



VOLVERE PLC

Annual report and financial statements

Year ended 31 December 2013

Volvere plc

Annual report and financial statements for the year ended 31 December 2013

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Country of incorporation

England and Wales

Company secretary

Nick Lander

Company number

04478674

Registered office

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Tel: 020 7634 9707

Web: www.volvere.co.uk

Directors and professional advisers

Directors

David Buchler, Non-Executive Chairman, aged 62

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 and Turnaround 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, Volvere plc, 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 46

Jonathan is Chief Executive Officer of Volvere. He has over 20 years' experience in the financial services industry, including 15 years as CEO of D2L Capital Limited (formerly Dawnay, Day Lander Limited), a London-based venture capital firm. He has been both an adviser to and principal investor in numerous public and private emerging growth companies. 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 47

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 position of Corporate Development Director at Clyde Blowers PLC and 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

Marriott Harrison LLP
11 Staple Inn
London
WC1V 7QH

Broker and nominated adviser

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Auditor

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

Strategic report

The strategic report is set out in three parts comprising the Chairman's statement, the Chief Executive's statement, and the financial review. The three parts should be read and considered together and not in isolation.

Chairman's statement

I am pleased to report on the results for the year ended 31 December 2013.

The Group has had another successful year, with the acquisition of JMP Consultants, the disposal of IPT and the continuing improvement in performance at Shire Foods. These have resulted in encouraging further growth in net assets per share to a record £4.00.

We are looking forward to continuing progress in 2014.

David Buchler
Chairman

28 May 2014

Chief Executive's statement

Introduction

I am pleased to report that the performance of Shire Foods Limited ("Shire") improved over the prior year, returning to profitability. We also integrated JMP Consultants successfully into the Group and disposed of our 45% shareholding in Interactive Prospect Targeting Limited ("IPT"). Each of these has contributed to both improvements in underlying trading and, coupled with our continuing share buy-back programme, has increased net assets per share to a new high of £4.00. Further information about the Group's performance is set out below and in the financial review.

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 transport planning & engineering, online marketing & data services (until December 2013), food manufacturing and security solutions and each of these is reported as a separate segment.

Operating review

The transport planning & engineering segment began with the acquisition of the business and certain assets of JMP Consultants Limited ("JMP") on 14 May 2013. The online marketing & data services segment ceased with the disposal of IPT announced on 13 December 2013.

The financial performance of each segment is summarised below and in the financial review on pages 6 to 8 and further detailed in note 5 to the financial statements.

Transport planning & engineering

The Group acquired the JMP transport planning & engineering business on 14 May 2013 for a consideration of £0.42 million. JMP is a long-established consultancy that supports the transport planning aspects of property and land development, as well as providing a range of design, engineering and travel behaviour services. The Group acquired JMP as part of a reorganisation that enabled JMP to leave behind a legacy pension scheme deficit and which also facilitated the vacation of, and move from, a number of offices to reflect better the business’s on-going requirements. In January 2014, JMP issued shares to certain members of its management team such that the Group’s holding is now 75%.

Revenue for the period from acquisition to 31 December 2013 was £7.41 million with a profit before tax (and Group interest charges) of £1.11 million, stated after “one-off” profits of £0.57 million relating to the acquisition. The underlying profit of £0.54 million is encouraging, particularly considering the inevitable disruption associated with the relocation to new offices. Detailed information about JMP’s performance is included in the financial review below.

The performance in JMP was such that it declared a dividend of £0.45 million in the period and repaid £0.40 million of Group loans, meaning the Group’s net cash investment in JMP at the year end was £0.51 million.

We are grateful to JMP’s management and staff for their hard work throughout 2013 and for their continuing energy and enthusiasm in 2014.

Online marketing & data services

We sold our 45% stake in the online marketing and data services business, IPT, to management on 13 December 2013 for a cash consideration of £0.90 million. This brought the total realised from this investment to £3.65 million compared to a cost of £1.45 million since 2008. Although the money multiple of 2.52x and the absolute amount were lower than we would have hoped for, the IRR on this transaction was a record for us at 160%, because of the very short time it took for us to recover our cash.

We have had a long association with IPT’s management without whose hard work and commitment the company would not have been the success it is – and we wish them every success on their departure from the Group.

Food manufacturing

Shire, in which the Group has an 80% stake, was acquired on 29 July 2011. Shire manufactures frozen pies, pasties and other pastry products for retailers and food service customers. This year was Shire’s second full year of trading within the Group and its performance continued to improve, with a return to profitability following losses in recent years.

Shire’s revenue for the year was £8.53 million (2012: £6.17 million) and it achieved a profit before tax of £0.12 million (2012: loss £0.44 million). By way of comparison, the revenue and loss before tax for the 5 month period post-acquisition in 2011 were £3.32 million and £0.67 million respectively.

The financial performance reflects the turnaround strategy implemented in 2011 which has been supported by both Shire’s customers and suppliers. The refocusing on new product development, increasing operational efficiency and a determination to be “best in class” in its market has resulted in some encouraging contract wins. The company has increased its spread of customers and we expect this to continue in 2014.

Shire’s management and staff have worked tirelessly over the last 3 years and we are pleased with the achievements that they have made. We continue to invest in the Shire site, to ensure it meets the highest food safety standards, and in 2013 it once again received BRC Grade A status. Whilst the market in which Shire operates is highly competitive, we have positioned Shire as a supplier in which customers can place their confidence. However, there is no room for complacency in the food industry and we continue to strive to ensure Shire grows its market share whilst not becoming dependent on any one customer.

Security solutions

Sira Defence & Security, the Group’s digital CCTV viewing software business, had a satisfactory year. Revenue was £0.18 million (2012: £0.25 million) with a break-even position achieved (2012: breakeven). The UK market for CCTV viewing is undergoing some change as UK Police forces continue to seek efficiencies in viewing and managing evidence from CCTV. There have been some encouraging orders and enquiries in 2014 and we are hopeful that this will lead to a modest increase in SDS’s financial performance this year.

Future strategy

Dealflow for new acquisitions remains good and the Group’s strong balance sheet will enable us to capitalise on those opportunities as they arise.

Jonathan Lander
Chief Executive

28 May 2014

Financial performance

Detailed information about the Group's segments is set out in note 5 to these financial statements which should be read in conjunction with this financial review and the Chairman's and Chief Executive's statements. The disposal of the Group's holding in IPT during December 2013 has necessitated the restatement of the 2012 income statement and statement of cash flows such that IPT's results are presented as discontinued operations in that year, as well as 2013. JMP has been part of the Group since 14 May 2013 and its results are included in 2013 from that date.

Total revenue from continuing operations, which includes revenue from acquired operations of £7.41 million, was £16.14 million (2012: £6.46 million). An analysis of revenue by segment is shown in note 5 to the financial statements. Profit after tax from continuing operations was £0.51 million (2012: loss of £0.47 million). In 2013 there were certain significant one-off items (other than those relating to discontinued operations) which are explained individually below but which, when taken together had a net positive impact of £0.14 million; the underlying 2013 profit after tax from continuing operations was therefore £0.37 million.

Profit from discontinued operations (relating to the sale of the Group's 45% shareholding in IPT) was £0.20 million. This reflects the trading losses from IPT for the period, offset by the proceeds received in excess of the net assets disposed.

Transport planning & engineering

The acquisition of JMP was for a cash consideration of £0.42 million. Subsequent to the acquisition, and with the benefit of improved controls and processes particularly relating to credit control and the management of unbilled client work, we have determined the fair value of the net assets acquired as being £0.83 million. The difference of £0.41 million between this fair value and the consideration paid has been credited to the income statement in 2013, as a gain on bargain acquisition.

During the period from acquisition to 31 December 2013 JMP contributed revenue of £7.41 million and profit before tax (and Group interest charges) of £1.11 million. This is stated after the one-off credit noted above of £0.41 million, along with a one-off fee payable by the seller of the business amounting to £0.16 million. Accordingly, the underlying profit before tax for the period was £0.54 million. JMP was able to pay a dividend to Volvere of £0.45 million in December 2013.

The Group provided working capital loans to JMP during the period, principally to cover the immediate period post-acquisition when the client billing and collection cycle commenced afresh. JMP repaid £0.40 million of these loans and the balance remaining at the period end was £0.96 million. The net amount of loans made, less loans repaid, less dividends received was £0.51 million.

The Group has supported JMP management operationally and financially with a view to ensuring that the company's internal processes strike the right balance between efficiency for a business of JMP's size and the information and control required for ensuring the veracity of financial reporting. We have invested £0.13 million improving the JMP IT and physical environments and established clearer financial reporting aimed at achieving accountability and increased visibility of business unit performance.

Online marketing and data services

IPT, which has been treated as a discontinued operation, was loss-making in the period. The loss before tax the period to 30 November 2013 (the closest date to the disposal in December for which financial information is available) was £0.56 million (2012: profit £0.19 million) on revenue of £7.25 million (2012: £8.88 million). The Group disposed of its 45% shareholding in IPT for a consideration of £0.90 million. The net assets disposed of were £0.12 million, which included cash of £0.13 million. Overall, since making the original investment in 2008, the Group's cash return from IPT (by way of loan repayments, dividends and the disposal proceeds) has been £3.65 million compared to loans and equity invested of £1.45 million.

Food manufacturing

Shire Foods' financial performance improved significantly during the year as the turnaround plan embarked on in 2011 continued to generate benefits. Revenue for 2013 grew by 38% to £8.53 million (2012: £6.17 million) as a consequence of efforts to win new customers and broaden supply to existing ones. The increased revenue had a beneficial impact on profitability and the company made a pre-tax profit of £0.12 million compared to a pre-tax loss of £0.44 million in 2012.

The growth in Shire's revenue (particularly in the second half of 2013) necessitated further working capital loans to be made by the Group. Since the year end these have returned to more normal levels and we have recently been successful in securing much increased invoice discounting facilities on better terms to support Shire's needs.

At the date of this report the Group has invested a total of £2.35 million (through a mixture of loans and equity) in Shire directly, with a further £0.45 million, indirectly through another Group company, in related intellectual property. Following a review in 2013 of the carrying value of this intellectual property, this has been written down in the period to a carrying value of nil.

Security solutions

Sira Defence & Security's markets were subdued in 2013 and this resulted in a fall in turnover from 2012 to 2013 (£0.25 million and £0.18 million respectively). Careful management of the cost base meant there was no significant effect on profitability and another breakeven performance was achieved.

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 net finance income totalling £0.46 million (2012: £0.85 million).

Statement of financial position

Cash and cash equivalents

Cash at the year end totalled £11.28 million (2012: £13.63 million). As noted below, the Group made purchases during the year of its own shares for treasury for a total consideration of £1.62 million (2012: £0.80 million).

Available for sale investments

At the year end the Group's available for sale investments had a market value of £0.96 million (2012: £0.96 million); the base cost of these investments was £0.69 million (2012: £0.69 million).

In line with the Group's treasury management policies and pending investment in other acquisitions, the Group continues to seek short term investments where there is the opportunity for attractive yields.

Dividends

In accordance with the policy set out at the time of 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, or to purchase own shares for treasury where that is considered to be in the best interests of shareholders. IPT paid a dividend of £0.22 million prior its disposal by the Group, of which the Group received £0.10 million.

Purchase of own shares

The Group purchased for treasury a total of 559,028 shares (2012: 323,170 shares) for total consideration of £1.62 million (2012: £0.80 million) representing an average price of £2.89 per share (2012: £2.46 per share).

Earnings per share

The basic and diluted earnings per ordinary share were 15.14p and 15.11p respectively (2012: basic and diluted loss of 6.56p). During the year the Company continued the operation of an EMI share option scheme in which certain staff are entitled to participate, subject to the scheme's terms and conditions, though no options were outstanding at the year end.

Key performance indicators (KPIs)

The Group uses key performance indicators suitable for the nature and size of the Group's businesses.

The key financial performance indicators are revenue and profit before tax. The performance of the Group and the individual trading businesses against these KPIs, is outlined above and disclosed in note 5

Internally, management uses a variety of non-financial KPIs as follows: in respect of the food manufacturing sector order intake, manufacturing output and sales are monitored weekly and reported monthly; in the transport planning & engineering segment staff utilisation, amounts billed to clients and cash collected are closely monitored; order intake is monitored weekly and reported monthly in respect of the security solutions segment.

Risk factors

The Company and Group face a number of specific business risks that could affect the Company's or Group's success. The Company and Group invests in distressed businesses and securities, which by their nature, often carry a higher degree of risk than those that are not distressed. The Group's businesses are principally engaged in the provision of services that are dependent on the continued employment of the Group's employees and availability of suitable, profitable workload. Also, in the food manufacturing segment, there is a dependency on a small number of customers and 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.

These risks are managed by the Board in conjunction with the management of the Group's businesses.

More information on the Group's financial risks is disclosed in note 17 to the consolidated financial statements.

On behalf of the Board

Nick Lander
Chief Financial & Operating Officer

28 May 2014

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Dividends

The Directors do not recommend the payment of a final dividend (2012: £Nil) and there was no interim dividend (2012: £Nil). IPT paid a dividend of £0.22 million prior its disposal by the Group, of which the Group received £0.10 million.

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 shares in issue in the following classes:

Class	Nominal value per share	% of voting rights	% of total capital
Ordinary shares	£0.0000001	100	-
Deferred shares	£0.00000001	-	100

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. 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. 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.

At the Company's annual general meeting on 27 June 2013 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. 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. In addition, 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' report (*continued*)

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.

David Buchler – Non-Executive Chairman
Jonathan Lander – Chief Executive Officer
Nick Lander – Chief Financial & Operating Officer

The current Directors' biographies are set out on page 1 and are incorporated here by reference. Jonathan Lander 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 31 December 2013	Number of Ordinary Shares 31 December 2012
David Buchler	129,893	129,893
Jonathan Lander	1,023,677	1,023,677
Nick Lander	548,277	548,277

The Directors' interests in the share capital of the Company at 28 May 2014 are disclosed below:

	Number of Ordinary Shares	% of issued Ordinary Share Capital and Voting Rights
David Buchler	129,893	3.1%
Jonathan Lander	1,023,677	24.5%
Nick Lander	548,277	13.1%

David Buchler is the only Director of the Company to hold share options. As at 31 December 2013 he held 31,000 options (2012: 31,000) at an exercise price of £1.875 per share exercisable until 12 April 2014.

Corporate governance

The Board gives careful consideration to the principles of corporate governance as set out in the UK Corporate Governance Code ("the Code") updated by the Financial Reporting Council in September 2012. However, the Company is relatively small and it is the opinion of the Directors that not all the provisions of the Code are relevant or desirable for a company of Volvere's size. On this basis we do not comply with the Code.

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

Disabled employees

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

Directors' report (continued)

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 27 May 2014 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
Andrew Lynton Cohen	439,833	10.5%	Direct
State Street Nominees Limited	282,000	6.7%	Direct
BlackRock Growth & Recovery Fund	208,670	5.0%	Direct
FG Nominees Limited	182,114	4.4%	Direct
Michael Marks	180,000	4.3%	Indirect
Stephen Zimmerman	180,000	4.3%	Indirect

Auditor

Grant Thornton UK LLP were reappointed auditor at the annual general meeting on 27 June 2013. 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.

On behalf of the Board

Nick Lander
Company Secretary

28 May 2014

Company number: 04478674

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Accounting Standards and applicable laws (UK GAAP). 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; and
- 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.

The Directors confirm that:

- so far as each Director 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 2013

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 2013 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 set out 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 Financial Reporting Council'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 2013 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 Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent company financial statements of Volvere plc for the year ended 31 December 2013.

Robert Napper
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
28 May 2014

Volvere plc - Annual report and financial statements for the year ended 31 December 2013

Consolidated income statement

	Note	2013 £'000	2012 £'000 (re-presented)
Continuing operations			
Revenue	5	16,137	6,459
Cost of sales		(11,497)	(5,739)
Gross profit		4,640	720
Distribution costs		(523)	(429)
Administrative expenses:			
- Before gain on bargain acquisition		(4,486)	(1,462)
- Gain on bargain acquisition	22	417	11
Administrative expenses		(4,069)	(1,451)
Operating profit/(loss)	2	48	(1,160)
Investment revenues	7	261	295
Other gains and losses	7	304	644
Finance expense	7	(139)	(137)
Finance income	7	34	42
Profit/(loss) before tax		508	(316)
Income tax expense	8	-	(152)
Profit/(loss) for the year from continuing operations		508	(468)
Discontinued operations			
Profit for the year from discontinued operations after tax	6	203	119
Profit/(loss) for the year		711	(349)
Attributable to:			
- Equity holders of the parent		689	(325)
- Non-controlling interests		22	(24)
		711	(349)
Earnings/(loss) per share	9		
Continuing operations			
- Basic		10.68p	(8.96)p
- Diluted		10.66p	(8.96)p
Discontinued operations			
- Basic		4.46p	2.40p
- Diluted		4.45p	2.40p
Total			
- Basic		15.14p	(6.56)p
- Diluted		15.11p	(6.56)p

The notes on pages 19 to 42 form part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2013

Consolidated statement of comprehensive income

	2013 £'000	2012 £'000
Profit/(loss) for the year	711	(349)
Other comprehensive income (items that will be reclassified to profit or loss)		
Fair value gains and losses on available for sale financial assets		
- current period (losses)/gains	(27)	267
- deferred tax on prior period gains	-	152
- reclassified to profit and loss	-	28
Other comprehensive income	(27)	447
Total comprehensive income for the year	684	98
Attributable to:		
- Equity holders of the parent	662	122
- Non-controlling interests	22	(24)
	684	98

The notes on pages 19 to 42 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2013

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total £'000
2012							
Other comprehensive income	-	-	447	-	447	-	447
Loss for the year	-	-	-	(325)	(325)	(24)	(349)
Total comprehensive income for the year	-	-	447	(325)	122	(24)	98
Balance at 1 January	50	3,636	(163)	15,142	18,665	1,535	20,200
Transactions with owners:							
- Purchase of own shares	-	-	-	(796)	(796)	-	(796)
- Change in minority share	-	-	-	-	-	(34)	(34)
Total transactions with owners	-	-	-	(796)	(796)	(34)	(830)
Balance at 31 December	50	3,636	284	14,021	17,991	1,477	19,468
2013							
Other comprehensive income	-	-	(27)	-	(27)	-	(27)
Profit for the year	-	-	-	689	689	22	711
Total comprehensive income for the year	-	-	(27)	689	662	22	684
Balance at 1 January	50	3,636	284	14,021	17,991	1,477	19,468
Transactions with owners:							
Dividends paid to non-controlling interest	-	-	-	-	-	(120)	(120)
Issue of shares	-	4	-	-	4	-	4
Purchase of own shares	-	-	-	(1,616)	(1,616)	-	(1,616)
Disposal of discontinued operations	-	-	-	-	-	(837)	(837)
Total transactions with owners	-	4	-	(1,616)	(1,612)	(957)	(2,569)
Balance at 31 December	50	3,640	257	13,094	17,041	542	17,583

The notes on pages 19 to 42 form part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2013

Consolidated statement of financial position

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Goodwill	11	-	305
Other intangible assets	11	-	429
Property, plant and equipment	12	5,531	5,753
Deferred tax asset	19	-	851
Total non-current assets		5,531	7,338
Current assets			
Inventories	13	688	371
Trade and other receivables	15	4,823	3,146
Cash and cash equivalents		11,280	13,630
Available for sale investments	14	955	982
Total current assets		17,746	18,129
Total assets		23,277	25,467
Liabilities			
Current liabilities			
Loans and other borrowings	18	(817)	(746)
Finance leases	18	(121)	(127)
Trade and other payables	16	(2,893)	(2,922)
Shares classed as financial liabilities		-	(9)
Total current liabilities		(3,831)	(3,804)
Non-current liabilities			
Loans and other borrowings	18	(946)	(1,035)
Finance leases	18	(57)	(182)
Trade and other payables	16	(860)	(978)
Total non-current liabilities		(1,863)	(2,195)
Total liabilities		(5,694)	(5,999)
Net assets		17,583	19,468
Equity			
Share capital	20	50	50
Share premium account	20	3,640	3,636
Revaluation reserve	21	257	284
Retained earnings		13,094	14,021
Capital and reserves attributable to equity holders of the Company		17,041	17,991
Non-controlling interests	27	542	1,477
Total equity		17,583	19,468

The financial statements on pages 14 to 42 were approved by the Board of Directors and authorised for issue on 28 May 2014 and were signed on its behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 19 to 42 form part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2013

Consolidated statement of cash flows

	Note	2013 £'000	2013 £'000	2012 £'000 (re-presented)	2012 £'000 (re-presented)
Profit/(loss) for the year from continuing operations			508		(468)
Adjustments for:					
Investment revenues	7	(261)		(295)	
Other gains and losses	7	(304)		(644)	
Finance expense	7	139		137	
Finance income	7	(34)		(42)	
Tax charge		-		152	
Depreciation	12	344		345	
Amortisation/impairment of intangible assets	11	429		12	
Gain on bargain acquisition	22	(417)		(11)	
Foreign exchange revaluation loss	2	-		2	
			(104)		(344)
Operating cash flows before movements in working capital			404		(812)
(Increase)/decrease in trade and other receivables			(1,858)		(183)
Increase/(decrease) in trade and other payables			1,157		(147)
Increase in inventories			(317)		(89)
Cash used by continuing operations			(614)		(1,231)
Net cash used by discontinued operations			(335)		(92)
Net cash used by operations			(949)		(1,323)
Investing activities					
Purchase of additional shares in subsidiary			-	(22)	
Proceeds from disposal of discontinued operations net of cash sold	6	769		-	
Acquisition of business	22	(415)		-	
Purchase of available for sale investments		(11,631)		(5,813)	
Income from available for sale investments		261		296	
Disposal of available for sale investments		11,934		17,814	
Purchase of property, plant and equipment	12	(333)		(114)	
Purchase of intangible assets		-		(441)	
Interest received	7	34		42	
Net cash generated from investing activities			619		11,762
Financing activities					
Interest paid		(139)		(137)	
Purchase of own shares (treasury shares)	20	(1,616)		(796)	
Repayment of borrowings		(149)		(214)	
Dividend paid to non-controlling interest		(120)		-	
Issue of shares		4		-	
Net cash used in financing activities			(2,020)		(1,147)
Net (decrease)/increase in cash and cash equivalents			(2,350)		9,292
Cash and cash equivalents at beginning of year			13,630		4,338
Cash and cash equivalents at end of year			11,280		13,630

The notes on pages 19 to 42 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 45 to 50.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 17 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 its 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. All subsidiaries have a reporting date of 31 December.

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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business combinations

The Group applies the acquisition method of accounting for 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 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.

1 Accounting policies (*continued*)

Business combinations (*continued*)

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

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 and is reviewed annually for impairment.

Other intangible assets

All other intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, which are considered finite. Residual values and useful lives are reviewed at each reporting date and they are subject to impairment testing where indicators of impairment are present. Registered design rights are amortised over the life of the registration.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

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.

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.

Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date. When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

1 Accounting policies (*continued*)

Revenue recognition (*continued*)

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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 presented 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 primarily in the UK, Europe and the USA.

Financial information (including revenue and operating profits) is reported to the board on a segmental basis. Segment revenue comprises sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the board represents the profit earned by each segment before tax. For the purposes of assessing segment performance and for determining the allocation of resources between segments, the board reviews the non-current assets attributable to each segment as well as the financial resources available. All assets are allocated to reportable segments. Assets that are used jointly by segments are allocated to the individual segments on a basis of revenues earned.

All liabilities are allocated to individual segments. Information is reported to the board of directors on a segmental basis as management believes that each segment exposes the Group to differing levels of risk and rewards due to their varying business life cycles. The segment profit or loss, segment assets and segment liabilities are measured on the same basis as amounts recognised in the financial statements. Each segment is managed separately.

1 Accounting policies (*continued*)

Leasing

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

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

Foreign currencies

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

Retirement benefit costs

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

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

1 Accounting policies (*continued*)

Property, plant and equipment

Items of property, 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 property, plant and equipment and intangible assets (including goodwill)

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and any 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only 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 (or 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 directors and employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of options that will ultimately vest.

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

1 Accounting policies (*continued*)

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 processes 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 (FVTPL): 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. Receivables are considered for impairment when there is a risk of counterparty default.

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 equity (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.

Impairment: All financial assets except those at FVTPL are reviewed for impairment at each reporting date to identify whether there is any objective evidence that a financial asset or group of assets is impaired. Different methods are used to determine impairment as described above.

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:

FVTPL: 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.

1 Accounting policies (*continued*)

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.

Significant management 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 accounting 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.

Significant management judgements

The judgements 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.

Significant estimates

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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 management estimates. Whilst the Group has a thorough process for reviewing the requirement for receivables and credit note provisions, this area is inherently subjective.

1 Accounting policies (*continued*)

Significant management judgements and key sources of estimation uncertainty (*continued*)

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain equipment used in the production of food.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see note 22).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

New standards and interpretations – in issue but not yet effective

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014 (early adoption is permitted). Information on these new standards is presented below:

IFRS 10 'Consolidated Financial Statements' (IFRS 10)

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation-Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application.

IFRS 11: "Joint arrangements" (IFRS 11)

IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31) and SIC 13 'Jointly Controlled Entities- Non-Monetary-Contributions by Venturers'. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, IAS 31's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

1 Accounting policies (*continued*)

New standards and interpretations (*continued*)

IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 'Separate Financial Statements' (IAS 27) and IAS 28 'Investments in Associates and Joint Ventures' (IAS 28)

IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

'Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27'

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

Management does not anticipate a material impact on the Group's consolidated financial statements from the adoption of the above new standards.

New standards and interpretations – adopted in these financial statements

IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. Its adoption had no material impact on the financial statements.

2 Operating profit

Operating profit is stated after charging/(crediting):

	2013 £'000	2012 £'000 (re-presented)
Staff costs	5,773	1,603
Depreciation of property, plant and equipment:		
- owned assets	321	322
- leased assets	23	23
Amortisation and impairment of intangible assets	429	12
Gain on bargain acquisition	(417)	(11)
Exchange gains	-	(2)
Operating lease expense	436	35
Audit fees	48	31
The analysis of audit fees is as follows:		
- for the audit of the Company's annual accounts	12	12
- for the audit of the Company's subsidiaries' accounts	36	19
	<u>48</u>	<u>31</u>

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

3 Staff costs

Staff costs comprise:

	2013 £'000	2012 £'000 (re-presented)
Wages and salaries	5,096	1,470
Employer's national insurance contributions and similar taxes	467	120
Defined contribution pension cost	210	13
	<u>5,773</u>	<u>1,603</u>

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

	2013 Number	2012 Number (re-presented)
Engineering and production	193	47
Sales and marketing	9	7
Administration and management	30	13
	<u>232</u>	<u>67</u>

4 Directors' remuneration

The remuneration of the directors was as follows:

	Salaries & fees 2013 £'000	Bonus 2013 £'000	Other benefits 2013 £'000	Total 2013 £'000
David Buchler	30	-	-	30
Jonathan Lander	11	-	-	11
Nick Lander	11	-	1	12
	<u>52</u>	<u>-</u>	<u>1</u>	<u>53</u>

	Salaries & fees 2012 £'000	Bonus 2012 £'000	Other benefits 2012 £'000	Total 2012 £'000
David Buchler	30	-	-	30
Jonathan Lander	11	-	-	11
Nick Lander	11	-	1	12
	<u>52</u>	<u>-</u>	<u>1</u>	<u>53</u>

The services of Jonathan Lander and Nick Lander are provided under the terms of a Service Agreement with D2L Partners LLP. The amount due under these agreements, which is in addition to the amounts disclosed above, for the year amounted to £396,000 (2012: £422,000). The amount paid to David Buchler in the year was paid 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 (2012: none).

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

5 Operating segments

Analysis by business segment:

	Transport planning and engineering 2013 £'000	Security solutions 2013 £'000	Investing and management services 2013 £'000	Food manufacturing 2013 £'000	Total continuing 2013 £'000	Discontinued 2013 £'000	Total 2013 £'000
Revenue	7,413	176	17	8,531	16,137	7,252	23,389
Profit/(loss) before tax	1,114	1	(724)	117	508	203	711
	Transport planning and engineering 2012 £'000	Security solutions 2012 £'000	Investing and management services 2012 £'000	Food manufacturing 2012 £'000	Total continuing 2012 £'000	Discontinued 2012 £'000	Total 2012 £'000
Revenue	-	246	47	6,166	6,459	8,882	15,341
Profit/(loss) before tax	-	(4)	134	(441)	(311)	181	(130)
	Transport planning and engineering 2013 £'000	Security solutions 2013 £'000	Investing and management services 2013 £'000	Food manufacturing 2013 £'000	Total continuing 2013 £'000	Discontinued 2013 £'000	Total 2013 £'000
Assets	3,378	80	11,562	8,257	23,277	-	23,277
Liabilities	(1,791)	(105)	(295)	(3,503)	(5,694)	-	(5,694)
Net assets	1,587	(25)	11,267	4,754	17,583	-	17,583
	Transport planning and engineering 2012 £'000	Security solutions 2012 £'000	Investing and management services 2012 £'000	Food manufacturing 2012 £'000	Total continuing 2012 £'000	Discontinued 2012 £'000	Total 2012 £'000
Assets	-	79	14,307	7,393	21,779	3,688	25,467
Liabilities	-	(105)	(369)	(3,586)	(4,060)	(1,939)	(5,999)
Net assets	-	(26)	13,938	3,807	17,719	1,749	19,468
	Transport planning and engineering 2013 £'000	Security solutions 2013 £'000	Investing and management services 2013 £'000	Food manufacturing 2013 £'000	Total continuing 2013 £'000	Discontinued 2013 £'000	Total 2013 £'000
Capital spend	167	1	2	96	266	67	333
Depreciation	18	2	4	320	344	107	451
Amortisation/ impairment	-	-	-	429	429	-	429
	Transport planning and engineering 2012 £'000	Security solutions 2012 £'000	Investing and management services 2012 £'000	Food manufacturing 2012 £'000	Total continuing 2012 £'000	Discontinued 2012 £'000	Total 2012 £'000
Capital spend	-	1	443	110	554	47	601
Depreciation	-	2	6	337	345	147	492
Amortisation/ impairment	-	-	-	12	12	-	12

5 Operating segments (*continued*)

Geographical analysis:

	External revenue by location of customers		Non-current assets (excluding deferred tax) by location of assets	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
UK	15,226	6,431	5,531	6,486
Rest of Europe	399	28	-	-
Other	512	-	-	-
	<u>16,137</u>	<u>6,459</u>	<u>5,531</u>	<u>6,486</u>

6 Discontinued operations

The Group's stake in Interactive Prospect Targeting Limited (IPT) was sold on 13 December 2013 for cash consideration amounting to £900,000. In accordance with IFRS 5 the total profits relating to discontinued activities for the year are presented on a single line on the income statement, and are analysed below:

	2013 £'000	2012 £'000
Revenue	7,252	8,882
Cost of sales	(3,486)	(3,848)
Administrative expenses	(4,325)	(4,853)
(Loss)/profit before tax	(559)	181
Finance income	-	5
Income tax expense	(850)	(67)
(Loss)/profit for the year	(1,409)	119
Non-controlling interests' share of losses in period to disposal	767	
Group share of losses	(642)	
Profit on disposal (see below)	845	
Profit on discontinued operations	<u>203</u>	

At the date of disposal the carrying amount of IPT's net assets were as follows:

	2013 £'000
Goodwill	305
Property plant and equipment	98
Receivables	1,032
Cash and cash equivalents	131
Payables (current)	(1,445)
Net assets	121
Non-controlling interests' share of net assets	(66)
Group share of net assets	55
Profit on disposal	845
Consideration	<u>900</u>

Cash flows generated from discontinued operations were as follows:

	2013 £'000	2012 £'000
From operating activities	(335)	(92)
From investing activities	702	(47)
From financing activities	(120)	-

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

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

	2013 £'000	2012 £'000
Investment revenues	261	295
Other gains and losses	304	644
Finance income		
Bank interest receivable	34	47
Finance expense		
Bank interest	(70)	(63)
Finance lease interest	(18)	(26)
Other interest and finance charges	(51)	(48)
	(139)	(137)

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.

8 Income tax

	2013 £'000	2012 £'000
Current tax expense	-	-
Deferred tax expense recognised in income statement	-	-
Total tax expense recognised in income statement	-	-
Tax recognised directly in equity	-	(152)
Total tax recognised (continuing operations)	-	(152)

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:

	2013 £'000	2012 £'000
Profit/(loss)/before tax	508	(311)
Expected tax charge/(credit) based on the prevailing rate of corporation tax in the UK of 23.25% (2012: 24.5%)	118	(76)
<u>Effects of:</u>		
Expenses not deductible for tax purposes	9	12
Discontinued activities	47	(197)
Income/gains not subject to tax	(342)	(207)
Depreciation for period in excess of capital allowances	43	101
Losses not utilised	118	186
Utilisation of previously unrecognised losses	-	(57)
Change in rates of tax	-	75
Other differences	7	11
Total tax recognised	-	(152)

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

9 Earnings per share

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

Earnings for the purposes of earnings per share:	2013 £'000	2012 £'000
From continuing operations	486	(444)
From discontinued operations	203	119
Total	<u>689</u>	<u>(325)</u>
Weighted average number of shares for the purposes of earnings per share:	2013 No.	2012 No.
Weighted average number of ordinary shares in issue	4,548,805	4,953,801
Dilutive effect of potential ordinary shares	9,899	-
Weighted average number of ordinary shares for diluted EPS	<u>4,558,704</u>	<u>4,953,801</u>

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	98.6%
Sira Defence & Security Limited	England and Wales	100%
Shire Foods Limited	England and Wales	80%
JMP Consultants Limited	England and Wales	100%

11 Goodwill and other intangible assets

	Goodwill £'000	Registered designs £'000	Total £'000
Cost			
At 1 January 2012	305	-	305
Acquired in the year	-	441	441
At 31 December 2012	<u>305</u>	<u>441</u>	<u>746</u>
Disposed in the year	(305)	-	(305)
At 31 December 2013	<u>-</u>	<u>441</u>	<u>441</u>
Amortisation and impairment charges			
At 1 January 2012	-	-	-
Amortisation charge for the year	-	12	12
At 31 December 2012	-	12	12
Amortisation charge for the year	-	24	24
Impairment	-	405	405
At 31 December 2013	<u>-</u>	<u>441</u>	<u>441</u>
Net book value			
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2012	<u>305</u>	<u>429</u>	<u>734</u>

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

11 Goodwill and other intangible assets (*continued*)

Goodwill represented 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. IPT was sold on 13 December 2013.

A review of the benefits accruing from products relating the registered design rights has resulted in an impairment charge in the year and a corresponding reduction in their carrying value in the statement of financial position.

12 Property, plant and equipment

	Short Leasehold Property £'000	Freehold Property £'000	Plant & Machinery £'000	Total £'000
Cost				
At 1 January 2012	9	2,430	4,559	6,998
Additions	-	-	160	160
At 31 December 2012 and 1 January 2013	9	2,430	4,719	7,158
Additions	76	-	167	243
Acquired through business combinations	-	-	21	21
Disposed with discontinued operations	-	-	(1,261)	(1,261)
At 31 December 2013	85	2,430	3,646	6,161
Accumulated depreciation				
At 1 January 2012	3	9	901	913
Charge for the year	1	22	469	492
At 31 December 2012 and 1 January 2013	4	31	1,370	1,405
Disposed with discontinued operations	-	-	(1,119)	(1,119)
Charge for the year	7	22	315	344
At 31 December 2013	11	53	566	630
Net book value				
At 31 December 2013	74	2,377	3,080	5,531
At 31 December 2012	5	2,399	3,349	5,753

The net book value of property, plant and equipment held on finance leases was £882,000 (2012: £986,000).

13 Inventories

	2013 £'000	2012 £'000
Raw materials	266	231
Finished products	422	140
	688	371

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

14 Financial assets (current)

	2013 £'000	2012 £'000
Available-for-sale investments	955	982

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 £698,000 (2012: £692,000).

15 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	3,366	2,771
Less: provision for impairment of trade receivables	(23)	(359)
Net trade receivables	3,343	2,412
Other receivables	195	495
Amounts recoverable on contracts	1,022	-
Prepayments and accrued income	263	239
	<u>4,823</u>	<u>3,146</u>

The fair value of trade receivables approximates to book value at 31 December 2013 and 2012.

The Group is exposed to credit risk with respect to trade receivables due from its customers, primarily in the transport planning & engineering 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, particularly in the food manufacturing segment. 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 significant currency risk associated with trade receivables as the vast majority are denominated in Sterling.

The ageing analysis of trade receivables is disclosed below:

	2013 £'000	2012 £'000
Up to 3 months	3,177	2,752
3 to 6 months	178	18
6 to 12 months	11	-
Over 12 months	-	1
	<u>3,366</u>	<u>2,771</u>

16 Trade and other payables

	2013 £'000	2012 £'000
Current:		
Trade payables	813	1,018
Other tax and social security	671	564
Other payables	473	143
Accruals	721	1,174
Deferred income	215	23
	<u>2,893</u>	<u>2,922</u>
Non-current: Trade and other payables subject to CVA (see below)	<u>860</u>	<u>978</u>

16 Trade and other payables (*continued*)

One of the Group's subsidiaries, Shire Foods Limited ("Shire"), entered into a creditors' voluntary arrangement ("CVA") in January 2012. Under the terms of the CVA Shire will pay £350,000 over a maximum 3 year period in satisfaction of unsecured liabilities of approximately £1,020,000. At the end of 2013, the amount owing to CVA creditors was £980,000 (of which £120,000 is classified as current, with the balance of £860,000 classified as non-current), following payments made under the CVA arrangement in the course of the year.

In the event that all further payments due are made by Shire in respect of the CVA, the remaining balance following those payments will be £850,000 and this is expected to be released to the income statement at that time.

The fair value of all other trade and other payables approximates to book value at 31 December 2013 and 2012.

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:

	2013 £'000	2012 £'000
No interest	-	-
Fixed interest	955	982
	<u>955</u>	<u>982</u>
	<u>955</u>	<u>982</u>

17 Financial instruments – risk management (*continued*)

Foreign currency risk

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency (sterling). The Directors monitor and review their foreign currency exposure on a regular basis; they are of the opinion that as the Group's trading exposure is limited to transactions with a small number of customers and suppliers it is not appropriate to actively hedge that element of its foreign currency exposure.

Liquidity risk

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

Credit risk

The Group is mainly exposed to credit risk from credit sales. The Group's policy for managing and exposure to credit risk is disclosed in note 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 held in 2013 in a mixture of equity funds and sub-investment grade securities of a UK bank, 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.

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 what the Group manages as capital is outlined below:

	2013	2012
	£'000	£'000
Total debt	1,941	2,090
Less cash and cash equivalents	(11,280)	(13,630)
Net debt	<u>(9,339)</u>	<u>(11,540)</u>
Total equity (capital)	<u>17,583</u>	<u>19,468</u>
Debt to capital ratio	<u>(53.1)%</u>	<u>(59.3)%</u>

18 Financial assets and liabilities – numerical disclosures

Analysis of financial assets by category:

	2013 £'000	2012 £'000
Available for sale investments	955	982
Loans and receivables	3,538	2,907
Cash and cash equivalents	11,280	13,630
	<u>15,773</u>	<u>17,519</u>
Total financial assets	<u><u>15,773</u></u>	<u><u>17,519</u></u>

Fair values

The Directors consider the carrying values of all financial assets and liabilities to be a reasonable approximation of their fair values, as explained in note 16.

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:

	2013 £'000	2012 £'000
Sterling		
No fixed maturity	955	982
	<u>955</u>	<u>982</u>

Maturity of financial liabilities

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

	2013 £'000	2012 £'000
Less than six months	819	743
Six months to one year	119	131
One to two years	175	255
Two to five years	204	382
More than five years	624	579
	<u>1,941</u>	<u>2,090</u>
	<u><u>1,941</u></u>	<u><u>2,090</u></u>

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

	2013 £'000	2012 £'000
Less than six months	1,957	2,334
Six months to one year	-	-
One to two years	860	978
More than five years	-	-
	<u>2,817</u>	<u>3,312</u>
	<u><u>2,817</u></u>	<u><u>3,312</u></u>

20 Share capital (*continued*)

Shares issued in the year

The last remaining 455 A shares and 455 B shares were converted to 3,708 ordinary shares and 45,499,958,388 deferred shares, in accordance with the right attaching to the A and B shares.

In addition, 3,000 ordinary shares were issued for cash consideration of £4,125 on exercise of share options.

No shares were issued in the previous year.

Treasury shares

During the year the Company acquired 559,028 (2012: 323,170) of its own Ordinary shares for total consideration of £1,616,000 (2012: £796,000). This brings the total number of Ordinary shares held in treasury to 1,947,116 (2012: 1,388,088) with an aggregate nominal value of less than £1.

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.

The remaining A and B shares in issue as at 1 January 2013 were converted into ordinary shares and deferred shares as noted above.

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

21 Reserves

All movements on reserves are disclosed in the consolidated statement of changes in equity.

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
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

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

22 Business combinations

The Group acquired the business and certain assets of JMP Consultants Limited (a transport planning and consultancy business) on 15 May 2013 for total cash consideration of £415,000. The provisional fair values of assets and liabilities acquired, and resulting gain on bargain acquisition (credited to the income statement), are set out below:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair values £'000
Property, plant and equipment	28	(7)	21
Trade and other receivables	1,191	386	1,577
Trade and other payables	(638)	(128)	(766)
Net assets acquired	<u>581</u>	<u>251</u>	832
Gain on bargain acquisition			(417)
Consideration (settled in cash)			<u>415</u>

A gain on bargain acquisition arose because the business was in financial distress at the time of the acquisition and because of limited visibility of its financial performance.

As the acquisition was of a business and not of a separate legal entity it is not possible to reliably disclose the results of the acquired business in the period before the acquisition. The results of the acquired business after the acquisition form the results of the transport planning and engineering segment as disclosed in note 5.

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 2013 £'000	Other 2013 £'000	Land and buildings 2012 £'000	Other 2012 £'000
Not later than one year	-	-	138	4
Later than one year and not later than five years	48	-	31	2
Later than five years	-	-	-	-
	<u>48</u>	<u>-</u>	<u>169</u>	<u>6</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.

24 Share-based payments (*continued*)

Options in issue are summarised below:

	Weighted average exercise price 2013	Number 2013	Weighted average exercise price 2012	Number 2012
Outstanding at beginning of the year	183.1p	34,000	183.1p	34,000
Granted during the year	-	-	-	-
Exercised during the year	137.5p	(3,000)	-	-
Lapsed during the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	187.5p	31,000	183.1p	34,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All options in issue were fully vested prior to 1 January 2012, hence there is no share based payment charge in 2013 or 2012.

The exercise price of all options outstanding at the end of the year was 187.5p (2012: ranged between 137.5p and 187.5p) and their weighted average remaining contractual life was 0.3 years (2012: 1.3 years).

The Company's share price during the year ranged from a low of 262.5p to a high of 285p, with an average of 275.5p. At the year-end it was 267.5p.

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.

27 Non-controlling interests

The non-controlling interests of £542,000 (2012: £1,477,000) relate to the net assets attributable to the shares not held by the Group at 31 December 2013 in the following subsidiary undertakings:

Name of subsidiary undertaking	2013 £'000	2012 £'000
NMT Group Limited	76	77
Interactive Prospect Targeting Limited	-	953
Shire Foods Limited	466	447
	<hr/>	<hr/>
	542	1,477
	<hr/> <hr/>	<hr/> <hr/>

27 Non-controlling interests (*continued*)

Summarised financial information (before intra-group eliminations) in respect of Shire Foods Limited is presented below:

	2013 £'000	2012 £'000
Property, plant and equipment	5,373	5,597
Current assets	2,884	1,790
Non-current liabilities	(1,864)	(2,960)
Current liabilities	(4,061)	(2,211)
Net assets (equity)	<u>2,332</u>	<u>2,216</u>
Attributable to:		
Group	1,866	1,769
Non-controlling interests	466	447
	<u>2,332</u>	<u>2,216</u>

Revenue for the year was £8,531,000 (2012: £6,166,000) and the profit for the year was £117,000 (2012 loss: £441,000) of which £23,000 (2012 loss: £88,000) is attributable to non-controlling interests.

28 Events after the balance sheet date

On 15 January 2014 JMP issued new shares to non-controlling interests resulting in a reduction in the Group's holding to 75%.

Volvere plc

Parent Company financial statements

Year ended 31 December 2013

Volvere plc - Annual report and financial statements for the year ended 31 December 2013

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 2013 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out 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 Financial Reporting Council'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 2013;
- 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 matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Volvere plc for the year ended 31 December 2013.

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

28 May 2014

Volvere plc - Annual report and financial statements for the year ended 31 December 2013

Parent Company balance sheet

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Tangible fixed assets	3	6		10	
Investments	4	5,811		6,057	
			5,817		6,067
Current assets					
Debtors	5	4,044		2,526	
Cash at bank and in hand		9,969		11,995	
Investments	6	955		982	
		14,968		15,503	
Creditors: amounts falling due within one year	7	(5,381)		(5,144)	
Net current assets			9,587		10,359
Total assets less current liabilities			15,404		16,426
Net assets			15,404		16,426
Capital and reserves					
Called up share capital	8		50		50
Share premium account	9		3,640		3,636
Revaluation reserve	9		257		284
Profit and loss account	9		11,457		12,456
Shareholders' funds			15,404		16,426

The financial statements were approved by the Board of Directors and authorised for issue on 28 May 2013 and were signed on their behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 46 to 50 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 property, 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.

Share-based payments

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

2 Profit for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes a profit after tax of £619,000 (2012: £52,000) 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 2013	9	18	27
Additions	-	-	-
At 31 December 2013	9	18	27
Accumulated depreciation			
At 1 January 2013	4	13	17
Charge for the year	1	2	3
At 31 December 2013	5	15	20
Net book value			
At 31 December 2013	4	3	7
At 31 December 2012	5	5	10

4 Fixed asset investments

	Shares in group undertakings 2013 £'000	Shares in group undertakings 2012 £'000
Cost		
At 1 January	6,057	6,036
Additions	415	21
Disposals	(661)	-
At 31 December	5,811	6,057

4 Fixed asset investments (*continued*)

Additions in the current year relate to the acquisition of JMP Consultants Limited. Prior year additions relate to a small further investment in NMT Group Limited. The disposal in the current year relates to the sale of Interactive Prospect Targeting Limited (IPT). More details on the acquisition of JMP and the sale of IPT are given in the consolidated financial statements.

The principal subsidiaries of Volvere plc are as follows:

Name	Country of incorporation	Proportion of ownership interest
Volvere Central Services Limited	England and Wales	100%
NMT Group Limited	Scotland	98.6%
Sira Defence & Security Limited	England and Wales	100%
Shire Foods Limited	England and Wales	80%
JMP Consultants Limited	England and Wales	100%

5 Debtors

	2013 £'000	2012 £'000
Trade debtors	5	-
Amounts owed by group undertakings	3,984	2,462
Other debtors	35	44
Prepayments and accrued income	20	20
	<u>4,044</u>	<u>2,526</u>

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

6 Current asset investments

	2013 £'000	2012 £'000
Current asset investments	<u>955</u>	<u>982</u>

During the year the Company invested in a mixture of equity funds and sub-investment grade securities of a UK bank.

At the year end the cost of these investments was £692,000 (2012: £692,000).

7 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	26	55
Amounts due to Group companies	5,200	4,900
Social security and other taxes	1	-
Other creditors	34	25
Accruals and deferred income	120	155
Share capital classified as financial liabilities	-	9
	<u>5,381</u>	<u>5,144</u>

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

8 Share capital

	2013 Number	Authorised 2013 £'000	2012 Number	2012 £'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
		<u>100</u>		<u>100</u>
	2013 Number	2013 £'000	2012 Number	2012 £'000
Ordinary shares of £0.0000001 each	6,207,074	-	6,200,366	-
A shares of £0.49999995 each	-	-	455	-
B shares of £0.49999995 each	-	-	455	-
Deferred shares of £0.00000001 each	4,999,994,534,696	50	4,954,494,576,308	50
		<u>50</u>		<u>50</u>

Details of movements during the year, purchases of own shares and rights attaching to different classes of share capital are disclosed in note 20 to the consolidated financial statements.

9 Reserves

	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2012	50	3,636	(163)	13,228
Revaluation of current asset investments (net of related deferred tax)	-	-	419	-
Transfer to profit and loss account on disposal	-	-	28	(28)
Purchase of own shares	-	-	-	(796)
Profit for the year	-	-	-	52
At 31 December 2012	<u>50</u>	<u>3,636</u>	<u>284</u>	<u>12,456</u>
At 1 January 2013	50	3,636	284	12,456
Revaluation of current asset investments (net of related deferred tax)	-	-	(27)	-
Transfer to profit and loss account on disposal	-	4	-	-
Purchase of own shares	-	-	-	(1,616)
Profit for the year	-	-	-	617
At 31 December 2013	<u>50</u>	<u>3,640</u>	<u>257</u>	<u>11,457</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 amounts receivable by the Company from NMT Group Limited ("NMT") for management services amounted to £162,000 (2012: £162,000).

At 31 December 2013, amounts due from NMT were £419,000 (2012: £257,000) and amounts due to NMT were £5,200,000 (2012: £4,900,000); interest charged to the Company by NMT amounted to £77,000 (2012: £74,000). Also, at 31 December 2013 an amount of £2,368,000 (2012: £1,571,000) was owed by Shire Foods Limited.