



VOLVERE PLC

Annual report and financial statements

Year ended 31 December 2011

Volvere plc

Annual report and financial statements for the year ended 31 December 2011

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Country of incorporation

England and Wales

Company secretary

Nick Lander

Company number

04478674

Registered office

York House
74-82 Queen Victoria Street
London
EC4N 4SJ

Tel: 020 7634 9707

Web: www.volvere.co.uk

Directors and professional advisers

Directors

David Buchler, Non-Executive Chairman, aged 60

David was appointed Chairman of Volvere during 2011, having been a Non-Executive director since 2004. With a career spanning 35 years, David is recognised as one of the country's leading practitioners in the field of corporate turnaround and restructuring. His work has included appointments on behalf of major banks, lawyers, accountants, the Courts and Government. A former Arthur Andersen Partner, he was the Founding Partner of Buchler Phillips, which was acquired in 1999 by Kroll Inc, the world's leading risk mitigation firm. He was appointed Chairman of Kroll Inc for Europe and Africa in 2000. Kroll Inc was sold in 2004 in a \$1.9bn transaction. He was President of his professional body, R3 (the Association of Business Recovery Professionals) and has acted as CEO and Vice Chairman of Tottenham Hotspur Football Club as well as being Chairman/Director of a number of public and private companies in the United Kingdom, including the merchant bank, Templewood, Puma VCT VII and London Asia Capital Plc. He has been a producer of the London International Opera Festival and is currently a Board Member and Director of the English National Opera.

Jonathan Lander, Chief Executive Officer, aged 44

Jonathan is Chief Executive Officer of Volvere. He has over 20 years experience in the financial services industry, including 14 years as CEO of DDL, 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 45

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.

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 (UK) LLP
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH

Bircham Dyson Bell LLP
50 Broadway
London
SW1H 0BL

Broker and nominated adviser

Nplus1 Brewin LLP
12 Smithfield Street
London
EC1A 9LA

Auditor

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
1020 Eskdale Road
IQ Winnersh
Wokingham
Berks
RG41 5TS

Chairman's statement and Chief Executive's statement

Chairman's statement

I am pleased to report on the results for the year ended 31 December 2011.

The operating performance of our subsidiaries was satisfactory although not as strong overall as in prior periods. This is not surprising given the nature of turnaround investing and the weak economic climate. However despite this, we have managed to grow the net assets per share to a record £3.63. I remain confident that the skills of your management team are well-suited to the challenges and opportunities ahead, and will enable the Company to create value for its shareholders.

David Buchler
Chairman

21 May 2012

Chief Executive's statement

Introduction

As the Chairman noted in his statement, continued growth in net assets per share is encouraging despite the economic headwinds in the UK. In July 2011, we invested in a new sector - food manufacturing - partly because it is one of the few areas where demand tends to remain resilient. Our treasury investments have also made a good contribution in very volatile markets.

Operating review

During the year the Group operated in three segments: online marketing & data services, security solutions and food manufacturing, the latter segment being added on acquisition of Shire Foods Limited. The financial performance of each segment is summarised below and in the financial review on pages 5 to 7 and further detailed in note 5 to the financial statements.

Online marketing & data services

Our online marketing and data services business, Interactive Prospect Targeting Limited ("IPT"), produced revenue and profit before interest, tax and amortisation of £8.3 million and £0.15 million respectively (2010: £8.5 million and £1.1 million). Revenue was only slightly below the prior year however there were significantly lower sales of IPT's own data throughout the year. This activity normally has the highest margin and the shortfall meant the resultant profit was below our expectations at the beginning of the year.

Investment in a new quiz site "Quizfactor" has continued and revenues are expected from Q4 2012. The new site should diversify the company's product offering and we expect to see further innovation from the company in 2012.

We are grateful to the management and staff for their continued hard work in making IPT the UK market leader in customer lead generation.

The total cash received by way of loan repayments and dividends from IPT since acquisition in 2008 stands at £2.90 million compared with an original investment cost of £1.4 million.

Security solutions

Sira Defence & Security had a positive year completing several client projects and continuing to increase penetration of SiraView, its digital CCTV viewing software. Revenue for the year was £0.6 million (2010: £0.5 million) with profit before interest and tax of £0.1 million (2010: £0.04 million). However, since the beginning of 2012, the impact of public sector funding cuts has meant that new orders have not been forthcoming at previous levels. We have reduced our fixed costs and are currently considering how best to exploit the value in this business going forward.

Chief Executive's statement (*continued*)

Food manufacturing

On 29 July 2011 the Group acquired a 54% stake in Shire Foods Limited ("Shire"), which was further increased to 80% at the year end, for a total consideration of £0.5 million. In addition to this investment, the Group made loans to Shire in the period totalling £0.7 million. The investment and loans were made to enable Shire to repay some bank debt and to cover trading losses whilst a turnaround plan was implemented. Revenue and loss before interest and tax for the five months from August to December 2011 were £3.3 million and £0.6 million respectively.

In order to reduce the losses and lay the foundations for a return to profitability, Shire's business was restructured significantly during the period and a number of customer and product changes have been implemented which are expected to benefit the business going forward. The business is still dependent on a relatively small number of large clients and there is more work to be done. However, with better product offerings, increased customer focus and more efficient manufacturing, Shire's performance can be further improved.

Cash and investments

At the year end the Group had cash of £4.3 million (2010: £3.1 million) and a total of £12.0 million (at cost) (2010: £16.4 million) invested in available for sale investments, with a valuation of £12.0 million (£17.8 million). Since year-end we disposed of all of our equity investments and some of our investment grade bonds and bank preference share holdings. These disposals were made at prices in excess of our book cost and above the prices at the end of 2011.

Acquisitions and future strategy

Our current investments remain relatively stable against the backdrop of a difficult economic environment. The quantity of dealflow that we receive remains satisfactory and our balance sheet is strong. However, the timing of future investments will depend upon our ability to source quality opportunities whilst being mindful of not anticipating an economic rebound that may in fact be some time ahead.

Jonathan Lander
Chief Executive

21 May 2012

Financial review

This financial review covers the Group's performance for the year ended 31 December 2011. 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 £12.2 million (2010: £9.0 million). Of current year revenue £3.3 million is attributable to the acquired business, meaning that revenue from the Group's other businesses is consistent with the previous year. Revenue by segment is shown in note 5 to the financial statements. Profit before tax was £1.2 million (2010: £0.9 million) which includes a £1.3 million gain on bargain acquisition of Shire Foods Limited.

Online marketing and data services

The Group's online marketing and data services segment consists of Interactive Prospect Targeting Limited and its subsidiary ("IPT"). IPT's revenue for 2011 as a whole fell slightly from £8.5 million in 2010 to £8.3 million in 2011. Profits before tax and interest fell from £1.14 million in 2010 to £0.15 million in 2011 principally due to lower sales of IPT's own data.

Security solutions

Revenue from security solutions increased by almost 20% to £0.56 million (2010: £0.47 million) due to the completion of a number of client projects, with a corresponding increase in profits from £0.04 million in 2010 to £0.10 million in 2011.

Food manufacturing

The Group's food manufacturing segments consists of Shire Foods Limited in which a majority stake was acquired during the year, as outlined in the Chief Executive's statement. The original equity investment was £0.5 million in cash for a 54% equity stake, with an additional £0.04 million subscribed for a further 26% holding, bringing the Group's total holding to 80%. The fair value of the net assets acquired was above the consideration paid and this has given rise to a gain on bargain acquisition of £1.3 million, all of which has been credited to the income statement in the period. The Group made loans to Shire in the period of £0.73 million, principally to finance trading losses. Information in relation to the business combination is given in note 28.

From the date of acquisition this segment contributed £3.3 million of revenues but incurred losses of £0.6 million. As noted in the Chief Executive's statement, actions have been taken to improve profitability and as part of a financial restructuring, Shire entered into a creditors' voluntary arrangement ("CVA") in January 2012. Under the terms of the CVA Shire is expected to pay £0.35 million over a maximum 3 year period in satisfaction of unsecured liabilities of approximately £1.2 million.

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

Whilst continuing to review and assess further investments in trading activities, the Group had significant cash on hand and has continued with active treasury management in response to prevailing low interest rates. This strategy achieved investment revenues, other gains and losses and finance income net of finance costs totalling £1.2 million (2010: £1.2 million).

Financial review (*continued*)

Statement of financial position

Property, plant & equipment, loans and finance leases

The Group's investment in Shire and the subsequent consolidation of it in these financial statements has resulted in large increases in several categories in the statement of financial position, particularly in respect of Shire's property and plant assets, coupled with its loans and finance lease creditors. All Shire debt is without recourse to the Group and an analysis of net debt is set out in note 18.

Cash and cash equivalents

Cash at the year end totalled £4.3 million (2010: £3.1 million). The Group's cash includes (by virtue of its full consolidation) £0.8 million (2010: £1.2 million) held in its 45% owned subsidiary, Interactive Prospect Targeting Limited. As noted below, the Group made purchases during the year of its own shares for treasury for a total consideration of £2.16 million.

Available for sale investments

At the year end the Group's available for sale investments had a market value of £12.0 million; the base cost of these investments was also £12.0 million.

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, in order to hedge the foreign exchange risk associated with those investments, the Group has entered into a foreign exchange contract for the sale of \$4.25 million in December 2012 at a rate of \$1.5579/£1. The difference between the foreign exchange contract rate and the spot rate has resulted in a credit to the income statement of £0.04 million in 2011 (2010: charge of £0.07 million).

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 £0.55 million (2010: £0.77 million), of which £0.30 million (2010: £0.42 million) was paid to third party (i.e. non-Group) shareholders.

Purchase of own shares

The Group purchased for treasury a total of 767,564 shares (2010: 298,000 shares) for a total consideration of £2.16 million (2010: £0.88 million) representing an average price of £2.81 per share (2010: £2.95 per share).

Earnings per share

The basic and diluted earnings per ordinary share were 26.92p and 26.87p respectively (2010: 19.44p and 19.39p). 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. In respect of the food manufacturing sector order intake, manufacturing output and sales are monitored weekly and reported monthly. 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.

Financial review (*continued*)

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. In the food manufacturing segment, there is a dependency on a small number of customers. A reduction in the volume or range of products supplied to those customers or the loss of any one of them could impact the Group materially. More information on the Group's financial risks is disclosed in note 17 to the financial statements.

Nick Lander
Chief Financial & Operating Officer

21 May 2012

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011.

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, food manufacturing 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 7, 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 (2010: £Nil). There was no interim dividend (2010: £Nil). During the year, the Group's 45% owned subsidiary, Interactive Prospect Targeting Limited paid dividends totalling £0.55 million (2010: £0.77 million), of which £0.30 million (2010: £0.42 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 20. 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	-	0.46
B shares	£0.49999995	-	0.46
Deferred shares	£0.00000001	-	99.08

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. Only the Ordinary shares are admitted to trading on AIM.

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 24.

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 21 June 2011 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, grant options over, offer or otherwise deal with or dispose of any equity securities in the capital of the Company up to a maximum 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 allot equity securities wholly for cash and/or to sell or transfer shares held by the Company in treasury as if Section 561(1) of the Companies Act 2006 (pre-emption rights) did not apply. This authority shall be limited to the allotment (or sale or transfer of shares held in treasury) when in connection with an offer 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. Other than pursuant to an offer by way of rights, the Directors may exercise such authority in respect of Ordinary shares having up to 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.

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 (resigned 21 June 2011)

David Buchler – Non-Executive Director (appointed as Chairman on 21 June 2011)

Jonathan Lander – Chief Executive Officer

Nick Lander – Chief Financial & Operating Officer

Neil Ashley – Non-Executive Director (resigned 21 June 2011)

The current Directors' biographies are set out on page 1 and are incorporated here by reference. David Buchler retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election.

Directors' interests

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

	Number of Ordinary Shares 2011	Number of A Shares 2011	Number of B Shares 2011	Number of Ordinary Shares 2010	Number of A Shares 2010	Number of B Shares 2010
David Buchler	129,893	-	-	129,893	-	-
Jonathan Lander	1,023,677	-	-	575,037	18,235	18,235
Nick Lander	548,277	-	-	316,287	14,494	14,494

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

David Buchler is the only Director of the Company to hold share options. As at 31 December 2011 he held 31,000 options (2010: 31,000) at an exercise price of £1.875 exercisable until 12 April 2014.

Directors' report (continued)

Corporate governance

The Board gives careful consideration to the principles of corporate governance as set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. 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 Volvare's size.

The Company has established an Audit Committee and a Remuneration Committee with formal terms of reference which comprise and are chaired by the Chairman.

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 24 days (2010: 14 days) and for the Group is 55 days (2010: 41 days).

Charitable and political donations

There were no charitable or political donations made during the year (2010: £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.

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.

Substantial shareholdings

On 21 May 2012 the Company had been notified of the following voting rights (other than the directors whose interests are disclosed earlier) 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	16.5%	Direct and indirect
State Street Nominees Limited	282,000	5.5%	Direct
BlackRock Growth & Recovery Fund	208,670	4.1%	Indirect
FG Nominees Limited	182,114	3.5%	Direct
Michael Marks	180,000	3.5%	Indirect
Stephen Zimmerman	180,000	3.5%	Indirect

Directors' report (*continued*)

Auditor

Grant Thornton UK LLP were reappointed auditor at the annual general meeting on 21 June 2011. 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

21 May 2012

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 United Kingdom Generally Accepted Accounting Practice, Accounting Standards and applicable laws. 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 and Company 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 accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards/IFRSs 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 as directors 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.

Volvere plc - Annual report and financial statements for the year ended 31 December 2011

Independent auditor's report 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 2011 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 auditor

As explained more fully in the Directors' Responsibilities Statement on page 12, 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 2011 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 consolidated 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 2011.

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

21 May 2012

Volvere plc - Annual report and financial statements for the year ended 31 December 2011

Consolidated income statement

	Note	2011 £'000	2010 £'000
Continuing operations			
Revenue	5	12,221	8,979
Cost of sales		(6,250)	(2,739)
Gross profit		5,971	6,240
Distribution costs		(819)	-
Administrative expenses:			
- Before gain on bargain acquisition		(6,550)	(6,224)
- Gain on bargain acquisition	28	1,310	-
Administrative expenses		(5,240)	(6,224)
Operating (loss)/profit	2	(88)	16
Investment revenues	7	440	582
Other gains and losses	7	846	588
Finance expense	7	(67)	(295)
Finance income	7	23	46
Profit before tax		1,154	937
Income tax	8	(68)	1,116
Profit for the year from continuing operations		1,086	2,053
Discontinued operations			
Profit for the year from discontinued operations	6	91	176
Profit for the year		1,177	2,229
Attributable to:			
- Equity holders of the parent	21	1,431	1,093
- Non-controlling interests		(254)	1,136
		1,177	2,229
Earnings per share			
Continuing operations			
- Basic		25.21p	16.31p
- Diluted		25.16p	16.27p
Discontinued operations			
- Basic		1.71p	3.13p
- Diluted		1.71p	3.12p
Total			
- Basic		26.92p	19.44p
- Diluted		26.87p	19.39p

The notes on pages 19 to 41 form part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2011

Consolidated statement of comprehensive income

	2011 £'000	2010 £'000
Profit for the year	<u>1,177</u>	<u>2,229</u>
Other comprehensive income		
Fair value gains and losses on available for sale financial assets		
- current period (losses)/gains	(608)	1,521
- deferred tax on current period gains	-	(164)
- deferred tax on prior period gains	12	-
- reclassified to profit	<u>(825)</u>	<u>(450)</u>
Other comprehensive income	<u>(1,421)</u>	<u>907</u>
Total comprehensive income for the year	<u>(244)</u>	<u>3,136</u>
Attributable to:		
- Equity holders of the parent	10	2,000
- Non-controlling interests	<u>(254)</u>	<u>1,136</u>
	<u>(244)</u>	<u>3,136</u>

The notes on pages 19 to 41 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2011

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
2010								
Other comprehensive income	-	-	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
2011								
Other comprehensive income	-	-	(1,421)	-	-	(1,421)	-	(1,421)
Profit for the year	-	-	-	-	1,431	1,431	(254)	1,177
Total comprehensive income for the year	-	-	(1,421)	-	1,431	10	(254)	(244)
Balance at 1 January	9	3,636	1,258	-	13,947	18,850	1,228	20,078
Equity shares issued	41	-	-	-	-	41	-	41
Purchase of own shares	-	-	-	-	(2,158)	(2,158)	-	(2,158)
Non-controlling interest recognised on business combination	-	-	-	-	-	-	1,528	1,528
Additional investments in subsidiary undertakings	-	-	-	-	613	613	(686)	(73)
Conversion of shares classed as liabilities to equity	-	-	-	-	1,309	1,309	-	1,309
Change in minority share	-	-	-	-	-	-	19	19
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	(300)	(300)
Balance at 31 December	50	3,636	(163)	-	15,142	18,665	1,535	20,200

The notes on pages 19 to 41 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2011

Consolidated statement of financial position

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Goodwill	11	305	305
Property, plant and equipment	12	6,085	266
Deferred tax asset	19	918	966
Total non-current assets		<u>7,308</u>	<u>1,537</u>
Current assets			
Inventories	13	282	-
Trade and other receivables	15	2,461	1,483
Cash and cash equivalents		4,338	3,109
Available for sale investments	14	12,038	17,812
Total current assets		<u>19,119</u>	<u>22,404</u>
Total assets		<u>26,427</u>	<u>23,941</u>
Liabilities			
Current liabilities			
Loans		(799)	-
Finance leases		(129)	-
Trade and other payables	16	(3,914)	(2,463)
Taxation		-	(41)
Shares classed as financial liabilities	20	(9)	(1,359)
Total current liabilities		<u>(4,851)</u>	<u>(3,863)</u>
Non-current liabilities			
Loans		(1,065)	-
Finance leases		(311)	-
Total non-current liabilities		<u>(1,376)</u>	<u>-</u>
Total liabilities		<u>(6,227)</u>	<u>(3,863)</u>
TOTAL NET ASSETS		<u>20,200</u>	<u>20,078</u>
Equity			
Share capital	20	50	9
Share premium account	21	3,636	3,636
Revaluation reserve	21	(163)	1,258
Share option reserve	21	-	-
Retained earnings	21	15,142	13,947
Capital and reserves attributable to equity holders of the Company		<u>18,665</u>	<u>18,850</u>
Non-controlling interests	27	1,535	1,228
TOTAL EQUITY	22	<u>20,200</u>	<u>20,078</u>

The financial statements on pages 14 to 41 were approved by the Board of Directors and authorised for issue on 21 May 2012 and were signed on its behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 19 to 41 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2011

Consolidated statement of cash flows

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Profit for the year			1,177		2,229
Adjustments for:					
Investment revenues	7	(440)		(582)	
Other gains and losses	7	(846)		(588)	
Finance expense	7	67		295	
Finance income	7	(23)		(46)	
Gain arising on disposal of discontinued operations	6	(91)		(176)	
Tax expense/(credit)	8	68		(1,116)	
Tax paid		(50)		(105)	
Depreciation	12	328		232	
Gain on bargain acquisition	28	(1,310)		-	
Foreign exchange revaluation (gain)/loss		(44)		90	
			(2,341)		(1,996)
Operating cash flows before movements in working capital			(1,164)		233
Decrease/(increase) in trade and other receivables			108		(140)
Increase/(decrease) in trade and other payables			90		(306)
Cash used by operations			(966)		(213)
Interest paid			(67)		-
Net cash from operating activities			(1,033)		(213)
Investing activities					
Purchase of additional shares in subsidiary		(5)		(3)	
Cost of discontinued operations	6	(29)		(71)	
Purchase of available for sale investments		(10,110)		(12,141)	
Income from available for sale investments		480		706	
Disposal of available for sale investments		15,296		7,403	
Purchases of property, plant and equipment	12	(237)		(167)	
Interest received	7	23		46	
Net cash generated from/(used in) investing activities			5,418		(4,227)
Financing activities					
Issue of share capital	20	-		40	
Purchase of own shares (treasury shares)	20	(2,158)		(880)	
Repayment of borrowings		(698)		(28)	
Dividend paid		(300)		(420)	
Net cash used in financing activities			(3,156)		(1,288)
Net increase/(decrease) in cash and cash equivalents			1,229		(5,728)
Cash and cash equivalents at beginning of year			3,109		8,837
Cash and cash equivalents at end of year			4,338		3,109

The notes on pages 19 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 44 to 50.

Going concern

The Groups' business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review and the financial position of the company, its cash flows and liquidity position are set out on pages 3 to 7. In addition, note 16 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and operates in a number of different market sectors. As a consequence, the directors believe that the group is well placed to manage the business risks inherent in the Group's activities despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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 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 income immediately.

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

1 Accounting policies (*continued*)

Business combinations (*continued*)

The purchase of a non-controlling interest is not a business combination within the scope of IFRS 3, since the acquiree is already controlled by its parent. Such transactions are accounted for as equity transactions, as they are transactions with equity holders acting in their capacity as such. No change in goodwill is recognised and no gain or loss is recognised in profit or loss.

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.

The Group generates revenues from the provision of online marketing and data services. Revenue from the sale of services is recognised with reference to the stage of completion.

The Group generates revenues from food manufacturing. Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods. There are no service obligations attached to the sale of goods.

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.

Volvere 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.

1 Accounting policies (*continued*)

Operating Segments (*continued*)

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.

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.

1 Accounting policies (*continued*)

Taxation (*continued*)

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.

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:

Freehold property	-	1.5% per annum
Improvements to short-term leasehold property	-	Over the life of the lease
Plant and machinery	-	20%-33% per annum

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

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.

1 Accounting policies (*continued*)

Impairment of tangible and intangible assets (*continued*)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are valued at purchase price and the costs of ordinarily interchangeable items are assigned using a weighted average cost formula. The cost of finished goods comprises raw materials directly attributable to manufacturing process based on product specification and packaging cost. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

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.

1 Accounting policies (*continued*)

Financial assets (*continued*)

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.

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.

1 Accounting policies (*continued*)

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.

Current asset investments

Declines in the fair value of current asset investments are considered for indicators of impairment. Where the decline in value is significant or prolonged the asset may be considered to be impaired with the resulting impairment losses recognised in the income statement. Short term and insignificant declines in fair value that are considered to be temporary are reflected in equity. The current year decline in fair value is considered temporary.

Development expenditure

All development expenditure incurred by the Group is assessed against the criteria set out in IAS 38 "Intangible Assets" to determine the appropriate treatment. The Group has invested in the development of a new website in the online marketing & data service segment. The directors are of the view that the development expenditure incurred in respect of it does not meet the recognition criteria for an intangible asset within IAS 38 and therefore the cost has been expensed in the income statement.

Revenue recognition

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 and interpretations have come into force and hence have been adopted by the Group. The adoption of these standards/interpretations has had no material effect on the Group's financial statements. The IASB have issued the following standards which are in issue but not yet effective:

- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

The amendments to IAS 12 are effective 1 July 2012. IFRS 9 is effective 1 January 2015 and IFRS 10 to IFRS 13 are effective 1 January 2013. The Group does not anticipate that the adoption of these standards and amendments will have a material effect on its financial statements on initial adoption.

2 Operating profit

Operating profit is stated after charging/(crediting):

	2011 £'000	2010 £'000
Staff costs	4,863	3,921
Depreciation of property, plant and equipment:		
- owned assets	298	220
- leased assets	30	12
Gain on bargain acquisition (see note 28)	(1,310)	-
Exchange gains	(44)	91
Operating lease expense	182	177
Audit fees	44	33
	<u>44</u>	<u>33</u>
The analysis of auditor's remuneration is as follows:		
- for the audit of the Company's annual accounts	12	12
- for the audit of the Company's subsidiaries' accounts	32	21
	<u>44</u>	<u>33</u>

3 Staff costs

Staff costs comprise:

	2011 £'000	2010 £'000
Wages and salaries	4,371	3,509
Employer's national insurance contributions and similar taxes	477	394
Defined contribution pension cost	15	18
	<u>4,863</u>	<u>3,921</u>

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

	2011 Number	2010 Number
Engineering and production	95	20
Sales and marketing	18	22
Administration and management	56	26
	<u>169</u>	<u>68</u>

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

4 Directors' remuneration

The remuneration of the directors was as follows:

	Salaries & fees	Bonus	Compensation for loss of office	Other benefits	Total
	2011	2011	2011	2011	2011
	£'000	£'000	£'000	£'000	£'000
Lord Kalms	40	50	-	-	90
Neil Ashley	20	30	-	-	50
David Buchler	30	-	-	-	30
Jonathan Lander	12	-	-	-	12
Nick Lander	12	-	-	1	13
	<u>114</u>	<u>80</u>	<u>-</u>	<u>1</u>	<u>195</u>

	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>

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 £427,000 (2010: £502,000). 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 (2010: none).

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

5 Operating segments

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

Analysis by business segment:

	Online marketing & data services 2011 £'000	Security solutions 2011 £'000	Investing and management services 2011 £'000	Food manufacturing 2011 £'000	Eliminations 2011 £'000	Total 2011 £'000
Revenue						
External	8,290	562	47	3,322	-	12,221
Inter-segment	-	-	163	-	(163)	-
Total	8,290	562	210	3,322	(163)	12,221
Segment profit/(loss)	149	96	(1,043)	(600)	-	(1,398)

Loss from operations before gain on bargain acquisition						(1,398)
Investment revenues (note 7)						440
Other gains and losses (note 7)						846
Gain on bargain acquisition (note 28)						1,310
Net finance expense (note 7)						(44)
Profit on disposal of discontinued operations (note 6)						91
Income tax expense (note 8)						(68)

Profit for the year

	Online marketing & data services 2010 £'000	Security solutions 2010 £'000	Investing and management services 2010 £'000	Food manufacturing 2010 £'000	Eliminations 2010 £'000	Total 2010 £'000
Revenue						
External	8,452	472	55	-	-	8,979
Inter-segment	-	-	203	-	(203)	-
Total	8,452	472	258	-	(203)	8,979
Segment profit/(loss)	1,139	39	(1,162)	-	-	16

Profit from operations						16
Investment revenues (note 7)						582
Other gains and losses (note 7)						588
Net finance expense (note 7)						(249)
Profit on disposal of discontinued operation (note 6)						176
Income tax expense (note 8)						1,116

Profit for the year

						2,229
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Notes forming part of the consolidated financial statements (*continued*)

5 Operating segments (*continued*)

Analysis by business segment (*continued*):

Statement of financial position (excluding inter segment balances):

	Online marketing & data services 2011 £'000	Security solutions 2011 £'000	Investing and management services 2011 £'000	Food manu- facturing 2011 £'000	Eliminations 2011 £'000	Total 2011 £'000
Assets	3,469	85	15,577	7,296	-	26,427
Liabilities	(1,793)	(158)	(390)	(3,886)	-	(6,227)
Net assets/(liabilities)	1,676	(73)	15,187	3,410	-	20,200

	Online marketing & data services 2010 £'000	Security solutions 2010 £'000	Investing and management services 2010 £'000	Food manu- facturing 2010 £'000	Eliminations 2010 £'000	Total 2010 £'000
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

Other disclosures:

	Online marketing & data services 2011 £'000	Security solutions 2011 £'000	Investing and management services 2011 £'000	Food manu- facturing 2011 £'000	Eliminations 2011 £'000	Total 2011 £'000
Capital expenditure	164	3	-	80	-	247
Depreciation	167	4	10	147	-	328
Gain on bargain acquisition	-	-	-	1,310	-	1,310

	Online marketing & data services 2010 £'000	Security solutions 2010 £'000	Investing and management services 2010 £'000	Food manu- facturing 2010 £'000	Eliminations 2010 £'000	Total 2010 £'000
Capital expenditure	161	3	3	-	-	167
Depreciation	212	6	14	-	-	232
Gain on bargain acquisition	-	-	-	-	-	-

Geographical analysis:

	External revenue by location of customers		Non-current assets (excluding deferred tax) by location of assets	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
UK	11,718	8,257	6,390	571
Rest of Europe	436	599	-	-
USA	67	2	-	-
Other	-	121	-	-
	12,221	8,979	6,390	571

5 Operating segments (*continued*)

Other disclosures:

In the Group's online marketing & data services segment, the revenue from the top five customers exceeded 51% of the total revenue, with the top 20 customers representing approximately 72% of the total.

In the Group's food manufacturing segment, the revenue from the top five customers exceeded 77% of the total revenue, with the top 20 customers representing approximately 97% of the total.

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.

During 2010 the Group recognised a further profit in respect of the above disposal of £176,000 being additional consideration received during 2010 in excess of that estimated in preparing the financial statements for the year ended 31 December 2009 (the year of the disposal).

During 2011 the Group recognised a further profit of £91,000 in respect of this disposal. This profit represents the release of a provision for amounts payable in respect of the disposal, in excess of costs actually incurred.

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

	2011 £'000	2010 £'000
Investment revenues	440	582
Other gains and losses	846	588
Finance income		
Bank interest receivable	23	46
Finance expense		
Changes in fair value of shares classed as financial liabilities	-	(295)
Bank interest	(29)	-
Finance lease interest	(13)	-
Other interest and finance charges	(25)	-
	(67)	(295)

Investment revenues and other gains and losses represent respectively interest and dividends receivable from, 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

	2011 £'000	2010 £'000
Current tax expense/(credit)	8	(38)
Deferred tax expense/(credit) recognised in income statement	60	(1,078)
Total tax expense/(credit) recognised in income statement	68	(1,116)
Tax recognised directly in equity	(12)	164
Total tax recognised	56	(952)

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

8 Income tax (*continued*)

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:

	2011 £'000	2010 £'000
Profit before tax	1,177	937
Expected tax charge based on the prevailing rate of corporation tax in the UK of 26.5% (2010: 28%)	312	262
<u>Effects of:</u>		
Expenses not deductible for tax purposes	23	5
(Loss)/gains on disposal of discontinued activities	(8)	59
Income/gains not subject to tax	(489)	(215)
Depreciation for period in excess of capital allowances	51	65
Losses not utilised	181	158
Utilisation of previously unrecognised losses	(116)	(418)
Recognition of previously unrecognised deferred tax asset	-	(905)
Change in rates of tax	85	37
Other differences	17	-
Total tax recognised	56	(952)

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:	2011 £'000	2010 £'000
From continuing operations	1,340	917
From discontinued operations	91	176
Total	1,431	1,093

Weighted average number of shares for the purposes of earnings per share:	2011 No.	2010 No.
Weighted average number of ordinary shares in issue	5,314,731	5,623,258
Dilutive effect of potential ordinary shares	11,940	12,754
Weighted average number of ordinary shares for diluted EPS	5,326,671	5,636,012

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%
Shire Foods Limited	England and Wales	80%

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.

Notes forming part of the consolidated financial statements (continued)

11 Goodwill

Cost and carrying amount	Total £'000
At 1 January 2011 and at 31 December 2011	<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.

This goodwill has been reviewed for impairment at 31 December 2011 and the directors are satisfied that no impairment has taken place. The impairment review was performed by reference to value in use, taking 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	Freehold Property £'000	Plant & Machinery £'000	Total £'000
Cost				
At 1 January 2010	9	-	842	851
Additions	-	-	-	-
At 31 December 2010 and 1 January 2011	<u>9</u>	<u>-</u>	<u>842</u>	<u>851</u>
Acquired through business combination	-	2,430	3,480	5,910
Additions	-	-	237	237
At 31 December 2011	<u>9</u>	<u>2,430</u>	<u>4,559</u>	<u>6,998</u>
Accumulated depreciation				
At 1 January 2010	1	-	352	353
Charge for the year	1	-	231	232
At 31 December 2010 and 1 January 2011	<u>2</u>	<u>-</u>	<u>583</u>	<u>585</u>
Charge for the year	1	9	318	328
At 31 December 2011	<u>3</u>	<u>9</u>	<u>901</u>	<u>913</u>
Net book value				
At 31 December 2011	<u>6</u>	<u>2,421</u>	<u>3,658</u>	<u>6,085</u>
At 31 December 2010	<u>7</u>	<u>-</u>	<u>259</u>	<u>266</u>

The net book value of property, plant and equipment held on finance leases was £1,009,000 (2010: nil).

13 Inventories

	2011 £'000	2010 £'000
Raw materials	157	-
Finished products	125	-
	<u>282</u>	<u>-</u>

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

14 Financial assets (current)

	2011 £'000	2010 £'000
Available-for-sale investments	12,038	17,812

During the year the Group invested in a mixture of equity funds, sub-investment grade securities of UK banks and investment grade asset-backed securities funds of mainly US issuers. At the year end the cost of these investments was £12,049,000 (2010: £16,389,000).

15 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	2,136	1,413
Less: provision for impairment of trade receivables	(358)	(317)
Net trade receivables	1,778	1,096
Other receivables	484	183
Prepayments and accrued income	199	204
	<u>2,461</u>	<u>1,483</u>

The fair value of trade receivables approximates to book value at 31 December 2011 and 2010.

The Group is exposed to credit risk with respect to trade receivables due from its customers, primarily in the online marketing & data services and food manufacturing segments. Both segments have a relatively large number of customers, however there is a significant dependency on a small number of large customers who can and do place significant contracts. 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:

	2011 £'000	2010 £'000
Up to 3 months	2,128	1,033
3 to 6 months	2	33
6 to 12 months	-	-
Over 12 months	6	30
	<u>2,136</u>	<u>1,096</u>

16 Trade and other payables - current

	2011 £'000	2010 £'000
Trade payables	1,981	581
Other tax and social security	541	412
Other payables	179	216
Accruals	1,119	1,044
Deferred income	94	210
	<u>3,914</u>	<u>2,463</u>

The fair value of trade and other payables approximates to book value at 31 December 2011 and 2010.

17 Financial instruments – risk management

The Group's principal financial instruments are:

- Trade receivables
- Cash at bank
- Current asset investments
- Loans and finance leases
- Trade and other payables

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.

Interest rate risk

Due to the relatively low level of borrowings, the Directors do not have an explicit policy for managing cash flow interest rate risk. All current and recent borrowing has been on variable terms, with interest rates of between 3% and 4% above base rate, and the Group has cash reserves sufficient to repay all borrowings promptly in the event of a significant increase in market interest rates. 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 relevant to provide a sensitivity analysis on the effect of changing interest rates since at the year end, the Group's investments had the following interest profiles which contained no variable rates:

	2011 £'000	2010 £'000
No interest	9,593	15,198
Fixed interest	2,445	2,614
	<u>12,038</u>	<u>17,812</u>

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, in order to mitigate the currency risk associated with that investment, has entered into a foreign exchange contract in respect of the sale of \$4.25 million at a rate of \$1.5579/£1 with a sale date of 6 December 2012.

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.

17 Financial instruments – risk management (*continued*)

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 15.

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 and retained earnings.

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.

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

	2011 £'000	2010 £'000
Total debt	2,304	1,359
Less cash and cash equivalents	(4,338)	(3,109)
Net debt	<u>(2,034)</u>	<u>(1,750)</u>
Total equity (capital)	<u>20,200</u>	<u>20,078</u>
Debt to capital ratio	<u>(10.1)%</u>	<u>(8.7)%</u>

18 Financial assets and liabilities – numerical disclosures

Maturity of financial assets

The maturities and denominations of financial assets at the year end, other than cash and cash equivalents, and loans and receivables (note 15 above) are as follows:

	2011 £'000	2010 £'000
Sterling		
No fixed maturity	9,266	15,031
US dollar		
No fixed maturity	2,772	2,781
	<u>12,038</u>	<u>17,812</u>

Maturity of financial liabilities

The maturity of borrowings (including finance leases) carried at amortised cost is as follows:

	2011 £'000	2010 £'000
Less than six months	828	-
Six months to one year	106	-
One to two years	220	-
Two to five years	433	-
More than five years	717	-
	<u>2,304</u>	<u>-</u>

The maturity of other financial liabilities, excluding loans and borrowings, carried at amortised cost is as follows:

	2011 £'000	2010 £'000
In less than six months	<u>2,710</u>	<u>2,609</u>

19 Deferred tax

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

	2011 £'000	2010 £'000
Tax losses carried forward	846	914
Excess of depreciation over capital allowances	72	52
	<u>918</u>	<u>966</u>

19 Deferred tax (continued)

Movements in the year are analysed as follows:

	Accelerated tax depreciation £'000	Losses £'000	Revaluation gains £'000	Total £'000
At 1 January 2010	52	-	-	52
Recognised in income statement for the year	-	1,078	-	1,078
Recognised in equity during the year	-	-	(164)	(164)
At 31 December 2010 and 1 January 2011	52	1,078	(164)	966
Recognised in income statement for the year	20	(80)	-	(60)
Recognised in equity during the year	-	-	12	12
At 31 December 2011	72	998	(152)	918

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

	2011 £'000	2010 £'000
Tax losses carried forward	952	416
Excess of depreciation over capital allowances	(411)	61
Short term temporary differences	76	76
Goodwill	(30)	(32)
	587	521

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.

20 Share capital

	2011 Number	Authorised 2011 £'000	2010 Number	2010 £'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		
	2011 Number	2011 £'000	2010 Number	2010 £'000
Ordinary shares of £0.0000001 each	6,200,366	-	5,793,634	-
A shares of £0.49999995 each	455	-	41,167	20.5
B shares of £0.49999995 each	455	-	41,167	20.5
Deferred shares of £0.00000001 each	4,954,494,576,308	50	883,299,050,726	9
		50		50
A and B shares classed as financial liabilities		-		(41)
		50		9

20 Share capital (*continued*)

Movements in share capital

During the year 406,372 Ordinary shares and 4,071,195,525,582 deferred shares were issued on the conversion of 40,712 A and 40,712 B shares. The carrying value of the A and B shares (classed as financial liabilities) on conversion was £1.35 million, of which £0.04 million was credited to share capital on issue of the corresponding deferred shares, with the balance of £1.31 million being credited to retained earnings.

Treasury shares

During the year the Company acquired 767,564 (2010: 298,000) of its own Ordinary shares for consideration of £2,158,000 (2010: £880,000). This brings the total number of Ordinary shares held in treasury to 1,064,898 (2010: 297,334).

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 244.5p at 31 December 2011 (2010: 325p), the A and B shares would have been capable of converting into 3,668 Ordinary shares (2010: 418,257). The fair value of the A and B shares of £9,000 (2010: £1,359,000) 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.

21 Reserves

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Share option reserve £'000	Retained earnings £'000
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>
At 1 January 2011	9	3,636	1,258	-	13,947
Revaluation of available for sale investments (net of related deferred tax)	-	-	(1,421)	-	-
Issue of equity shares	41	-	-	-	-
Purchase of own shares	-	-	-	-	(2,158)
Profit for the year attributable to the equity holders of the parent	-	-	-	-	1,431
Gains on additional investments in subsidiary undertakings recognised directly in equity	-	-	-	-	613
Conversion of shares classed as liabilities to equity	-	-	-	-	1,309
At 31 December 2011	<u>50</u>	<u>3,636</u>	<u>(163)</u>	<u>-</u>	<u>15,142</u>

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

21 Reserves (*continued*)

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

22 Changes in shareholders' equity

	2011 £'000	2010 £'000
Profit for the year	1,431	1,093
Issue of shares	41	10
Exercise of options in subsidiary	-	(49)
Conversion of shares classed as liabilities to equity shares	1,309	-
Revaluation of available for sale investments (net of related deferred tax)	(1,421)	907
Gains on additional investments in subsidiary undertakings recognised directly in equity	613	-
Purchase of own shares	(2,158)	(880)
	<u>(185)</u>	<u>1,081</u>
Capital and reserves attributable to equity holders of the parent at the beginning of the period	18,850	17,769
Capital and reserves attributable to equity holders of the parent at the end of the period	18,665	18,850
Non-controlling interests	1,535	1,228
Total equity	<u>20,200</u>	<u>20,078</u>

23 Leases

Operating leases - lessee

The Group leases most 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 2011 £'000	Other 2011 £'000	Land and buildings 2010 £'000	Other 2010 £'000
Not later than one year	-	-	-	-
Later than one year and not later than five years	177	3	169	6
Later than five years	-	2	-	2
	<u>177</u>	<u>5</u>	<u>169</u>	<u>8</u>

24 Share-based payments

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 2011	Number 2011	Weighted average exercise price 2010	Number 2010
Outstanding at beginning of the year	183.1p	34,000	170.8p	35,166
Granted during the year	-	-	-	-
Exercised during the year	-	-	190.6p	(666)
Lapsed during the year	-	-	137.5p	(500)
Outstanding at the end of the year	183.1p	34,000	183.1p	34,000

During the year no options were exercised (2010: 666) for a total consideration of £nil (2010: £1,000). All options in issue were fully vested prior to 1 January 2010, hence there is no share based payment charge in 2011 or 2010.

The exercise price of options outstanding at the end of the year ranged between 137.5p and 187.5p (2010: 137.5p and 187.5p) and their weighted average remaining contractual life was 2.6 years (2010: 3.6 years).

The Company's share price during the year ranged from a low of 237.5p to a high of 328.5p, with an average of 282.3p. At the year-end it was 244.5p.

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

25 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 24), there are no transactions with key members of management.

There were no other material transactions with related parties.

26 Contingent liabilities

The Group had no material contingent liabilities as at the date of these financial statements (2010: 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 2011, was £549,000 (2010: £454,000).

27 Non-controlling interests

The non-controlling interests of £1,535,000 (2010: £1,228,000) 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	2011 £'000	2010 £'000
NMT Group Limited	112	122
Interactive Prospect Targeting Limited	888	1,106
Shire Foods Limited	535	-
	1,535	1,228

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

28 Business combination

On 29 July 2011 the Company acquired 54% of Shire Foods Limited (“Shire”) for cash consideration of £496,000. This business combination gave rise to a gain on bargain acquisition totalling £1,310,000 which has been recognised as a credit to the income statement in accordance with IFRS 3 Business Combinations. The investment in Shire was undertaken at a valuation below Shire’s net asset value in view of the loss-making nature of the business. The fair value of the non-controlling interest recognised directly in equity, was £1,528,000.

The share of net assets acquired, non-controlling interests recognised, and resulting gain on bargain acquisition are analysed below:

	Book value £'000	Fair value adjustments £'000	Fair value £'000	Share acquired £'000	Consideration £'000	Gain on bargain acquisition £'000
Property, plant and equipment	6,160	(260)	5,900	3,195		
Current assets	1,579	(49)	1,530	828		
Current liabilities	(2,396)	-	(2,396)	(1,297)		
Non-current liabilities	(1,953)	253	(1,700)	(920)		
	<u>3,390</u>	<u>(56)</u>	<u>3,334</u>	<u>1,806</u>	<u>496</u>	<u>1,310</u>

Revenue and loss of the acquired entity were as follows:

	Unaudited Year ended 31 December 2011 £'000	From acquisition date to 31 December 2011 £'000
Revenue	7,418	3,332
Loss before interest and tax	(1,272)	(600)

Subsequently, on 31 December 2011, the Company acquired a further 26% share in Shire for additional cash consideration of £38,000. The share of net assets acquired in this additional investment exceeded the cost of investment by £658,000. This surplus was recognised directly in equity in accordance with IAS 27 Consolidated and Separate Financial Statements.

29 Post balance sheet events

The Group’s food manufacturing subsidiary, Shire Foods Limited, entered into a creditors’ voluntary arrangement (“CVA”) in January 2012. Under the terms of the CVA, Shire intends to pay £350,000 over a period of up to 3 years, following which there will be a reduction in unsecured liabilities of approximately £1,200,000.

Volvere plc

Parent Company financial statements

Year ended 31 December 2011

Volvere plc - Annual report and financial statements for the year ended 31 December 2011

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 2011 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 12, 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 2011;
- 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 consolidated financial statements of Volvere plc for the year ended 31 December 2011.

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

21 May 2012

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Company balance sheet

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Tangible fixed assets	3	12		13	
Investments	4	6,036		5,451	
			6,048		5,464
Current assets					
Debtors	5	1,200		410	
Cash at bank and in hand		2,616		274	
Investments	6	12,038		17,812	
		15,854		18,496	
Creditors: amounts falling due within one year	7	(5,151)		(5,729)	
Net current assets			10,703		12,767
Total assets less current liabilities			16,751		18,231
Net assets			16,751		18,231
Capital and reserves					
Called up share capital	8		50		9
Share premium account	9		3,636		3,636
Revaluation reserve	9		(163)		1,252
Profit and loss account	9		13,228		13,334
Shareholders' funds			16,751		18,231

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2012 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 a consolidated cash flow statement has been prepared for the Group.

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 US issuers. 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 loss after tax of £64,000 (2010: profit of £95,000) 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
Cost			
At 1 January 2011	9	12	21
Additions	-	4	4
	<u>9</u>	<u>16</u>	<u>25</u>
At 31 December 2011	9	16	25
Accumulated depreciation			
At 1 January 2011	2	6	8
Charge for the year	1	4	5
	<u>3</u>	<u>10</u>	<u>13</u>
At 31 December 2011	3	10	13
Net book value			
At 31 December 2011	<u>6</u>	<u>6</u>	<u>12</u>
At 31 December 2010	<u>7</u>	<u>6</u>	<u>13</u>

4 Fixed asset investments

	Shares in group undertakings 2011 £'000	Shares in group undertakings 2010 £'000
Cost		
At 1 January	5,451	5,448
Additions	585	3
	<u>6,036</u>	<u>5,451</u>
At 31 December	6,036	5,451

Additions relate to the acquisition of Shire Foods Limited and small further investments in NMT Group Limited and Interactive Prospect Targeting Limited.

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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%
Shire Foods Limited	England and Wales	80%

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

	2011 £'000	2010 £'000
Trade debtors	5	5
Amounts owed by group undertakings	960	311
Other debtors	214	75
Prepayments and accrued income	21	19
	<u>1,200</u>	<u>410</u>

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

6 Current asset investments

	2011 £'000	2010 £'000
Current asset investments	<u>12,038</u>	<u>17,812</u>

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

At the year end the cost of these investments was £12,049,000 (2010: £16,389,000).

7 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	65	16
Amounts due to group companies	4,900	4,003
Other taxation and social security	-	1
Other creditors	146	215
Accruals and deferred income	31	135
Share capital classified as financial liabilities	9	1,359
	<u>5,151</u>	<u>5,729</u>

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 24 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 £163,000 (2010: £168,000) from NMT Group Limited ("NMT") for management services.

At 31 December 2011, amounts due from NMT were £95,000 (2010: £15,000) and amounts due to NMT were £4,900,000 (2010: £4,003,000); interest charged to the Company by NMT amounted to £55,000 (2010: £3,000). Also, at 31 December 2011 an amount of £727,000 (2010: £nil) was owed by Shire Foods Limited.