505,159	4,758	4,758	605,159	4,758	4,758
David Buchler	129,893	-	-	104,893	-	-
Jonathan Lander	575,037	18,235	18,235	550,037	18,235	18,235
Nick Lander	316,287	14,494	14,494	291,287	14,494	14,494

* Neil Ashley is a Trustee of The Ashley Grandchildren's 2003 Settlement, whose shareholdings are included above. As Trustee Mr Ashley holds 150,000 Ordinary shares, 1,250 A shares and 1,250 B shares.

Neither the A shares nor the B shares are admitted to trading on AIM.

There have been no changes in the interests of Directors between 31 December 2010 and 31 March 2011.

David Buchler is the only Director of the Company to hold share options. As at 31 December 2010 he held 31,000 options (2009: 31,000) at an exercise price of £1.875 exercisable until 12 April 2014.

Corporate governance

The Board gives careful consideration to the principles of corporate governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2008 (the "Revised Combined Code"). However, the Company is relatively small and it is the opinion of the Directors that not all the provisions of the Revised Combined Code are relevant or desirable for a company of Volvere's size.

The Company has established an Audit Committee and a Remuneration Committee with formal terms of reference and which comprise the Chairman and both of the other Non-Executive Directors. The Audit Committee is chaired by David Buchler and the Remuneration Committee is chaired by Lord Kalms.

Supplier payment policy

The Group does not follow any specified code or standard on payment practice. However, it is the Group's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. It is the Group's policy to make prompt payment to those suppliers meeting their obligations. The number of days' purchases represented by year end creditors for the Company is 14 days (2009: 26 days) and for the Group is 41 days (2009: 50 days).

Charitable and political donations

There were no charitable or political donations made during the year (2009: £Nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' report (continued)

Substantial shareholdings

On 30 March 2011 the Company had been notified of the following voting rights as a shareholder of the Company:

Name of shareholder	Number of Ordinary Shares	% of issued Ordinary Share Capital and Voting Rights	Nature of holding
Woodhall Securities Limited	849,666	15.5%	Direct and indirect
Richard Kalms	377,736	6.9%	Direct
State Street Nominees Limited	282,000	5.1%	Direct
BlackRock Growth & Recovery Fund – RA Portfolio	208,670	3.8%	Indirect
FG Nominees Limited	182,114	3.3%	Direct

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal discussions between Group management, operating company management and employees at a local level.

Auditor

Grant Thornton UK LLP were reappointed auditor at the annual general meeting on 23 June 2010. They have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board

Nick Lander
Company Secretary

31 March 2011

Company number: 04478674

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRS/UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Independent auditor's to the members of Volvere plc (consolidated financial statements)

We have audited the group financial statements of Volvere plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 11, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Volvere plc for the year ended 31 December 2010.

James Rogers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Slough

31 March 2011

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Consolidated income statement

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue	5	8,979	10,890
Cost of sales		(2,739)	(3,761)
Gross profit		<u>6,240</u>	<u>7,129</u>
Administrative expenses:			
- Before goodwill and share based payments charge		(6,224)	(6,526)
- Realisation of negative goodwill		-	67
- Costs of share-based payments		-	(90)
Administrative expenses		<u>(6,224)</u>	<u>(6,549)</u>
Operating profit	2	16	580
Investment revenues	7	582	299
Other gains and losses	7	588	591
Finance expense	7	(295)	(1,030)
Finance income	7	46	85
Profit before tax		937	525
Income tax	8	1,116	(128)
Profit for the year from continuing operations		<u>2,053</u>	<u>397</u>
Discontinued operations			
Profit for the year from discontinued operations	6	176	6,862
Profit for the year		<u><u>2,229</u></u>	<u><u>7,259</u></u>
Attributable to:			
- Equity holders of the parent	20	1,093	6,459
- Non-controlling interests	26	1,136	800
		<u><u>2,229</u></u>	<u><u>7,259</u></u>
Earnings/(loss) per share			
Continuing operations			
- Basic		16.31p	(7.08)p
- Diluted		16.27p	(7.08)p
Discontinued operations			
- Basic		3.13p	120.65p
- Diluted		3.12p	120.65p
Total			
- Basic		19.44p	113.57p
- Diluted		<u><u>19.39p</u></u>	<u><u>113.57p</u></u>

The notes on pages 18 to 41 form part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Consolidated statement of comprehensive income

	2010 £'000	2009 £'000
Profit for the year	<u>2,229</u>	<u>7,259</u>
Other comprehensive income		
Fair value gains and losses on available for sale financial assets		
- current period gains	1,521	351
- deferred tax on current period gains	(164)	-
- reclassified to profit	(450)	(97)
	<u>907</u>	<u>254</u>
Other comprehensive income		
	907	254
Total comprehensive income for the year	<u>3,136</u>	<u>7,513</u>
Attributable to:		
- Equity holders of the parent	2,000	6,713
- Non-controlling interests	1,136	800
	<u>3,136</u>	<u>7,513</u>

The notes on pages 18 to 41 form part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total £'000
2009								
Income recognised directly in equity	-	-	254	-	-	254	-	254
Profit for the year	-	-	-	-	6,459	6,459	800	7,259
Total comprehensive income for the year	-	-	254	-	6,459	6,713	800	7,513
Balance at 1 January	50	3,586	97	16	7,218	10,967	670	11,637
Equity shares issued	-	49	-	-	-	49	-	49
Shares reclassified as financial liabilities	(50)	-	-	-	-	(50)	-	(50)
Equity share options cancelled	-	-	-	(16)	16	-	-	-
Share based payments charge	-	-	-	90	-	90	-	90
Reduction in minority share	-	-	-	-	-	-	(157)	(157)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	(850)	(850)
Balance at 31 December	-	3,635	351	90	13,693	17,769	463	18,232
2010								
Income recognised directly in equity	-	-	907	-	-	907	-	907
Profit for the year	-	-	-	-	1,093	1,093	1,136	2,229
Total comprehensive income for the year	-	-	907	-	1,093	2,000	1,136	3,136
Balance at 1 January	-	3,635	351	90	13,693	17,769	463	18,232
Equity shares issued	9	1	-	-	-	10	-	10
Purchase of own shares	-	-	-	-	(880)	(880)	-	(880)
Exercise of options in subsidiary	-	-	-	(90)	41	(49)	49	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	(420)	(420)
Balance at 31 December	9	3,636	1,258	-	13,947	18,850	1,228	20,078

The notes on pages 18 to 41 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2010

Consolidated statement of financial position

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Goodwill	11	305	305
Property, plant and equipment	12	266	331
Deferred tax asset	18	966	52
Total non-current assets		1,537	688
Current assets			
Trade and other receivables	14	1,483	1,566
Cash and cash equivalents		3,109	8,837
Available for sale investments	13	17,812	11,601
Total current assets		22,404	22,004
Total assets		23,941	22,692
Liabilities			
Current liabilities			
Trade and other payables	15	(2,463)	(3,204)
Taxation		(41)	(183)
Shares classed as financial liabilities	19	(1,359)	(1,073)
Total current liabilities		(3,863)	(4,460)
Total liabilities		(3,863)	(4,460)
TOTAL NET ASSETS		20,078	18,232
Equity			
Share capital	19	9	-
Share premium account	20	3,636	3,635
Revaluation reserve	20	1,258	351
Share option reserve	20	-	90
Retained earnings	20	13,947	13,693
Capital and reserves attributable to equity holders of the Company		18,850	17,769
Non-controlling interests	26	1,228	463
TOTAL EQUITY	21	20,078	18,232

The financial statements on pages 13 to 41 were approved by the Board of Directors and authorised for issue on 31 March 2011 and were signed on its behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 18 to 41 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2010

Consolidated statement of cash flows

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Profit for the year			2,229		7,259
Adjustments for:					
Investment revenues	7	(582)		(299)	
Other gains and losses	7	(588)		(591)	
Finance expense	7	295		1,030	
Finance income	7	(46)		(85)	
Gain arising on disposal of discontinued operations	6	(176)		(6,379)	
Income tax (credit)/expense	8	(1,116)		128	
Tax paid		(105)		-	
Depreciation (continuing operations)	12	232		250	
Realisation of negative goodwill (continuing operations)		-		(67)	
Depreciation (discontinued operations)		-		41	
Amortisation (discontinued operations)		-		120	
Foreign exchange revaluation loss/(gain)		90		(23)	
Share based payment expense	23	-		90	
			(1,996)		(5,785)
Operating cash flows before movements in working capital			233		1,474
(Increase)/decrease in trade and other receivables			(140)		745
(Decrease)/increase in trade and other payables			(306)		260
Cash (used)/generated by operations			(213)		2,479
Interest paid			-		(11)
Net cash from operating activities			(213)		2,468
Investing activities					
Purchase of additional shares in subsidiary		(3)		(82)	
Amounts received in respect of prior acquisition		-		85	
Disposal of subsidiary, net of costs of disposal and cash disposed	6	(71)		6,252	
Purchase of available for sale investments		(12,141)		(18,902)	
Income from available for sale investments		706		106	
Disposal of available for sale investments		7,403		17,831	
Proceeds on disposal of property, plant and equipment		-		5	
Purchases of property, plant and equipment	12	(167)		(306)	
Interest received	7	46		86	
Net cash (used in)/ generated from investing activities			(4,227)		5,075
Financing activities					
Issue of share capital	19	40		48	
Purchase of own shares (treasury shares)	19	(880)		-	
Repayment of borrowings		(28)		(903)	
Dividend paid		(420)		(850)	
Net cash used in from financing activities			(1,288)		(1,705)
Net (decrease)/increase in cash and cash equivalents			(5,728)		5,838
Cash and cash equivalents at beginning of year			8,837		2,999
Cash and cash equivalents at end of year			3,109		8,837

The notes on pages 18 to 41 form part of these financial statements.

1 Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) as adopted by the European Union ("adopted IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under adopted IFRS. The Company has elected to prepare its Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"); these are presented on pages 42 to 49.

The following principal accounting policies have been applied consistently, in all material respects, in the preparation of these financial statements:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the consideration transferred over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the consideration transferred below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

For business combinations occurring since 1 January 2010, the requirements of IFRS 3 "Business Combinations (Revised 2008)" have been applied. Prior to 1 January 2010, business combinations were accounted under the previous version of IFRS 3 (see below for a summary of the significant changes).

1 Accounting policies (*continued*)

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See above for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue earned on time and materials contracts is recognised as costs are incurred. Income from fixed price contracts is recognised in proportion to the stage of completion, determined on the basis of work done, of the relevant contract.

Discontinued operations

Discontinued operations represent cash generating units or groups of cash generating units that have either been disposed of or classified as held for sale, and represent a separate major line of business or are part of a single co-ordinated plan to dispose of a separate major line of business. Cash generating units forming part of a single co-ordinated plan to dispose of a separate major line of business are classified within continuing operations until they meet the criteria to be held for sale. The post-tax profit or loss of the discontinued operation is classified as a single line on the face of the consolidated income statement, together with any post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation. On changes to the composition of groups of units comprising discontinued operations, the presentation of discontinued operations within prior periods is restated to reflect consistent classification of discontinued operations across all periods presented.

Operating Segments

IFRS 8 "Operating Segments" requires the disclosure of segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed collectively by the board of Directors.

Volvare plc is a holding company that identifies and invests principally in undervalued and distressed businesses and securities as well as businesses that are complementary to existing Group companies. Its customers are based in the UK, Europe and the USA.

Financial information (including revenue and operating profits) is reported to the board on a segmental basis. Segment revenue comprises sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the board represents the profit earned by each segment before the allocation of goodwill, amortisation, investment revenues, other gains and losses, finance expense and income and tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the board reviews the non-current assets attributable to each segment as well as the financial resources available. All assets are allocated to reportable segments. Assets that are used jointly by segments are allocated to the individual segments on a basis of revenues earned. All liabilities are allocated to individual segments. Information is reported to the board of directors on a segmental basis as management believes that each segment exposes the Group to differing levels of risk and rewards due to their varying business life cycles. The segment profit or loss, segment assets and segment liabilities are measured on the same basis as amounts recognised in the financial statements. Each segment is managed separately.

1 Accounting policies (*continued*)

Leasing

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Retirement benefit costs

The Group's subsidiary undertakings operate defined contribution retirement benefit schemes. Payments to these schemes are charged as an expense in the period to which they relate. The assets of the schemes are held separately from those of the relevant company and Group in independently administered funds.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

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

1 Accounting policies (*continued*)

Property, plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, less their residual values, over their estimated useful lives, using the straight line method, on the following bases:

Improvements to short-term leasehold property:	Over the life of the lease
Plant and machinery:	20%-33%

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs. Available for sale current asset investments are carried at fair value with adjustments recognised in other comprehensive income.

Investment income

Income from investments is included in the income statement at the point the Group becomes legally entitled to it.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value 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 options that will ultimately vest.

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

1 Accounting policies (*continued*)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, overnight deposits and treasury deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less any provision for impairment.

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the Group's investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in other comprehensive income. Fair value is determined by reference to independent valuation statements provided by the investment manager or broker (as the case may be) through whom such investments are made. Where the underlying investments are exchange-traded, the mid price of the investment is used.

Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank and other borrowings are initially recognised at the fair value of the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

1 Accounting policies (*continued*)

Financial liabilities and equity instruments

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

The Group has in issue A and B shares which are convertible into Ordinary shares at the option of the shareholder based upon a formula contained in the Company's Articles of Association. The A and B shares do not have a cash alternative. However, because the shares convert into a variable number of ordinary shares, dependent inter alia on the share price of the ordinary shares in issue, the terms of IAS 32 "Financial Instruments Presentation" require them to be classified as debt. The instrument is classified as an amortised cost liability and carried at its settlement amount, which approximates fair value. Movements in settlement amount re-estimation are recorded in profit or loss.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of the Group's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The critical judgements and key sources of estimation uncertainty that have a significant impact on the carrying value of assets and liabilities are discussed below:

Deferred tax asset

The Group recognises a deferred tax asset in respect of temporary differences relating to capital allowances, revenue losses and other short term temporary differences when it considers there is sufficient evidence that the asset will be recovered against future taxable profits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT. Sales of goods are recognised when goods are delivered and title has passed. Revenue is recognised when the significant risks and rewards associated with ownership of the goods have been transferred. Sales of services are recognised with reference to the stage of completion.

Due to the nature of some services provided by certain of the Group's businesses the recoverability of receivables can be subject to some uncertainty. Whilst the Group has a thorough process for reviewing the requirement for receivables and credit note provisions, this area is inherently subjective.

New standards and interpretations

During the year, a number of new standards/interpretations have come into force and hence have been adopted by the Group. The adoption of these standards/interpretation has had no material effect on the Group's financial statements.

1 Accounting policies (*continued*)

New standards and interpretations (*continued*)

The accounting policies are consistent with the prior year with the exception of revisions and amendments to IFRS issued by the IASB, which are relevant to and effective for the annual period beginning 1 January 2010. These are as follows:

- IFRS 3 *Business Combinations* (Revised 2008)
- IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008)
- *Improvements to IFRSs 2009*

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described below.

Adoption of IFRS 3 Business Combinations (Revised 2008)

The revised standard on business combinations (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R are as follows:

- acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition
- any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill
- the measurement of assets acquired and liabilities assumed at their acquisition-date fair values is retained. However, IFRS 3R includes certain exceptions and provides specific measurement rules.

Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3R required that the revised IAS 27 (IAS 27R) is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively. During the current period the Group was not affected by the adoption of IAS 27R.

Standards in issue not yet effective

The IASB and IFRIC have issued the following Standards and Interpretations which are in issue but not yet effective

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)

The Group does not anticipate that the adoption of these Standards and Interpretations will have a material effect on its financial statements on initial adoption.

2 Operating profit

Operating profit is stated after charging/(crediting):

	2010 £'000	2009 £'000
Staff costs	3,921	5,190
Depreciation of property, plant and equipment:		
- owned assets	220	238
- leased assets	12	12
Realisation of negative goodwill	-	(67)
Exchange losses/(gains)	91	(8)
Operating lease expense	177	31
Audit fees	33	36
Fees paid to the Company's auditor for non-audit services	-	2
	<u>33</u>	<u>38</u>
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor		
- for the audit of the Company's annual accounts	12	14
- for the audit of the Company's subsidiaries' accounts	21	22
- for financial reporting advice	-	2
	<u>33</u>	<u>38</u>

3 Staff costs

Staff costs in respect of continuing operations (including Directors) comprise:

	2010 £'000	2009 £'000
Wages and salaries	3,509	4,550
Employer's national insurance contributions and similar taxes	394	524
Defined contribution pension cost	18	26
Share-based payment expense	-	90
	<u>3,921</u>	<u>5,190</u>

The average number of employees (including Directors) in the Group was as follows:

	2010 Number	2009 Number
Engineering and production	20	18
Sales and marketing	22	24
Administration and management	26	35
	<u>68</u>	<u>77</u>

4 Directors' remuneration

The remuneration of the directors was as follows:

	Salaries & fees	Bonus	Compensation for loss of office	Other benefits	Total
	2010	2010	2010	2010	2010
	£'000	£'000	£'000	£'000	£'000
Lord Kalms	62	10	-	-	72
Neil Ashley	30	9	-	-	39
David Buchler	30	9	-	-	39
Richard Kalms	10	28	-	-	38
Jonathan Lander	12	44	-	-	56
Nick Lander	12	44	-	1	57
	<u>156</u>	<u>144</u>	<u>-</u>	<u>1</u>	<u>301</u>

	Salaries & fees	Bonus	Compensation for loss of office	Other benefits	Total
	2009	2009	2009	2009	2009
	£'000	£'000	£'000	£'000	£'000
Lord Kalms	37	71	-	-	108
Neil Ashley	20	64	-	-	84
David Buchler	20	60	-	-	80
Richard Kalms	40	61	-	-	101
Jonathan Lander	12	303	-	-	315
Nick Lander	12	307	-	1	320
	<u>141</u>	<u>866</u>	<u>-</u>	<u>1</u>	<u>1,008</u>

The services of Jonathan Lander and Nick Lander are provided under the terms of a Service Agreement with Dawnay, Day Lander Limited. The amount due under this agreement, which is in addition to the amounts disclosed above, for the year amounted to £502,000 (2009: £480,000). In addition, the amount paid to David Buchler in the year was to a third party on an invoice basis. None of the directors were members of the Group's defined contribution pension plan in the year (2009: none).

5 Segment information

All revenue arose through services rendered in the principal activities of online marketing & data services, security solutions and investing and management services.

5 Segment information (*continued*)

Analysis by business segment:

	Online marketing & data services 2010 £'000	Security solutions 2010 £'000	Investing and management services 2010 £'000	Eliminations 2010 £'000	Total 2010 £'000	Discontinued activities 2010 £'000
<i>Revenue</i>						
External	8,452	472	55	-	8,979	-
Inter-segment	-	-	203	(203)	-	-
Total	8,452	472	258	(203)	8,979	-
<i>Segment profit/(loss) (note (a))</i>	1,139	39	(1,162)	-	16	-
Profit from operations before goodwill and amortisation of intangible assets					16	
Investment revenues					582	-
Other gains and losses					588	-
Net finance expense (note 7)					(249)	-
Profit on ordinary activities before tax					937	-
Gain on disposal of discontinued operation (note 6)					-	176
Profit for the year before tax					937	176
Income tax					1,116	-
Profit for the year					2,053	176

	Online marketing & data services 2009 £'000	Security solutions 2009 £'000	Investing and management services 2009 £'000	Eliminations 2009 £'000	Total 2009 £'000	Discontinued activities 2009 £'000
<i>Revenue</i>						
External	10,404	374	112	-	10,890	2,635
Inter-segment	-	-	338	(338)	-	-
Total	10,404	374	450	(338)	10,890	2,635
<i>Segment profit/(loss) (note (a))</i>	1,685	(42)	(1,130)	-	513	606
Profit from operations before goodwill and amortisation of intangible assets					513	606
Amortisation of intangible assets					-	(120)
Investment revenues					299	-
Other gains and losses					591	-
Negative goodwill released to income					67	-
Net finance expense (note 7)					(945)	(3)
Profit on ordinary activities before tax					525	483
Gain on disposal of discontinued operation (note 6)					-	6,379
Profit for the year before tax					525	6,862
Income tax expense					(128)	-
Profit for the year					397	6,862

Notes forming part of the consolidated financial statements (*continued*)

5 Segment information (*continued*)

	Online marketing & data services 2010 £'000	Security solutions 2010 £'000	Investing and management services 2010 £'000	Eliminations 2010 £'000	Total 2010 £'000
<i>Statement of financial position</i> (note (b))					
Assets	3,800	260	19,881	-	23,941
Liabilities	(1,766)	(270)	(1,827)	-	(3,863)
Net assets/(liabilities)	2,034	(10)	18,054	-	20,078
<i>Other</i>					
Capital expenditure	161	3	3	-	167
Depreciation	212	6	14	-	232
Realisation of negative goodwill	-	-	-	-	-

	Online marketing & data services 2009 £'000	Security solutions 2009 £'000	Investing and management services 2009 £'000	Eliminations 2009 £'000	Total 2009 £'000
<i>Statement of financial position</i> (note (b))					
Assets	3,122	117	19,453	-	22,692
Liabilities	(2,443)	(83)	(1,934)	-	(4,460)
Net assets	679	34	17,519	-	18,232
<i>Other</i>					
Capital expenditure	265	2	26	-	293
Depreciation	226	7	17	-	250
Amortisation	-	-	-	-	-
Realisation of negative goodwill	-	-	67	-	67

Note (a): The segment result has been stated before tax, interest, amortisation of intangible assets and Group management and similar charges. Note (b): Segment assets and liabilities have been stated excluding inter-segment balances.

Geographical analysis:

	External revenue by location of customers		Non-current assets (excluding deferred tax) by location of assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
UK	8,257	9,918	571	636
Rest of Europe	599	716	-	-
USA	2	120	-	-
Other	121	136	-	-
	8,979	10,890	571	636

In the Group's online marketing & data services segment, the revenue from the top five customers exceeded 30% of the total revenue, with the top 20 customers representing approximately 58% of the total. The discontinued operations relates to the Company's then subsidiaries, Sira Test and Certification Limited, Sira Environmental Limited and Sira Certification Service, which were sold in July 2009. Further information is given in note 6.

Notes forming part of the consolidated financial statements (*continued*)

6 Discontinued operations

On 3 July 2009 the Group sold Sira Test and Certification Limited, Sira Environmental Limited and Sira Certification Service, which together represented the Group's certification services segment. The disposal proceeds included a variable element, the absolute amount of which was not known at the time the 2009 financial statements were approved. During 2010 additional amounts became payable which resulted in additional profit on the sale, being recognised in 2010.

The profit from discontinued operations was as follows:

	2010	2009
	£'000	£'000
Profit for period after tax (before group management and other charges)	-	483
Gain on sale of discontinued operations after tax (see below)	176	6,379
	<u>176</u>	<u>6,862</u>

The gain on disposal of discontinued operations recognised is analysed as follows:

	2010	2010	2009	2009
	£'000	£'000	£'000	£'000
Consideration:				
Cash receivable	209		8,118	
Less: disposal costs	(33)		(1,657)	
	<u>176</u>		<u>6,461</u>	
Less: net assets disposed of				
Property, plant and equipment	-		203	
Intangible assets	-		356	
Trade and other receivables	-		1,328	
Other financial assets	-		88	
Cash	-		640	
Trade and other payables	-		(2,533)	
	<u>-</u>		<u>82</u>	
Gain on disposal of discontinued operation		<u>176</u>		<u>6,379</u>
The net cash (outflow)/inflow comprises:				
Cash received		176		8,118
Cash disposed of		-		(640)
Disposal costs		(247)		(1,226)
		<u>(71)</u>		<u>6,252</u>

The statement of cash flows includes the following additional amounts relating to discontinued operations:

	2010	2009
	£'000	£'000
Operating activities	-	748
Investing activities	-	(2)
Financing activities	-	(300)
	<u>-</u>	<u>446</u>

Notes forming part of the consolidated financial statements (*continued*)

7 Investment revenues, other gains and losses and finance income and expense

	2010 £'000	2009 £'000
<i>Investment revenues</i>	582	299
<i>Other gains and losses</i>	588	591
<i>Finance income</i>		
Bank interest receivable	46	85
<i>Finance expense</i>		
Changes in settlement value of share capital classed as financial liabilities	(295)	(1,023)
Shareholder loan interest in subsidiary	-	(4)
Finance lease interest	-	(3)
	(295)	(1,030)

Investment revenues and other gains and losses represent respectively interest (paid and accrued) on, and the gains arising upon disposal of, investments made pursuant to the Group's investing and treasury management policies.

The Company's convertible A and B share capital, which are classified as financial liabilities rather than equity, are carried at their settlement amount and changes in the settlement value reflects the required treatment under IAS 32 "Financial Instruments: Presentation". There is no cash alternative upon conversion of these shares and therefore no cash liability arises.

8 Income tax

	2010 £'000	2009 £'000
Current tax (credit)/expense	(38)	180
Deferred tax credit recognised in income statement	(1,078)	(52)
Total tax (credit)/expense recognised in income statement	(1,116)	128
Tax charge recognised directly in equity	164	-
Total tax (credit)/charge	(952)	128

The reasons for the difference between the actual tax expense for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2010 £'000	2009 £'000
Profit before tax	937	525
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2009: 28%)	262	147
<u>Effects of:</u>		
Expenses not deductible for tax purposes	5	382
Gains on disposal of discontinued activities	59	1,946
Income not subject to tax	(156)	(84)
Depreciation for period in excess of capital allowances	65	2
Losses not utilised	158	60
Utilisation of previously unrecognised losses	(418)	(379)
Gains not chargeable	(59)	(1,946)
Recognition of previously unrecognised deferred tax asset	(905)	-
Other differences	37	-
Total tax (credit)/charge	(952)	128

Notes forming part of the consolidated financial statements (*continued*)

9 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings for the purposes of earnings per share:	2010	2009
	£'000	£'000
From continuing operations	917	(403)
From discontinued operations	176	6,862
Total	<u>1,093</u>	<u>6,459</u>
Weighted average number of shares for the purposes of earnings per share:	2010	2009
	No.	No.
Weighted average number of ordinary shares in issue	5,623,258	5,687,457
Dilutive effect of potential ordinary shares	12,754	-
Weighted average number of ordinary shares for diluted EPS	<u>5,636,012</u>	<u>5,687,457</u>

In the prior year, there was no dilutive effect from the options in issue in view of the loss from continuing operations.

10 Subsidiaries

The principal subsidiaries of Volvere plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Volvere Central Services Limited	England and Wales	100%
NMT Group Limited	Scotland	97.8%
Interactive Prospect Targeting Limited	England and Wales	45.4%
Postal Preference Service Limited	England and Wales	45.4%
Sira Defence & Security Limited	England and Wales	100%

Postal Preference Service Limited is 100% owned by Interactive Prospect Targeting Limited. The Company has the power to control Interactive Prospect Targeting Limited (and hence Postal Preference Service Limited) by virtue of the terms of a shareholder agreement.

11 Goodwill

Cost and carrying amount	Total
	£'000
At 1 January 2009	532
Revision to fair value (see note below)	(227)
At 31 December 2009 and at 31 December 2010	<u>305</u>

Goodwill represents that arising from the acquisition of Interactive Prospect Targeting Limited's business and assets on 29 September 2008, being the difference between the fair value of the consideration paid and the fair value of the net assets acquired.

Notes forming part of the consolidated financial statements (*continued*)

11 Goodwill (*continued*)

Goodwill initially recognised on acquisition (during 2008) amounted to £532,000. This was revised to £305,000 during 2009 as additional information came to light which resulted in adjustments to the fair values of assets and liabilities acquired. Details of the adjustments are set out below:

	2010 £'000	2009 £'000
Goodwill at 1 January	305	532
Revisions in respect of:		
Trade receivables and other debtors	-	(127)
Trade payables	-	(88)
Accruals and deferred income	-	(12)
Goodwill at 31 December	<u>305</u>	<u>305</u>

The goodwill has been reviewed for impairment at 31 December 2010 and the directors are satisfied that no impairment has taken place. The impairment review was performed by reference to the net present value of expected future cash flows, treating the acquired business as a single cash generating unit. In performing the review, the directors took a conservative view in assuming zero growth in cash generation and using a discount rate of 20% per annum.

12 Property, plant and equipment

	Short Leasehold Property £'000	Plant & Machinery £'000	Total £'000
Cost			
At 1 January 2009	43	1,236	1,279
Additions	9	284	293
Disposals	-	(9)	(9)
Disposal of subsidiaries	(43)	(836)	(879)
At 31 December 2009 and 1 January 2010	<u>9</u>	<u>675</u>	<u>684</u>
Additions	-	167	167
At 31 December 2010	<u>9</u>	<u>842</u>	<u>851</u>
Accumulated depreciation			
At 1 January 2009	14	770	784
Charge for the year	1	249	250
Disposals	-	(5)	(5)
Disposal of subsidiaries	(14)	(662)	(676)
At 31 December 2009 and 1 January 2010	<u>1</u>	<u>352</u>	<u>353</u>
Charge for the year	1	231	232
At 31 December 2010	<u>2</u>	<u>583</u>	<u>585</u>
Net book value			
At 31 December 2010	<u>7</u>	<u>259</u>	<u>266</u>
At 31 December 2009	<u>8</u>	<u>323</u>	<u>331</u>

The net book value of property, plant and equipment held on finance leases was £nil (2009: £12,000).

Notes forming part of the consolidated financial statements (*continued*)

13 Financial assets (current)

	2010 £'000	2009 £'000
Available-for-sale investments	17,812	11,601

During the year the Group invested in a mixture of equity funds, sub-investment grade securities of UK banks and investment grade corporate bond and asset-backed securities funds of mainly UK and US issuers.

At the year end the cost of these investments was £16,389,000 (2009: £11,062,000); the revalued amount stated above reflects the increased values of these investments along with accrued income.

14 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	1,413	1,805
Less: provision for impairment of trade receivables	(317)	(634)
Net trade receivables	1,096	1,171
Other receivables	183	169
Prepayments and accrued income	204	226
	<u>1,483</u>	<u>1,566</u>

The fair value of trade receivables approximates to book value at 31 December 2010 and 2009.

The Group is exposed to credit risk with respect to trade receivables due from its customers, primarily in the online marketing & data services segment. Whilst this segment is characterised by a large number of small customers who place small orders, there is a significant dependency on a small number of large customers who can and do place significant contracts with the business. Provisions for bad and doubtful debts are made based on management's assessment of the risk taking into account the ageing profile, experience and circumstances. There were no significant amounts due from individual customers where the credit risk was considered by the Directors to be significantly higher than the total population.

There is no currency risk associated with trade receivables as all are denominated in Sterling

The ageing analysis of trade receivables is disclosed below:

	2010 £'000	2009 £'000
Up to 3 months	1,033	1,105
3 to 6 months	33	41
6 to 12 months	-	-
Over 12 months	30	25
	<u>1,096</u>	<u>1,171</u>

Notes forming part of the consolidated financial statements (*continued*)

15 Trade and other payables - current

	2010	2009
	£'000	£'000
Trade payables	581	927
Other tax and social security	412	514
Obligations due under finance leases	-	28
Other payables	216	460
Accruals	1,044	953
Deferred income	210	322
	<u>2,463</u>	<u>3,204</u>

The fair value of trade and other payables approximates to book value at 31 December 2010 and 2009.

16 Financial instruments – risk management

The Group is exposed through its operations to one or more of the following financial risks:

- Cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Credit risk
- Other market price risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial & Operating Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

The Group's principal financial instruments are:

- Trade receivables
- Cash at bank
- Investments in equity funds, government bonds, sub-investment grade securities of UK banks and investment grade corporate bond and asset-backed securities funds of mainly UK and US issuers
- Trade and other payables

Due to the relatively low level of borrowings that has existed from time to time within the Group (with none at the year end), the Directors do not have an explicit policy for managing cash flow interest rate risk. All recent borrowing had been on variable terms. Although the Board accepts that this policy neither protects the Group entirely from paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, the Directors feel that given circumstances where interest rates were to increase significantly the Group has cash reserves of such an extent that any borrowings could be repaid immediately thus mitigating the impact of such risk. In addition all cash is managed centrally and subsidiary operations are not permitted to arrange borrowing independently.

The Group's investments may attract interest at fixed or variable rates, or none at all. The market price of such investments may be impacted positively or negatively by changes in underlying interest rates. It is not considered practicable to provide a sensitivity analysis on the effect of changing interest rates. At the year end, the Group's investments had the following interest profiles:

	2010	2009
	£'000	£'000
No interest	15,198	-
Fixed interest	2,614	4,693
Unspecified interest	-	6,908
	<u>17,812</u>	<u>11,601</u>

16 Financial instruments – risk management (*continued*)

Foreign currency risk

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency (sterling). The Directors monitor and review their foreign currency exposure on a regular basis; they are of the opinion that as the Group's trading exposure is limited to transactions with a small number of customers and suppliers it is not appropriate to actively hedge that element of its foreign currency exposure. However, during 2009 the Group invested \$4 million in an investment grade debt fund and has entered into a foreign exchange contract in respect of the sale of \$4.25 million at a rate of \$1.5871/£1 with a sale date of 21 November 2011.

Liquidity risk

The Group maintains significant cash reserves and therefore does not require facilities with financial institutions to provide working capital. Surplus cash is managed centrally to maximise the returns on deposits.

Credit risk

The Group is mainly exposed to credit risk from credit sales. The Group's policy for managing and exposure to credit risk is disclosed in note 14.

Other market price risk

The Group has generated a significant amount of cash and this has been held partly as cash deposits and partly invested pursuant to the Group's investing strategy. Investments have been in a mixture of equity funds, term deposits, government bonds, sub-investment grade securities of UK banks and investment grade corporate bond and asset-backed securities funds of mainly UK and US issuers, all of which have been made having regard to the Group's need to access capital. Market price movements of these investments could materially affect the value of the Group's assets. The directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances.

The Group's convertible A and B shares (which have been classified as financial liabilities) are convertible into ordinary shares based upon a predetermined conversion formula. The conversion formula includes as one variable the Group's share price.

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis and adjusting the level of dividends paid to ordinary shareholders.

The Group considers its capital to include share capital, share premium, revaluation reserve, retained earnings and net debt as noted.

Net debt includes short and long-term borrowings (including lease obligations) and shares classed as financial liabilities, net of cash and cash equivalents.

The Group has not made any changes to its capital management during the year. The Group is not subject to any externally imposed capital requirements.

Notes forming part of the consolidated financial statements (*continued*)

16 Financial instruments – risk management (*continued*)

An analysis of the Group's gearing is shown in the table below.

	2010 £'000	2009 £'000
Total debt	1,359	1,101
Less cash and cash equivalents	(3,109)	(11,601)
Net debt	<u>(1,750)</u>	<u>(10,500)</u>
Total equity	18,850	17,769
Less: reserves not included in definition of capital	-	(90)
Adjusted capital	<u>18,850</u>	<u>17,679</u>
Debt to adjusted capital ratio	<u>(9.3)%</u>	<u>(59.4)%</u>

17 Financial assets and liabilities – numerical disclosures

Maturity of financial assets

The maturities and denominations of financial assets at the year end, other than loans and receivables (note 14 above) are as follows:

	2010 £'000	2009 £'000
Sterling		
No fixed maturity	15,031	9,022
US dollar		
No fixed maturity	<u>2,781</u>	<u>2,579</u>
	<u>17,812</u>	<u>11,601</u>

Maturity of financial liabilities

The carrying amounts of all financial liabilities, excluding loans and borrowings, being carried at amortised cost is as follows:

	2010 £'000	2009 £'000
In less than six months	<u>3,653</u>	<u>4,138</u>

The Group had no loans, or unused borrowing facilities at 31 December 2010 or 31 December 2009. All financial liabilities are denominated in Sterling.

Notes forming part of the consolidated financial statements (*continued*)

18 Deferred tax

Deferred tax assets recognised on the balance sheet are analysed as follows:

	2010 £'000	2009 £'000
Tax losses carried forward	914	-
Excess of depreciation over capital allowances	52	52
	<u>966</u>	<u>52</u>

In addition, there are unrecognised deferred tax assets as follows:

	2010 £'000	2009 £'000
Tax losses carried forward	416	1,456
Excess of depreciation over capital allowances	61	8
Short term temporary differences	76	16
Goodwill	(32)	(7)
	<u>521</u>	<u>1,473</u>

	Accelerated tax depreciation £'000	Losses £'000	Revaluation gains £'000	Total £'000
At 1 January 2009	-	-	-	-
Recognised in income statement for the year	52	-	-	52
At 31 December 2009 and 1 January 2010	52	-	-	52
Recognised in equity for the year	-	-	(164)	(164)
Recognised in income statement for the year	-	1,078	-	1,078
At 31 December 2010	<u>-</u>	<u>1,078</u>	<u>(164)</u>	<u>914</u>

Deferred tax assets and liabilities have been calculated using the rate of corporation tax expected to apply when the relevant temporary differences reverse. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

The unrecognised element of the deferred tax assets have not been recognised because there is insufficient evidence that they will be recovered.

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Notes forming part of the consolidated financial statements (*continued*)

19 Share capital

	2010 Number	Authorised 2010 £'000	2009 Number	2009 £'000
Ordinary shares of £0.0000001 each	100,100,000	-	100,100,000	-
A shares of £0.49999995 each	50,000	25	50,000	25
B shares of £0.49999995 each	50,000	25	50,000	25
Deferred shares of £0.00000001 each	4,999,999,500,000	50	4,999,999,500,000	50
		100		100
		Issued and fully paid 2010 £'000	2009 Number	2009 £'000
Ordinary shares of £0.0000001 each	5,793,634	-	5,708,720	-
A shares of £0.49999995 each	41,167	20.5	49,735	25
B shares of £0.49999995 each	41,167	20.5	49,735	25
Deferred shares of £0.00000001 each	883,299,050,726	9	26,499,985,533	-
		50		50
A and B shares classed as financial liabilities		(41)		(50)
		9		-

Movements in share capital

During the year 8,568 A shares and 8,568 B shares were converted into 84,914 Ordinary Shares and 856,799,065,193 Deferred shares on exercise of conversion rights attached to the A and B shares.

The only change in share capital during the previous year was the issue of 33,488 Ordinary shares on exercise of share options.

Treasury shares

During the year the Company made market purchases of 298,000 of the Company's own shares for total consideration of £880,000. Of these, 666 were transferred on exercise of share options and the remaining 297,334 are held as treasury shares at 31 December 2010. There were no such purchases in the previous year.

Rights attaching to different classes of share

The A and B shares rank *pari passu* with the Ordinary shares on a return of capital but do not have voting rights. The A and B shares became capable of being converted into Ordinary shares at the option of the holder on or after 24 December 2003 and 24 December 2004 respectively, on a predetermined conversion formula based upon share price performance and the weighted average issue price of Ordinary share capital, whereby approximately 15% of the growth in market capitalisation of the Group over the weighted average issue price of Ordinary shares issued is attributable to the holders of A and B shares.

Based on the closing share price of 325p at 31 December 2010 (2009: 252.5p), the A and B shares would have been capable of converting into 418,257 Ordinary shares (2009: 424,739). The fair value of the A and B shares of £1,359,000 (2009: £1,073,000) is classified as a financial liability; there is no cash alternative upon conversion of these shares.

The Deferred shares carry no rights to participate in the profits or assets of the Company and carry no voting rights.

Notes forming part of the consolidated financial statements (*continued*)

20 Reserves

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Share option reserve £'000	Retained earnings £'000
At 1 January 2009	50	3,586	97	16	7,218
Revaluation of available for sale investments	-	-	254	-	-
Share capital re-classified as liabilities	(50)	-	-	-	-
Premium on shares issued	-	49	-	-	-
Share based payments charge	-	-	-	90	-
Equity share options cancelled	-	-	-	(16)	16
Profit for the year attributable to the equity holders of the parent	-	-	-	-	6,459
At 31 December 2009	<u>-</u>	<u>3,635</u>	<u>351</u>	<u>90</u>	<u>13,693</u>
At 1 January 2010	-	3,635	351	90	13,693
Revaluation of available for sale investments (net of related deferred tax)	-	-	907	-	-
Issue of equity shares	9	1	-	-	-
Equity share options exercised in subsidiary	-	-	-	(90)	41
Purchase of own shares	-	-	-	-	(880)
Profit for the year attributable to the equity holders of the parent	-	-	-	-	1,093
At 31 December 2010	<u>9</u>	<u>3,636</u>	<u>1,258</u>	<u>-</u>	<u>13,947</u>

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Nature and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Revaluation reserve	Cumulative net unrealised gains and losses arising on the revaluation of the Group's available for sale investments
Share option reserve	Aggregate charge in respect of employee share option charges net of lapsed option cost releases
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

21 Changes in shareholders' equity

	2010 £'000	2009 £'000
Profit for the year	1,093	6,459
Issue of shares	10	49
Exercise of options in subsidiary	(49)	-
A and B shares reclassified as financial liabilities	-	(50)
Share-based payment expenses	-	90
Revaluation of available for sale investments (net of related deferred tax)	907	254
Purchase of own shares	(880)	-
	<u>1,081</u>	<u>6,802</u>
Capital and reserves attributable to equity holders of the parent at the beginning of the period	<u>17,769</u>	<u>10,967</u>
Capital and reserves attributable to equity holders of the parent at the end of the period	18,850	17,769
Non-controlling interests	<u>1,228</u>	<u>463</u>
Total equity	<u><u>20,078</u></u>	<u><u>18,232</u></u>

22 Leases

Operating leases - lessee

The Group leases all of its properties. The terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years; some have break clauses. The total future values of minimum lease payments are due as follows:

	Land and Buildings 2010 £'000	Other 2010 £'000	Land and buildings 2009 £'000	Other 2009 £'000
Not later than one year	-	-	-	-
Later than one year and not later than five years	169	6	169	-
Later than five years	-	2	-	2
	<u>169</u>	<u>8</u>	<u>169</u>	<u>2</u>

23 Share-based payment

The Company operates two share-based payment schemes, an approved EMI equity-settled share-based remuneration scheme for certain employees and an unapproved equity-settled share scheme for certain management. Under the EMI scheme, the options vest on achievement of employee-specific targets subject to a compulsory 2.5 or 3 year vesting period and can be exercised for a further 7.5 or 7 years after vesting.

Options in issue are summarised below:

	Weighted average exercise price 2010	Number 2010	Weighted average exercise price 2009	Number 2009
Outstanding at beginning of the year	170.8p	35,166	156.3p	99,920
Granted during the year	-	-	-	-
Exercised during the year	190.6p	(666)	144.5p	(33,488)
Lapsed during the year	137.5p	(500)	138.9p	(31,266)
Outstanding at the end of the year	<u>177.0p</u>	<u>34,000</u>	<u>170.8p</u>	<u>35,166</u>

23 Share-based payment (*continued*)

During the year 666 options were exercised (2009: 33,488) for a total consideration of £1,000 (2009: £49,000).

The exercise price of options outstanding at the end of the year ranged between 137.5p and 187.5p (2009: 137.5p and 197.5p) and their weighted average remaining contractual life was 3.6 years (2009: 4 years). Of those options outstanding, 31,000 were exercisable at a weighted average exercise price of 187.5p.

The Company's share price during the year ranged from a low of 245p to a high of 341p, with an average of 289.4p. At the year end it was 325p.

	2010	2009
	£'000	£'000
The share-based remuneration expense (note 3) comprises:		
Equity-settled schemes	-	90
	<u> </u>	<u> </u>

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

24 Related party transactions

Details of amounts payable to Directors are disclosed in note 4. Other than their remuneration and participation in the Group's share option schemes (note 23), there are no transactions with key members of management.

There were no material transactions with other related parties.

25 Contingent liabilities

The Group had no material contingent liabilities as at the date of these financial statements (2009: none), except that it has been agreed with the Group's subsidiary, Interactive Prospect Targeting Limited, that upon a sale of that company, an initial amount of the consideration payable shall be paid to certain management shareholders on a pre-determined basis, following which it will be payable to all shareholders pro-rata to their holdings. This initial amount, as at 31 December 2010, was £454,000 (2009: £252,000).

26 Non-controlling interests

The non-controlling interests of £1,200,000 (2009: £463,000) relates to the net assets attributable to the shares not held by the Group at 31 December 2010 in the following subsidiary undertakings:

Name of subsidiary undertaking	2010	2009
	£'000	£'000
NMT Group Limited	122	127
Interactive Prospect Targeting Limited	1,106	336
	<u> </u>	<u> </u>
	<u>1,228</u>	<u>463</u>

Volvere plc

Parent Company financial statements

Year ended 31 December 2010

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Independent auditor's report to the members of Volvere plc (Parent Company financial statements)

We have audited the parent company financial statements of Volvere plc for the year ended 31 December 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 11, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Volvere plc for the year ended 31 December 2010.

James Rogers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Slough
31 March 2011

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Company balance sheet

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Tangible fixed assets	3	13		17	
Investments	4	5,451		5,448	
			5,464		5,465
Current assets					
Debtors	5	410		493	
Cash at bank and in hand		274		1,920	
Investments	6	17,812		11,601	
		18,496		14,014	
Creditors: amounts falling due within one year	7	(5,729)		(1,830)	
Net current assets			12,767		12,184
Total assets less current liabilities			18,231		17,649
Net assets			18,231		17,649
Capital and reserves					
Called up share capital	8		9		-
Share premium account	9		3,636		3,635
Revaluation reserve	9		1,252		351
Profit and loss account	9		13,334		13,663
Shareholders' funds			18,231		17,649

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2011 and were signed on their behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 45 to 49 form part of these financial statements.

1 Accounting policies

The financial statements of the Company have been prepared under the historical cost convention as modified by the revaluation of certain investments and in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP). The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 from presenting its own profit and loss account.

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Cash flow statement

The Company has not provided a cash flow statement on the grounds that it is included on page 17 of the publicly available consolidated accounts.

Tangible fixed assets

Items of plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight line method, on the following bases:

Improvements to short-term leasehold property:	Over the life of the lease
Plant and machinery:	20%-33%

Fixed asset investments

Fixed asset investments are recognised at cost less provision for diminution in value. The directors perform regular impairment reviews assessing the carrying value of the asset against the higher of value in use and net realisable value.

Current asset investments

Current asset investments comprise holdings of sub-investment grade securities of UK banks, equity funds and investment grade asset-backed securities funds of mainly UK and US credits. These are revalued to market value at the reporting date with unrealised gains recognised in a revaluation reserve. Any provision for impairment is dealt with in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and taking into account deferred taxation. Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

1 Accounting policies (*continued*)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. The Company has in issue A and B shares which are convertible into Ordinary shares at the option of the shareholder based upon a formula contained in the Company's Articles of Association. The A and B shares do not have a cash alternative. However, because the shares convert into a variable number of Ordinary shares, dependent inter alia on the share price of the Ordinary shares in issue, the terms of FRS 25 ("Financial Instruments: Presentation") require them to be classified as debt. The A and B shares are carried at amortised cost, which equates to their settlement value. Movements in settlement value are recorded in profit or loss.

Share-based payments

Refer to the policy statement in note 1 to the consolidated financial statements.

2 Profit for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes a profit after tax of £95,000 (2009: £6,500,000) which is dealt with in the financial statements of the Parent Company.

3 Tangible fixed assets

	Short Leasehold Property £'000	Plant & Machinery £'000	Total £'000
<i>Cost</i>			
At 1 January and at 31 December 2010	9	12	21
<i>Accumulated depreciation</i>			
At 1 January 2010	1	3	4
Charge for the year	1	3	4
At 31 December 2010	2	6	8
<i>Net book value</i>			
At 31 December 2010	7	6	13
At 31 December 2009	8	9	17

4 Fixed asset investments

	Shares in group undertakings 2010 £'000	Shares in group undertakings 2009 £'000
<i>Cost</i>		
At 1 January	5,448	5,359
Additions	3	89
At 31 December	5,451	5,448

Additions relate to the Company's further investments in NMT Group Limited and Interactive Prospect Targeting Limited.

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Notes forming part of the Parent Company financial statements (*continued*)

4 Fixed asset investments (*continued*)

The principal subsidiaries of Volvere plc, all of which have been included in these financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Volvere Central Services Limited	England and Wales	100%
NMT Group Limited	Scotland	97.8%
Interactive Prospect Targeting Limited	England and Wales	45.4%
Postal Preference Service Limited	England and Wales	45.4%
Sira Defence & Security Limited	England and Wales	100%

Postal Preference Service Limited is 100% owned by Interactive Prospect Targeting Limited. The Company has the power to control Interactive Prospect Targeting Limited (and hence Postal Preference Service Limited) by virtue of the terms of a shareholder agreement.

5 Debtors

	2010 £'000	2009 £'000
Trade debtors	5	-
Amounts owed by group undertakings	311	422
Other debtors	75	56
Prepayments and accrued income	19	15
	<u>410</u>	<u>493</u>

All amounts shown under debtors fall due for payment within one year.

6 Current asset investments

	2010 £'000	2009 £'000
Current asset investments	<u>17,812</u>	<u>11,601</u>

During the year the Company invested in a mixture of equity funds, sub-investment grade securities of UK banks and investment grade corporate bond and asset-backed securities funds of mainly UK and US issuers.

At the year end the cost of these investments was £16,389,000 (2009: £11,062,000); the revalued amount stated above reflects the increased values of these investments along with accrued income.

7 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	16	52
Amounts due to group companies	4,003	2
Other taxation and social security	1	-
Other creditors	215	442
Accruals and deferred income	135	261
Share capital classified as financial liabilities	1,359	1,073
	<u>5,729</u>	<u>1,830</u>

Volvere plc - Annual report and financial statements for the year ended 31 December 2010

Notes forming part of the Parent Company financial statements (continued)

8 Share capital

	2010 Number	Authorised 2010 £'000	2009 Number	2009 £'000
Ordinary shares of £0.0000001 each	100,100,000	-	100,100,000	-
A shares of £0.49999995 each	50,000	25	50,000	25
B shares of £0.49999995 each	50,000	25	50,000	25
Deferred shares of £0.00000001 each	4,999,999,500,000	50	4,999,999,500,000	50
		100		100

	2010 Number	Issued and fully paid 2010 £'000	2009 Number	2009 £'000
Ordinary shares of £0.0000001 each	5,793,634	-	5,708,720	-
A shares of £0.49999995 each	41,167	20.5	49,735	25
B shares of £0.49999995 each	41,167	20.5	49,735	25
Deferred shares of £0.00000001 each	883,299,050,726	9	26,499,985,533	-
A and B shares classed as financial liabilities		50 (41)		50 (50)
		9		-

Details of movements during the year, purchases of own shares and rights attaching to different classes of share capital are disclosed in note 19 to the consolidated financial statements.

9 Reserves

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2009	50	3,586	41	16	7,106
Transfer to profit and loss account	-	-	(41)	-	41
Revaluation of current asset investments (net of related deferred tax)	-	-	351	-	-
Shares reclassified to liabilities	(50)	-	-	-	-
Equity share options cancelled	-	-	-	(16)	16
Issue of shares	-	49	-	-	-
Profit for the year	-	-	-	-	6,500
At 31 December 2009	-	3,635	351	-	13,663

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Share option reserve £'000	Profit and loss account £'000
At 1 January 2010	-	3,635	351	-	13,663
Transfer to profit and loss account	-	-	(456)	-	456
Revaluation of current asset investments (net of related deferred tax)	-	-	1,357	-	-
Issue of shares	9	1	-	-	-
Purchase of own shares	-	-	-	-	(880)
Profit for the year	-	-	-	-	95
At 31 December 2010	9	3,636	1,252	-	13,334

10 Share-based payments

Equity settled share option schemes

The Company's employees are able to participate in the Group's share option schemes. Details of this scheme are given in note 23 to the consolidated financial statements.

11 Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" relating to transactions and balances with subsidiaries that are 100% owned.

During the year the Company received £168,000 (2009: £174,000) from NMT Group Limited and £nil (2009: £25,000) from Interactive Prospect Targeting Limited for management services and received £nil (2009: £6,400) from the latter as shareholder loan interest.

Amounts due from NMT Group Limited were £15,000 (2009: £15,000) and amounts due to NMT Group Limited were £4,003,000 (2009: £nil). Amounts due from Interactive Prospect Targeting Limited were £nil (2009: £7,250).