VOLVERE PLC

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Company Registration No. 04478674

Volvere plc

Report and financial statements

31 December 2005

Volvere plc

REPORT AND FINANCIAL STATEMENTS 2005

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Lord Kalms of Edgware

Non-Executive Chairman

Lord Kalms (74) is Non-Executive Chairman of Volvere plc and of NMT Group PLC. He grew the Dixons Group into the UK's leading electrical retailer with a turnover of £4.9 billion and nearly 34,000 employees. He stood down as Chairman of Dixons in 2002 and has been appointed President of the Group. In 1996 he was knighted in recognition of his services to electrical retailing. He was a governor of Dixons City Technology College in Bradford and was Chairman of Kings' Healthcare NHS Trust (1993-1996). He was Treasurer of the Conservative Party (2002/3) and a founder of Business for Sterling. Lord Kalms holds several honorary degrees and other academic awards in recognition of his commercial and industrial achievements.

Jonathan Lander

Chief Executive Officer

Jonathan (38) is Chief Executive Officer of Volvere plc. He is a Director of NMT Group PLC and is CEO of Dawnay, Day Lander Limited ("DDL"), a London-based technology venture capital and advisory firm he founded with Dawnay, Day International Limited in 1998. After five years at Credit Suisse First Boston and S.G. Warburg, Jonathan was a founder member of the Nomura Technology Group in London in 1995. Through DDL he has been an early investor in a number of technology companies including Domainnames.com (now part of Verisign Inc. in the US) and Interactive Prospect Targeting Limited, a successful Internet direct marketing company. In 2000 he was listed as one of the UK's top ten Internet investors (Sunday Business). Jonathan has an MA in Law from Cambridge University.

Nick Lander

Chief Operating & Financial Officer and Company Secretary

Nick (39), who qualified as a Chartered Accountant with Coopers & Lybrand in 1990, is Chief Operating & Financial Officer of Volvere plc and a Director of NMT Group PLC. Nick was Managing Director of Vectra Group Limited from acquisition in 2003 until 2005. He is a Chief Operating Officer of Dawnay, Day Lander Limited ("DDL"). He has worked for a number of public companies in both financial and operational roles. Prior to joining DDL, he held the positions of Corporate Development Director at Clyde Blowers PLC and Deputy Managing Director at Clyde Materials Handling Limited. Prior to joining Clyde Blowers PLC, Nick spent 6 years with APV plc (now part of Invensys PLC), latterly as Managing Director of a subsidiary business.

Richard Kalms

Business Development Director

Richard (51) is Business Development Director of Volvere plc. He has a degree in Accounting and Finance from the London School of Economics and spent the early part of his career at the Dixons Group, working for the Retail, Finance and Property divisions. His roles at Dixons included Joint Managing Director of the Property division and Group Director of Corporate Affairs. After leaving Dixons he spent six years as a director of Union Pictures Limited, a TV and Film production company. From 2000 until 2006 Richard was a director of Dawnay, Day Lander Limited.

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

Neil Ashley

Non-Executive Director
Neil (69) is a Non-Executive Director of Volvere plc and the Non-Executive Chairman of its subsidiary undertaking, Vectra Group Limited. Neil was the Chairman of Amey plc from a management buy-in in 1989 until his retirement in May 2001. This period included Amey's flotation on the Official List of the London Stock Exchange in 1994. From November 2000 until April 2003 he was Chairman of the Oxford Radcliffe Hospitals Trust, one of the ten largest NHS Trusts in the UK. He is Chairman of Energy Power Resources Limited, Heritage Commercial Property Group and BPO Group Limited. He is a former Chairman of the CBI Southern Region, is a Governor of Oxford Brookes University and was a member of the Medical Sciences Board of Oxford University until 2003.

David Buchler

Non-Executive Director
David (54) has some 30 years experience in the field of corporate turnaround. He was a partner at Arthur Andersen prior to becoming a founding partner of Buchler Phillips, the UK's leading financial recovery and restructuring specialist which was acquired by the Kroll - O'Gara Company, the world's leading risk mitigation firm, in 1999. Until 2003, he was Chairman of Kroll for Europe and Africa. He is a former President of R3, the association of business recovery and turnaround professionals, and until 2006 was Non-Executive Vice-Chairman of Tottenham Hotspur Football Club. He is currently Chairman of Langbar PLC and Baltimore PLC.

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SOLICITORS

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AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

CHAIRMAN'S STATEMENT

I am pleased to report on the results for the year ended 31 December 2005.

Last year I reported that the changes we made to Vectra's management following the turnaround would free Group management from Vectra's day-to-day operations and permit an increased focus on originating follow-on corporate transactions. As a result 2005 saw us increase our investment in NMT Group PLC and the appointment of three Volvere directors to the NMT board. In addition, we completed the acquisition of Sira Test and Certification and, following the year end, completed a further complementary acquisition.

OUTLOOK

Trading in Vectra remains stable, Sira is performing strongly and I am encouraged by the further acquisitions made in 2006. I believe the Group is well placed to create and seize new opportunities in the year ahead.

Lord Kalms of Edgware
Chairman

28 April 2006

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report that 2005 saw the Group expand both its operating and investment activities.

In pursuit of the strategy set out when Volvere was admitted to AIM, we increased our stake in NMT Group PLC ('NMT'), a company that we considered to have a poor financial performance and where an activist investor such as Volvere could bring about a change of management and enhance value for shareholders. As a result, over the period and continuing we increased our stake in NMT and were successful in removing that company's board with the support of like-minded shareholders. At the year end we controlled 26.05% of NMT and have subsequently increased this to 29.9%.

On 29 September 2005 we acquired Sira Test and Certification ('Sira'), a business which is complementary to our existing subsidiary, Vectra. Sira's services are driven by UK and European legislation for improving safety in hazardous environments. Since the year end we have also acquired a further certification business (known as Sira Environmental) operating in the environmental market and a software development and security solutions business.

We are intending to create value through NMT, Vectra and both Sira businesses.

OPERATING REVIEW

Vectra

Vectra's turnover for the year ended 31 December 2005 was £9,898,000 (2004: £10,501,000), which was lower than we had anticipated due principally to a reduction in volumes in our Property consulting business. As a result we scaled back our activities in that area accordingly.

I am pleased to report that each of our core areas enjoyed a productive year. Our Nuclear business delivered a robust performance with workflows becoming more predictable in the second half of the year. Our Oil and Gas business performed well with the high oil price continuing to stimulate investment in the oil sector. The Transportation business, which serves principally United Kingdom and Dutch clients, performed well. Our expectation is that each of these businesses will perform strongly in 2006 and we are recruiting further consulting staff to support growth.

Sira Test and Certification

During the year we entered the product and personnel certification market with our purchase of Sira Test and Certification ("Sira") for a consideration of £1.4m, of which £1.1m was payable in cash and £0.3m in shares. Sira operates in the highly regulated potentially explosive atmosphere market, certifying products for use in such environments, the manufacturing processes therein and the personnel operating them. We believe this business is capable of growth and we have opened a second office in the United Kingdom as part of our strategy to achieve that. I am pleased to report that Sira's turnover for the 3 months post acquisition was £658,000 and its operating profit before Group management and other service charges (which are provided by Vectra) and goodwill amortisation was £107,000. This represents a significant contribution to the Group and current trading suggests that this level of profitability will be broadly sustained.

We have, since the year end, added to our certification activities through the acquisition of Sira Environmental, which provides monitoring and conformity assessment solutions to the water quality and emissions monitoring markets in respect of both people and products. I am confident that our certification activities generally will enhance further our financial performance significantly. As part of the Sira Environmental acquisition we acquired a software development and security solutions business, Meerkat, which is developing video management software for use by the security services.

EMPLOYEES

The level of professionalism, motivation and dedication of our staff continues to be our strength in all our businesses. We remain committed to developing an environment where individuals are challenged and rewarded for their success.

CHIEF EXECUTIVE'S STATEMENT

ACQUISITIONS AND FUTURE STRATEGY

The investment in NMT is significant and we are focused on ensuring that this investment results in value for shareholders. Our acquisitions of Sira and Sira Environmental are an excellent platform for expanding our certification and similar activities and we are seeking complementary acquisitions to them. Vectra is beginning to shows early signs of growth and is operating in relatively robust market sectors. Accordingly, I am encouraged by the outlook for the Group.

Jonathan Lander
Chief Executive

28 April 2006

FINANCIAL REVIEW

This Financial Review covers the Group's performance during the year ended 31 December 2005. It should be read in conjunction with the Chairman's and Chief Executive's statements.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Standards and the Group's principal accounting policies, which are set out in note 1 of the Notes to the Financial Statements below. The Group has applied robust and transparent accounting policies throughout the year. The Group carries out regular reviews of its accounting policies in accordance with the requirement of Financial Reporting Standard ("FRS") 18 "Accounting Policies".

TURNOVER AND OPERATING PERFORMANCE

Turnover in the year was £10,626,000 (2004: £10,501,000) of which £658,000 arose from the acquisition of Sira Test and Certification ("Sira") in September 2005.

The Group's operating loss of £159,000 was significantly lower than 2004 (loss £301,000) reflecting the contribution from Sira and lower central overheads coupled with management fees charged to the Group's associated undertaking for the provision of management services. The improved operating performance was offset partially by a reduced amount of negative goodwill realised relating to the Vectra acquisition of £24,000 (2004: £60,000) and after amortisation of goodwill relating to the Sira acquisition of £16,000 (2004: nil).

The Group's loss before tax for the year was £63,000 (2004: loss £211,000). The increased shareholding in NMT Group PLC ("NMT") and the appointment of three Volvere directors to its board has resulted in that company becoming an associated undertaking with effect from 14 September 2005 and the Group's share of its operating loss, interest, exceptional items and tax for the period since that date are shown on the face of the Group's Profit and Loss Account. The fair value of the Group's share of the underlying net assets acquired in NMT was less than the cost of the investment and this has resulted in £135,000 of negative goodwill relating to this investment being realised on consolidation in the year (2004: nil).

The gross margin for the Group as a whole was slightly improved at 46% for the year (2004: 45%), reflecting the contribution of Sira and the provision of management services to NMT. Margins in Vectra remained broadly constant between the first half and second half of the year and were 1% lower than 2004 as a whole.

Vectra's operating loss before group management charges was £48,000 (2004: £43,000), stated after restructuring costs of £58,000 (2004: £98,000). Vectra's turnover was £9,898,000 (2004: £10,501,000) reflecting reduced activity in the property consulting business. Overhead costs were reduced overall and the effect of the reduced volumes was neutralised.

The performance of Sira has been encouraging since the acquisition. In the three month period since the acquisition the business generated a profit before tax, goodwill and group management and other service charges (from Vectra) of £107,000.

LOSS PER SHARE

The basic and diluted loss per share was 1.64p (2004: 5.82p). During the year the Group continued the operation of a share option scheme in which all staff are entitled to participate, subject to certain conditions.

NEGATIVE GOODWILL

Negative goodwill arising on the acquisition of Vectra has been capitalised as an intangible asset and credited to the profit and loss account during the period in so far as the assets acquired have been consumed or realised as cash. In the year an amount of £24,000 (2004: £60,000) was credited to the profit and loss account. Negative goodwill arising on the consolidation of the Group's associated undertaking, NMT Group PLC, has been credited to the profit and loss account (£135,000; 2004: nil).

POSITIVE GOODWILL

Positive goodwill arising on the acquisition of Sira has been capitalised as an intangible asset during the period. In the period an amount of £1,301,000 was capitalised. This is being amortised over 20 years, with a charge in the first period following acquisition of £16,000.

FINANCIAL REVIEW

CASH MANAGEMENT

During the year the Group refinanced its holding in NMT by entering into a Contract for Difference ("CFD"). The proceeds received from entering into the CFD, less the cash placed on deposit as security for the CFD provider, has been treated as debt. The overall debt position relating to this at the year end was £578,000. Cash balances at the year end totalled £1,144,000 (2004: £3,003,000) reflecting the investments made in NMT and the acquisition of Sira.

HEDGING

It is not the Group's policy to enter into derivative instruments to hedge interest rate risk.

DIVIDENDS

In accordance with the policy set out in our prospectus on our 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.

Nick Lander

Chief Operating & Financial Officer

28 April 2006

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES

The Company is a holding company that identifies and invests in undervalued and distressed businesses and provides management services to those businesses. During the year the Company invested a total of £1.3m in NMT Group PLC and acquired the business and assets of Sira Test and Certification Limited for £1.46m in September 2005. Sira Test and Certification provides certification and other services in respect of products, processes and people associated with hazardous environments. Vectra Group Limited, which was owned throughout the year, provides safety, risk and other consulting and field services to clients in, and regulators of, regulated industries.

BUSINESS REVIEW

A detailed review of the Group's performance is included in the Chairman's and Chief Executive's Statements.

RESULTS AND DIVIDENDS

Details of the results for the year are shown in the profit and loss account and related notes.

The directors do not recommend the payment of a dividend.

SUPPLIER PAYMENT POLICY

The Group does not follow any specified code or standard on payment practice. However, it is the Group's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. It is the Group's policy to make prompt payment to those suppliers meeting their obligations. The Group period end trade creditors represented approximately 78 days (Company 145 days).

DIRECTORS

The directors who served during the year are as follows:

Lord Kalms of Edgware
Jonathan Lander
Nick Lander
Richard Kalms
Neil Ashley
David Buchler

The directors' interests in the shares of the company are as detailed below:

	Number of Ordinary Shares 2005	Number of A Shares 2005	Number of B Shares 2005	Number of Ordinary Shares 2004	Number of A Shares 2004	Number of B Shares 2004
Lord Kalms of Edgware	250,000	2,630	2,630	250,000	2,630	2,630
Neil Ashley	250,000	2,630	2,630	250,000	2,630	2,630
David Buchler	28,985	-	-	28,985	-	-
Richard Kalms	250,000	5,265	5,265	250,000	5,265	5,265
Jonathan Lander	100,000	14,500	14,500	100,000	14,500	14,500
Nick Lander	25,000	7,315	7,315	25,000	7,315	7,315

DIRECTORS' REPORT

Dawnay, Day Lander Limited, a company of which Jonathan Lander, Nick Lander and Richard Kalms are directors, held 250,000 Ordinary shares which are not included in the above. Jonathan Lander owns 42.6% of Dawnay, Day Lander Limited on a fully diluted basis. Neil Ashley is a Trustee of the Ashley Grandchildren's 2003 Settlement, whose holding is not included above and which is registered in the name of Chiltern Trust Company Limited, whose holding is detailed in the Substantial Shareholdings section below.

No directors exercised options during the year.

SUBSTANTIAL SHAREHOLDINGS

As at 21 April 2006 the company had been notified of the following interests in 3 per cent or more of its issued share capital (excluding directors):

Shareholder	Number of Ordinary Share	% of Enlarged Issued Ordinary Share Capital	Number of A Shares	% of Issued A Shares	Number of B Shares	% of Issued B Shares
Friedman, Billings Ramsey International Limited	500,000	13.2	5,165	10.3	5,165	10.3
Pershing Keen Nominees Limited	489,475	12.9	Nil	Nil	Nil	Nil
State Street Nominees Limited	282,000	7.4	Nil	Nil	Nil	Nil
Dawnay, Day Lander Limited	250,000	6.6	Nil	Nil	Nil	Nil
Chiltern Trust Company Limited	250,000	6.6	1,250	2.5	1,250	2.5
Chase Nominees Limited	217,020	5.7	Nil	Nil	Nil	Nil
Nutraco Nominees Limited	180,000	4.7	Nil	Nil	Nil	Nil
Sira Environmental Certification Limited	148,148	3.9	Nil	Nil	Nil	Nil
Dawnay, Day International Limited	10,525	0.3	10,525	21.1	10,525	21.1

CORPORATE GOVERNANCE

The Board gives careful consideration to the principles of corporate governance as set out in the Combined Code of Corporate Governance issued by the London Stock Exchange in July 2003 (the "Revised Combined Code"). However, the Company is small and it is the opinion of the Directors that not all the provisions of the Revised Combined Code are relevant or desirable for a Company of Volvere's size.

The Company has established an Audit Committee and a Remuneration Committee, with formal terms of reference, which comprise of the non-executive directors. The Board meets regularly and has ultimate responsibility for the management of the Company.

DONATIONS

There were no charitable donations made in the year (2004: nil).

POST BALANCE SHEET EVENT

On 29 March 2006 the Group acquired the business and certain assets of Sira Environmental Certification Limited ('Sira Environmental'), as well as some of the business and assets of Sira Technology Limited (the 'Meerkat' business). The consideration payable for the business and assets of Sira Environmental and Meerkat was £30,000 in cash. The fair value of the net assets acquired is estimated £80,000. As part of this transaction, the Group acquired the remaining one third share in Sira Certification Service.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 28 April 2006
and signed on behalf of the Board

Nick Lander
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VOLVERE PLC

We have audited the financial statements of Volvere plc for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Practice, of the state of the group's and the individual company's affairs as at 31 December 2005 and of the group's loss for the year ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading

28 April 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	Note	Continuing operations			
		Existing £000	Acquisitions £000	Total Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
TURNOVER	2	9,968	658	10,626	10,501
Cost of sales		(5,524)	(267)	(5,791)	(5,787)
GROSS PROFIT		4,444	391	4,835	4,714
Administrative expenses					
– before goodwill		(4,694)	(308)	(5,002)	(5,075)
– realisation of negative goodwill		24	-	24	60
– amortisation of positive goodwill		-	(16)	(16)	-
		(4,670)	(324)	(4,994)	(5,015)
OPERATING (LOSS)/PROFIT		(226)	67	(159)	(301)
Share of operating loss in associate				(89)	-
Negative goodwill arising in respect of associate				135	-
Finance income - interest receivable					
– Group				59	90
– share of associate				21	-
Cost of fundamental reorganisation – share of associate	5			(30)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	2			(63)	(211)
Tax on loss on ordinary activities	6			3	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX, BEING LOSS FOR THE YEAR TRANSFERRED FROM RESERVES	17			(60)	(211)
LOSS PER ORDINARY SHARE :					
- Basic	8			(1.64p)	(5.82p)
- Diluted	8			(1.64p)	(5.82p)

All results are derived from continuing operations.

There are no recognised gains or losses other than the result for the current and preceding financial years. Accordingly, no statement of total recognised gains and losses is given.

Volvere plc

BALANCE SHEETS
31 December 2005

	Note	2005 Group £000	2005 Company £000	2004 Group £000	2004 Company £000
FIXED ASSETS					
Intangible fixed assets - positive goodwill	9	1,285	-	-	-
- negative goodwill	9	(66)	-	(90)	-
Tangible fixed assets	10	218	-	153	-
Investments	11,12,13	1,535	3,619	192	2,316
		2,972	3,619	255	2,316
CURRENT ASSETS					
Debtors	14	3,663	1,997	2,790	78
Cash at bank and in hand		1,144	389	3,003	1,964
		4,807	2,386	5,793	2,042
CREDITORS: amounts falling due within one year	15	(3,688)	(848)	(2,208)	(225)
NET CURRENT ASSETS		1,119	1,538	3,585	1,817
TOTAL ASSETS LESS CURRENT LIABILITIES		4,091	5,157	3,840	4,133
CAPITAL AND RESERVES					
Called up share capital	16	50	50	50	50
Share premium account	17	361	361	50	50
Profit and loss account	17	3,680	4,746	3,740	4,033
EQUITY SHAREHOLDERS' FUNDS	18	4,091	5,157	3,840	4,133

These financial statements were approved by the Board of Directors on 28 April 2006.

Signed on behalf of the Board of Directors

Jonathan Lander
Director

Nick Lander
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2005

	Note	2005 £000	2004 £000
Net cash outflow from operating activities	19	(21)	(206)
Returns on investments and servicing of finance	20	59	90
Capital expenditure and financial investment	20	(18)	(214)
Acquisitions and disposals	20	(2,457)	-
Cash outflow before management of liquid resources and financing		(2,437)	(330)
Financing	20	578	50
Decrease in cash in the year	21	(1,859)	(280)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied during the period from incorporation, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The group financial statements consolidate the financial statements of Volvere plc and its subsidiary undertaking drawn up to 31 December 2005. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Goodwill

Goodwill, representing the excess of the fair value of consideration given over the fair value of separable net assets acquired, is capitalised as an intangible asset and is amortised over a period of 20 years, being the directors assessment of its likely future life. Provision is made for any impairment.

Negative goodwill, representing the excess of the fair value of the separable net assets acquired over the fair value of the consideration given, is capitalised as an intangible asset and credited to the profit and loss account over the periods in which the assets acquired are consumed or realised as cash.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

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

Investments

Investments are carried in the balance sheet at cost less provision for diminution in value.

Amounts recoverable on contracts

Amounts recoverable on short-term contracts include the cost of direct materials and labour plus attributable overheads. Full provision is made on uncompleted contracts for anticipated losses to completion.

Turnover

Turnover is recognised on a basis appropriate to the nature of the income source. Turnover 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 of the relevant contract.

Associates

In the group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associates' profits less losses while the group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements. These arise from including gains and losses in different periods from those recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date at the end of the financial year. All exchange differences arising are taken to the profit and loss account in the year in which they arise.

Investment income

Income from investments is included in the profit and loss account on an accruals basis, before deduction of any related tax credit.

Pension costs

The group's subsidiary undertakings, Vectra Group Limited and Sira Test and Certification Limited, operate defined contribution schemes. The contributions to those schemes are charged against profits in the years in which they fall due. The assets of the schemes are held separately from those of the relevant company and group in independently administered funds.

The group provides no other post retirement benefits to its employees.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAX

The turnover is attributable to the continuing operations and principal activities of safety and risk consulting, certification services and management services.

By Destination	2005 £000	2005 £000	2005 £000	2005 £000	2004 £000
	Management services	Safety and risk consulting	Certification services	Total	Safety and risk consulting
United Kingdom	70	7,867	508	8,445	8,599
Rest of Europe	-	1,297	50	1,347	1,187
United States of America	-	0	95	95	-
Other	-	734	5	739	715
	70	9,898	658	10,626	10,501

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAX (CONTINUED)

Segmental Analysis	£000 Management services	£000 Safety and risk consulting	£000 Certification services	£000 Group
Turnover				
Total Sales	934	9,898	658	11,490
Inter-segment sales	(864)	-	-	(864)
Sales to third parties	70	9,898	658	10,626
Segment operating (loss)/profit	(202)	(48)	67	(183)
Realisation of negative goodwill	-	-	-	24
Share of associate's operating profit	-	-	-	(89)
Share of exceptional items reported after operating profit	-	-	-	(30)
Realisation of goodwill arising in associate	-	-	-	135
Finance charges				59
Share of associate's finance charges				21
Loss on ordinary activities before taxation				(63)
Segment net assets	5,157	1,075	9	6,241
Share of associate's net assets				1,535
Unallocated net assets				(3,685)
Net assets				4,091

For the year ended 31 December 2004 the group's revenues arose solely from safety and risk consulting.

For both the year ended 31 December 2005 and 31 December 2004 the net assets were all based in the United Kingdom.

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2005 £000	2004 £000
Depreciation on owned assets	66	84
Realisation of negative goodwill (see note 9)	(159)	(60)
Amortisation of positive goodwill	16	-
Auditors' remuneration:		
- audit services	35	35
- non-audit services	8	7
Operating lease costs		
- plant and machinery	162	163
- other	411	438
Exchange (gain)/loss	(2)	2

Auditors' remuneration in respect of the company was £10,000 (2004: £14,500).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

3. DIRECTORS' EMOLUMENTS

The remuneration of the directors was as follows:

	2005 £000	2004 £000
Emoluments	153	136

The services of Jonathan Lander, Nick Lander and Richard Kalms are provided under the terms of a Service Agreement dated 19 December 2002 with Dawnay, Day Lander Limited. The amount charged under this agreement (which is included in the amount stated above) for the period amounted to £117,000 (2004: £100,000).

None of the directors were members of the group's defined contribution pension plan in the period.

4. STAFF COSTS

	2005 £000	2004 £000
Wages and salaries	5,623	5,691
Social security costs	599	666
Pension costs	260	251
	6,482	6,608

The average monthly number of persons employed by the group during the period was 119 (2004: 124) of which management and administration numbered 20 (2004: 30) and consultants and other fee earning staff totalled 99 (2004: 94).

The group's subsidiary undertakings, Vectra Group Limited and Sira Test and Certification Limited, operate defined contribution pension plans to which they and their employees contribute.

5. EXCEPTIONAL ITEMS

	2005 £000	2004 £000
Costs of a fundamental reorganisation (group share)	30	-

The exceptional costs in the year relate to the costs incurred by the Group's associated undertaking, NMT Group PLC, in reorganising its business. Further information on NMT Group PLC is given in Note 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

6. TAX ON LOSS ON ORDINARY ACTIVITIES

Current tax	**2005 £000**	**2004 £000**
UK corporation tax	-	-
Share of associate's tax	3	-
Total tax on loss on ordinary activities	3	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the period exceeds the standard rate for the reasons set out in the following reconciliation.

	2005 £000	**2004 £000**
Loss on ordinary activities before tax	(63)	(211)
Less: share of associate's loss before tax	(37)	-
	(100)	(211)
Tax credit on loss on ordinary activities at standard rate	30	63
Factors affecting credit for the year:		
Expenses disallowable for tax purposes	(9)	(3)
Capital allowances in excess of depreciation	17	17
Tax losses carried forward	(45)	(83)
Movement in short term timing differences	7	6
Total actual amount of current tax	-	-

At 31 December 2005 a deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, revenue losses and other short term timing differences as there is insufficient evidence that the asset will be recovered against future taxable profits. The amount of the asset not recognised is £534,615 (2004: £543,421).

7. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £713,000 (2004: £240,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

8. LOSSES PER SHARE

The weighted average number of shares and losses used to calculate earnings per share are given below:

	2005 Number	2004 Number
Number of shares used for basic losses per share	3,667,664	3,628,525
Number of shares deemed to be issued at nil consideration pursuant to exercise of in-the-money share options	3,383	-
Number of shares deemed to be issued at nil consideration under incentive share scheme	267,271	185,820
Number of diluted shares	3,938,318	3,814,345

	2005 £000	2004 £000
Loss attributable to shareholders	(60)	(211)

At the end of the period 3,786,588 ordinary shares (2004: 3,638,440) were in issue. In addition, 100,000 convertible shares (2004: 100,000) were in issue and options for 277,483 shares (2004: 238,624). FRS14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. The loss per share would decrease if shares were issued upon exercise of the share options or under the incentive share scheme and therefore diluted loss per share is the same as basic loss per share.

9. INTANGIBLE FIXED ASSETS – GOODWILL

	Positive Goodwill £000	Negative Goodwill £000
Cost		
At 1 January 2005	-	(1,402)
Additions (see notes 12 and 13)	1,301	(135)
At 31 December 2005	1,301	(1,537)
Amortisation		
At 1 January 2005	-	1,312
(Charged)/realised in the period	(16)	159
At 31 December 2005	(16)	1,471
Net book value		
At 31 December 2005	1,285	(66)
At 31 December 2004	-	(90)

The balance of negative goodwill is being realised over the periods in which the assets to which it relates are consumed by the Group. This period is expected to extend out three years from the anniversary of the underlying acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

10. TANGIBLE FIXED ASSETS

Group

	Short Leasehold property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2005	419	985	1,404
Acquisition of business (see note 13)	10	27	37
Additions	20	77	97
Disposals	-	(5)	(5)
At 31 December 2005	449	1,085	1,533
Depreciation			
At 1 January 2005	318	933	1,251
Charge for the period	33	33	66
Disposals	-	(2)	(2)
At 31 December 2005	351	964	1,315
Net book value			
At 31 December 2005	98	120	218
At 31 December 2004	101	52	153

11. FIXED ASSET INVESTMENTS

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Subsidiary undertakings	-	2,124	-	2,124
Other investments	-	-	192	192
Investment in associated undertaking	1,535	1,495	-	-
	1,535	3,619	192	2,316

The Company's investments represent 100% of the ordinary share capital of Vectra Group Limited and 26.05% of the ordinary share capital of NMT Group PLC. Other investments at 31 December 2004 represented the Company's investment in NMT Group PLC which, following the increase in the Company's holding during the year ended 31 December 2005, has been reclassified as an associated undertaking. The investments in subsidiary and associated undertakings are stated at cost.

The Company acquired its stake in NMT Group PLC for cash but, on 23 September 2005, entered into a Contract for Difference ("CFD") in respect of 1,306,600 shares (out of a total holding of 2,269,024 shares). This resulted in the legal ownership in these shares transferring to the CFD provider, with the Company retaining the economic interest. On this basis the economic benefit of these shares has been reflected in the associate interest accounted for by the group. The funds received from the CFD provider upon the transfer of the holding to it, net of the funds provided by the Company as security under the terms of the CFD, have been treated as an increase in debt.

At 30 December 2005 the market value of the investment in NMT Group PLC (including the shares held under the CFD) amounted to £1,270,653.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

11. FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiary undertakings – (see note 24)	Group £000	Company £000
Cost and Net Book Value		
At 1 January 2005 and 31 December 2005	-	2,124

Other investments	Group £000	Company £000
Cost and Net Book Value		
1 January 2005	192	192
Reclassification as associated undertaking	(192)	(192)
31 December 2005	-	-

Associated undertaking	Group £000	Company £000
Cost and Net Book Value		
1 January 2005	-	-
Reclassification as associated undertaking	192	192
Additions (Note 12 below)	1,368	1,368
Disposals	(65)	(65)
Realisation of negative goodwill	135	-
Share of loss of associated undertaking	(95)	-
31 December 2005	1,535	1,495

12. ACQUISITION OF ASSOCIATED UNDERTAKING

As noted in Note 11 above, during the year the Company increased its investment in NMT Group PLC and reclassified it from other investments to become an associated undertaking when the Company appointed three directors to NMT Group PLC's board on 14 September 2005. The following table sets out the Company's share of the book values of the identifiable assets and liabilities acquired at the point that NMT Group PLC became an associated undertaking and their fair value to the Group:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

12. ACQUISITION OF ASSOCIATED UNDERTAKING (CONTINUED)

	Book value at acquisition £000	Provisional fair value adjustments £000	Fair value at acquisition £000
Fixed assets			
Tangible	244	(244)	-
Current assets			
Other debtors	174	-	174
Cash	6,292	-	6,292
Total assets	6,710	(244)	6,466
Creditors			
Trade and other creditors	(207)	-	(207)
Total liabilities	(207)	-	(207)
Net assets	6,503	(244)	6,259
Group share of net assets acquired			1,630
Negative goodwill recognised			(135)
Purchase consideration			1,495
Satisfied by			
Cash			1,495

Details of the fair value adjustments are as follows:

Tangible fixed assets

The directors performed a review for impairment of tangible fixed assets. This review resulted in an impairment charge against tooling and plant and machinery of £244,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

12. ACQUISITION OF ASSOCIATED UNDERTAKING (CONTINUED)

The financial information below, in relation to 2005, has been extracted from the unaudited management accounts for the period from 1 January to 14 September 2005, when NMT Group PLC became an associated undertaking and the audited financial statements for the year ended 31 December 2004:

		Unaudited 1 January -14 September 2005 £000	Audited 12 months to 31 December 2004 £000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Distribution costs		(31)	(252)
Administration expenses		(310)	(1,325)
Exceptional administration expenses		-	(696)
Operating loss		(341)	(2,273)
Exceptional item	Note (a)	(116)	73
Loss before interest and tax		(457)	(2,200)
Interest income		81	391
Loss on ordinary activities before tax		(376)	(1,809)
Taxation on loss on ordinary activities		11	71
Loss for the period		(365)	(1,738)

Note (a): The exceptional item in 2005 has been reduced by the extent of the Group's fair value adjustment of £244,000, which was accounted for by the associate as an exceptional item in the period following the acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

12. ACQUISITION OF ASSOCIATED UNDERTAKING (CONTINUED)

The following disclosures are given in accordance with FRS9 based upon unaudited information from NMT Group PLC, adjusted where appropriate for period for which the company was an associated undertaking:

Group share of associated undertaking:	Unaudited 14 September 31 December 2005 £000
Turnover	-
Loss before tax	(98)
Taxation	3
Loss after tax	(95)

	Unaudited 31 December 2005 £000
Fixed assets	-
Current assets	1,606
Liabilities falling due within one year	(48)
Liabilities falling due after one year or more	-

13. ACQUISITION OF BUSINESS AND ASSETS

On 29 September 2005 the Group acquired certain business and assets from the Sira group of companies for a consideration of £1,463,000 payable at completion following the determination of the net assets at that time. Of the consideration, £1,163,000 was payable in cash and the balance satisfied by the issue of Volvere plc ordinary shares. For the purpose of undertaking this transaction, the company established a new wholly-owned subsidiary, Sira Test and Certification Limited, which since the acquisition has commenced trading. As part of the acquisition, the group became a controlling member in Sira Certification Service, a company limited by guarantee. Sira Certification Service does not trade other than to hold certain accreditations relating to the business of Sira Test and Certification Limited and activities outside of the group.

Subsequent to completion the group reassigned to the seller certain trade debtors with a combined value of £134,000 in exchange for cash. This has been treated as an adjustment to the fair value of the assets acquired and the total consideration paid. The fair value of the total consideration was £1,390,000 (including £61,000 of associated expenses).

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

13. ACQUISITION OF BUSINESS AND ASSETS (CONTINUED)

	Book value at acquisition £000	Provisional fair value adjustments £000	Fair value to group at acquisition £000
Fixed assets			
Tangible	37	-	37
Current assets			
Debtors (incl. amounts recoverable under contracts)	612	(105)	507
Cash	1	-	1
Total assets	650	(105)	545
Creditors			
Trade creditors	(65)	-	(65)
Accruals and deferred income	(399)	8	(391)
Total liabilities	(464)	8	(456)
Net assets acquired	186	(97)	89
Goodwill capitalised			1,301
Purchase consideration, including certain costs, after debtors transfer to seller			1,390
Satisfied by			
Cash			1,090
Ordinary shares			300
			1,390

Details of the fair value adjustments are as follows:

Tangible fixed assets

The directors performed a review for impairment of tangible fixed assets. This review did not result in a change to the book value of the assets acquired.

Debtors

The directors performed a review of the recoverability of debtors (including amounts recoverable under contracts) and this has resulted in an increase in the carrying values. As noted above, aggregate debtor balances totalling £134,000 were assigned back to the seller following completion for an amount equal to their face value.

Trade creditors and accruals

The directors performed a review of the valuation of creditors and accruals which has resulted in certain creditors and accruals being restated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

13. ACQUISITION OF BUSINESS AND ASSETS (CONTINUED)

The business and assets acquired were previously part of the trading operations undertaken by the seller's group and accordingly statutory accounts were not prepared for the business acquired. However, the financial information below has been extracted from unaudited management accounts for the periods stated.

	21 weeks to 26 August 2005 £000	52 weeks to 31 March 2005 £000
Turnover	899	2,342
Operating profit – before management charges	178	314
Net profit before taxation	178	314

14. DEBTORS

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	2,112	28	1,643	-
Amounts recoverable on contracts	1,253	-	876	-
Amounts due from subsidiary undertaking	-	1,960	-	69
Other debtors	67	-	13	-
Prepayments and accrued income	231	9	258	9
	3,663	1,997	2,790	78

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Other loans	578	578	-	-
Trade creditors	919	94	735	128
Other taxes and social security	193	-	174	-
VAT payable	363	73	388	32
Other creditors	285	-	263	-
Accruals and deferred income	1,350	103	648	65
	3,688	848	2,208	225

The other loans balance is the net amount due under a contract for difference (see note 11). Interest payable is at a rate of 1% over LIBOR and the loan has a repayment period that is subject to period review.

The company's subsidiary Vectra Group Limited has issued a debenture creating fixed and floating charges over substantially all Vectra's assets to secure amounts owing to its bankers. As at 31 December 2005 no amounts subject to this security had been drawn down.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

16. CALLED UP SHARE CAPITAL

Company	2005 £000	2004 £000
Authorised		
100,100,000 Ordinary shares of £0.0000001 each	-	-
50,000 A shares of £0.49999995 each	25	25
50,000 B shares of £0.49999995 each	25	25
4,999,999,500,000 Deferred shares of £0.00000001 each	50	50
Issued, called-up and fully paid		
3,786,588 ordinary shares (2004: 3,638,440) of £0.0000001 each	-	-
49,735 A shares of £0.49999995 each	25	25
49,735 B shares of £0.49999995 each	25	25
2,649,998,554 Deferred shares of £0.00000001 each	-	-

On 21 October 2005 148,148 £0.0000001 ordinary shares were issued at £2.025 each, giving rise to share premium on issue of £300,000.

The A and B class shares rank pari passu with the ordinary shares on a return of capital and have equal 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, whereby 15% of the growth in market capitalisation of Group is attributable to the holders of the A and B shares.

Based on the closing share price of £1.975 at 31 December 2005, the A and B class shares would be capable of converting into 267,271 ordinary shares (2004: 185,820). The deferred shares carry no rights to participate in the profits or assets of the Company and carry no voting rights.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

16. CALLED UP SHARE CAPITAL (CONTINUED)

Option scheme	Date of grant	Exercise price (pence)	Number
Volvere plc EMI Plan	30 June 2005	190.0	132,569
	30 June 2004	187.5	78,594
Unapproved	13 April 2004	187.5	31,000
	24 December 2002	100.0	36,097
			278,260

Options granted under the Volvere plc EMI Plan vest subject to certain performance and time-based criteria and are exercisable between 3 and 10 years following grant. Options granted on 31 December 2004 over 92,050 shares at 190.0p were cancelled during 2005.

The Unapproved options granted on 13 April 2004 vest as to 10,334 on each of 8 December 2004 and 8 December 2005 and 10,332 on 8 December 2006. Those granted on 24 December 2002 can be exercised at any time until 24 December 2007.

17. SHARE PREMIUM AND RESERVES

Group

	Share premium £000	Profit and loss account £000	Total £000
At beginning of year	50	3,740	3,790
Loss transferred for the year	-	(60)	(60)
Premium on share issues (including refund of expenses)	311	-	311
At end of year	361	3,680	4,041

Company

	Share premium £000	Profit and loss account £000	Total £000
At beginning of year	50	4,033	4,083
Profit transferred for the year	-	713	713
Premium on share issues (including refund of expenses)	311	-	311
At end of year	361	4,746	5,107

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Opening shareholders' funds	3,840	4,133	4,001	3,843
Issue of share capital	300	300	50	50
Refund of expenses associated with issue of share capital	11	11	-	-
(Loss)/profit for the year	(60)	713	(211)	240
Closing shareholders' funds	4,091	5,157	3,840	4,133

The refund of expenses associated with the issue of share capital was as a result of VAT being refunded that had been written off previously to the share premium account.

19. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

Group	2005 £000	2004 £000
Operating loss	(159)	(301)
Depreciation and goodwill amortisation	82	84
Realisation of negative goodwill	(24)	(60)
Profit on sale of investments	(11)	-
Decrease in stocks	-	5
(Increase)/decrease in debtors	(366)	147
Increase/(decrease) in creditors	457	(81)
Net cash outflow from operating activities	(21)	(206)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

20. ANALYSIS OF CASH FLOWS

Group	2005 £000	2004 £000
Returns on investments and servicing of finance		
Interest received	59	90
Net cash inflow from returns on investments and servicing of finance	59	90
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(97)	(25)
Sale of tangible fixed assets	3	3
Purchase of equity investment	-	(192)
Sale of equity investment	76	-
Net cash outflow from capital expenditure and financial investment	(18)	(214)
Acquisitions and disposals		
Acquisition of business	(1,090)	-
Net cash acquired on acquisition of business	1	-
Investment in associated undertaking	(1,368)	-
Net cash outflow from acquisition and disposals	(2,457)	-
Financing		
Issue of share capital	-	50
Increase in short term borrowings	874	-
Repayment of short term borrowings	(296)	-
Net cash inflow from financing	578	50

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

21. ANALYSIS AND RECONCILIATION OF NET FUNDS

Group

	1 January 2005 £000	Cash flow £000	31 December 2005 £000
Cash in hand at bank, being net funds	3,003	(1,859)	1.144
Other loans – within one year	-	(578)	(578)
	3,003	(2,437)	566

Reconciliation of net funds	2005 £000	2004 £000
Decrease in cash in the year	(1,859)	(280)
Cashflow from movement in debt and lease financing	(578)	-
Change in net funds resulting from cash flows	(2,437)	(280)
Net funds at start of the year	3,003	3,283
Net funds at end of year	566	3,003

22. COMMITMENTS AND CONTINGENCIES

Operating leases

The group has the following annual commitments under non-cancellable operating leases:

	2005		2004	
	Plant and machinery £000	Other £000	Plant and machinery £000	Other £000
Expiry date				
- within one year	40	344	17	175
- between two and five years	80	49	88	232
	120	393	105	407

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2005

23. RELATED PARTIES

The company has taken advantage of the exemption available to it under FRS8 paragraph 3(b) relating to transactions and balances with subsidiaries.

As stated in note 3 above, the company's Executive Directors are provided under the terms of a Service Agreement dated 19 December 2002 with Dawnay, Day Lander Limited. The amount payable under this agreement in the period amounted to £117,000. In addition, pursuant to a Facilities Agreement dated 19 December 2002 with Dawnay, Day Lander Limited, the company is provided with certain administrative and support services. The amount payable under this agreement during the period amounted to £35,000. The amount invoiced to NMT Group PLC for management services was £70,000.

24. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings at 31 December 2005 are shown below. All subsidiary undertakings are registered in the United Kingdom and prepare accounts to 31 December each year.

	Principal Activity	**Holding**
Vectra Group Limited	Provision of safety, risk and other consulting and field services	100%
Vectra Partners Limited	Dormant	100%
Vectra (Middle East) Limited	Provision of safety, risk and other consulting and field services	100%
Sira Test and Certification Limited	Certification services	100%
Sira Certification Service*	Certification services	67%

The investments in Vectra Partners Limited and Vectra Technologies Limited are held by Vectra Group Limited. The proportion of voting rights held is equivalent to the equity shareholdings.

* Sira Certification Service is a company limited by guarantee. The Group controls two-thirds of the member shares.

25. POST BALANCE SHEET EVENT

On 29 March 2006 the Group acquired the business and assets of Sira Environmental Certification Limited ('Sira Environmental'), as well as some of the business and assets of Sira Technology Limited (the 'Meerkat' business). The consideration payable for the business and assets of Sira Environmental and Meerkat was £30,000 in cash. The fair value of the net assets acquired is estimated at £80,000. As part of this transaction, the Group acquired the remaining one third share in Sira Certification Service.