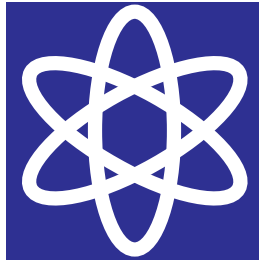


Company Number 04478674



# **VOLVERE PLC**

Annual report and financial statements

Year ended 31 December 2017



## **Volvere plc**

### **Annual report and financial statements for the year ended 31 December 2017**

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#### **Country of incorporation**

England and Wales

#### **Company secretary**

Nick Lander

#### **Company number**

04478674

#### **Registered office**

Warnford Court  
29 Throgmorton Street  
London  
EC2N 2AT

Tel: 020 7634 9707  
Web: [www.volvere.co.uk](http://www.volvere.co.uk)

## **Volvere plc - Annual report and financial statements for the year ended 31 December 2017**

### **Directors and professional advisers**

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#### **Directors**

*David Buchler, Non-Executive Chairman, aged 66*

David is a Chartered Accountant and has over 35 years of experience in the field of corporate turnaround. He was a partner at Arthur Andersen prior to becoming a founding partner of Buchler Phillips, one of the UK's leading financial recovery and restructuring specialists, which was acquired by the Kroll Inc. Company in 1999, the world's leading risk mitigation firm. 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, as well as a member of the Institute for Turnaround, Trustee of Syracuse University, former Vice-Chairman of Tottenham Hotspur Football Club and former Deputy Chairman of the English National Opera. He has been a Director of a number of public companies.

*Jonathan Lander, Chief Executive Officer, aged 50*

Jonathan is a founder and Chief Executive Officer of Volvere. He has over 25 years' experience in the financial services industry, including almost 20 years as CEO of D2L Capital 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 51*

Nick is a founder and 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 and is Council Member of the Institute of Chartered Accountants of Scotland.

#### **Bankers**

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YZ

#### **Solicitors**

Marriott Harrison LLP  
11 Staple Inn  
London  
WC1V 7QH

#### **Auditor**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

#### **Broker and nominated adviser**

N+1 Singer  
1 Bartholomew Lane  
London  
EC2N 2AX

## **Volvere plc - Annual report and financial statements for the year ended 31 December 2017**

### **Strategic report**

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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 2017.

The Group had another strong year with trading performance well ahead of the previous year and resulting in an increase in net assets per share\* to £6.59 (2016: £6.17).

We look forward to another encouraging year in 2018.

**David Buchler**  
**Chairman**

24 May 2018

\*Net assets attributable to owners of the parent company divided by total number of ordinary shares outstanding at the reporting date (less those held in treasury), see note 20.

#### **Chief Executive's statement**

##### **Introduction**

Progress in 2017 was very pleasing with Group revenue reaching a new record of £43.4 million (2016: £33.0 million) and pre-tax profits rising to £3.45 million in 2017 from £1.98 million in 2016. Underpinning these results was a strong performance from Impetus Automotive and satisfactory performances from Shire Foods and Sira Defence & Security.

##### **Principal activities**

The Company is a holding company that identifies and invests in undervalued and/or 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' activities during the year were automotive consulting, food manufacturing and security software solutions, and each of these is reported as a separate segment.

##### **Operating review**

The financial performance of each segment is summarised below and in the financial review on pages 5 to 7 and further detailed in note 5 to the financial statements.

##### *Automotive consulting*

Impetus Automotive Limited ("Impetus") was acquired in March 2015. Impetus's activity is the provision of consulting and related services to the automotive sector, principally vehicle manufacturers and their national sales companies. The Group has an 83% stake in Impetus, and this was its second full year within the Group.

Revenue in 2017 grew to £27.3 million (2016: £17.4 million) and its profit before tax and intra-group management and interest charges was £3.6 million (2016: £1.5 million). Profit before tax was £3.3 million (2016: £1.1 million).

**Strategic report (*continued*) – Chief Executive's statement (*continued*)**

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Evolution in the automotive industry is continuing apace, with new vehicle technologies being rolled out and supply and support channels adapting to accommodate them. We believe this will provide an exciting environment for Impetus as it supports its clients through these changes. In the shorter term, there is some inevitable uncertainty as the industry faces a drop in sales in the UK due to UK-specific factors, whilst managing the transition towards a greater proportion of alternatively fuelled vehicles. Whilst this could impact Impetus's revenue and margins, our experience to date has been that any such effects are modest and may in fact be offset by other opportunities. The automotive market is very large and we are of the view that the opportunities for Impetus remain significant.

Impetus is a people business, and our staff, who now number around 400, are fundamental in delivering our strategy – to be the customer's first choice consultant. Our success is based on upon their hard work and dedication, and for that we are enormously grateful. We look forward to another successful year in 2018.

Further information on Impetus's activities can be found at [www.impetusautomotive.com](http://www.impetusautomotive.com).

*Food manufacturing*

Shire Foods Limited ("Shire"), in which the Group has an 80% stake, was acquired in 2011. Shire is a manufacturer of frozen pies, pasties and other pastry products for food retailers and food service customers.

Shire's revenue for the year increased slightly to £15.87 million (2016: £15.19 million) but profit before tax and intra-group management and interest charges fell from £1.15 million in 2016 to £0.64 million this year. Profit before tax for the year was £0.44 million (2016: £0.91 million).

The reduction in profitability compared to the prior year reflects the inflationary pressures on costs – both raw materials and labour – that continue to impact Shire. The ability of the business to pass on such cost increases to customers, who themselves face extreme competition in the retail market, has been limited both in absolute terms and in terms of timing. The profit was also reduced by a one-off impairment charge of £0.19 million due to the accelerated write down of equipment that is being removed from service.

In spite of this, however, our innovations in recent years have enabled Shire to extend its ranges into different format products such as vegetarian parcels, mini pies and other party offerings. In 2018 we are spending approximately £0.95 million on further capital equipment to allow these products to be made at higher margins.

Progress thus far in 2018 has been encouraging and we look forward to increasing both revenue and profitability for the year as a whole.

Further information about Shire can be found at [www.shirefoods.com](http://www.shirefoods.com).

*Security solutions*

Sira Defence & Security Limited ("Sira"), the Group's digital CCTV viewing software business suffered a decline in performance with revenues down from £0.38 million to £0.28 million resulting in a fall in profits before tax and intra-group management and interest charges from £0.16 million to £0.05 million. Profit before tax was £0.03 million (2016: £0.16 million). The fall in revenue and profitability reflected lower client-funded development activity in the year.

Sira remains focused on being the universal interface for accessing multiple format CCTV footage in the law enforcement sector and we are investing in developing our partner-licensing model to increase scale.

Further information about Sira can be found at [www.siraview.com](http://www.siraview.com).

## **Volvere plc - Annual report and financial statements for the year ended 31 December 2017**

### **Strategic report (*continued*) – Chief Executive's statement (*continued*)**

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#### *Investing and management services*

The Group's investment and management services segment comprises central overheads, partially offset by management and interest charges to Group companies, and returns from treasury management activities on current asset investments. During the period we made modest revenues and other gains on our portfolio of £0.09 million (2016: £0.16 million).

#### **Future strategy**

We remain committed to seeking under-performing businesses that we believe we can build into attractive market-leading companies. The Group's recent strong financial performance, coupled with the strength of its balance sheet, mean we will continue buying back the Group's shares when we consider to do so is in the interests of our shareholders.

**Jonathan Lander**  
**Chief Executive**

24 May 2018

**Strategic report (*continued*) – Financial review**

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**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.

*Overview*

Group revenue grew by approximately 32% from £33 million in 2016 to £43.4 million in 2017. Revenue growth was due mainly to the strong growth reported by Impetus Automotive Limited ("Impetus") whilst the Group's other businesses reported broadly consistent revenues.

Group profit before tax rose from £1.98 million to £3.45 million again driven by the excellent performance of Impetus, offset partly by lower profitability in Shire Foods Limited ("Shire") and Sira Defence & Security Limited ("Sira").

The trading performance of each of our businesses is outlined in the Chief Executive's statement and set out further in note 5 to the financial statements.

*Automotive consulting*

This segment reflects the trading of Impetus, which was acquired in March 2015.

Revenue in 2017 grew to £27.3 million (2016: £17.4 million) and its profit before tax and intra-group management and interest charges was £3.6 million (2016: £1.5 million). Profit before tax was £3.3 million (2016: £1.1 million).

The increase in revenue and profitability was a consequence of both the commencement of a large contract to manage the training services of a client, coupled with encouraging underlying growth in other areas. The training services contract is subject to performance criteria that, if not achieved, can trigger contractual penalties. In the early stages of the contract no such sums were payable but it is possible that, as the contract matures, there may be some such payments, although these are not currently envisaged as being material.

The majority of Impetus's income is not subject to performance criteria and is affected more by the expansion or contraction (including continuation) of client activities. During 2017 the company continued to grow with most of its major clients, the largest of which are the Volkswagen Group, Toyota, BMW and Jaguar Land Rover.

With strong underlying performance over the last two years, Impetus has been able to repay all Group debt that arose from the original acquisition (approximately £1.5 million) as well as follow-on working capital loans. In addition, as of 31 December 2017, management fees and group interest paid to the Group since acquisition amount to approximately £1 million, along with dividends received in 2018 of £0.24 million.

*Food manufacturing*

This segment reflects the trading of Shire Foods, owned since July 2011.

Shire's revenue for the year increased slightly to £15.87 million (2016: £15.19 million) but profits before tax and intra-group management and interest charges dropped from £1.15 million in 2016 to £0.64 million in 2017. As noted in the Chief Executive's statement, this was due to both a restricted ability to pass on cost increases to customers and increasing labour and raw material costs.

In recent months, however, there has been greater realism about the need to either increase consumer prices (or to appropriately reduce the quantity of product supplied for a given retail price) or to absorb cost increases from Shire. However, as part of a balanced, partnering approach with clients, Shire will continue to seek volume growth through increasing the number of lines offered to individual clients and seek to minimise cost increases wherever possible.



## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

### Strategic report (continued) – Financial review

Shire did not require any loans from the Group during 2017 (and no debt was outstanding at the start or end of the year). Group management charges totalled £0.2 million in the period (2016: £0.2 million). As noted above, Shire is investing approximately £0.95 million in new equipment in 2018, of which external debt funding is expected to finance approximately £0.85 million.

The 5-year financial performance of Shire is summarised in the table below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Revenue	15,869	15,190	15,476	12,134	8,531
Profit/(loss) before tax, intra-group management and interest charges	635	1,149	1,588	1,651	117
Exceptional credit	-	-	-	(852)	-
Underlying profit/(loss) before tax, intra-group management and interest charges	635	1,149	1,588	799	117
Intra-group management and interest charges	(200)	(240)	(423)	-	-
Exceptional credit	-	-	-	852	-
Profit before tax	435	909	1,165	1,651	117

### 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 and other gains totalling £0.09 million (2016: £0.16 million).

The Group's net finance expense was £0.13 million (2016: £0.11 million). Despite the Group's significant cash balances, individual Group trading companies utilise leverage where appropriate, and without recourse to the remainder of the Group.

### Statement of financial position

#### Cash and current investments

Cash at the year end totalled £12.1 million (2016: £20.1 million) with a further £6.3 million invested in current asset investments. Total cash and current investments fell by £1.7 million from £20.1 million in 2016 to £18.4 million in 2017. This was principally due to purchases of own shares in the year totalling £3.46 million, offset by trading cash flows.

#### Overall position

Total net assets fell slightly from £26.6 million to £26.1 million, again due principally to treasury share purchases.

### Dividends

In accordance with the policy set out at the time of admission to AIM, the Board is not recommending the payment of a dividend at this time and prefers to retain such profits as they arise for investment in future opportunities, or to purchase its own shares for treasury where that is considered to be in the best interests of shareholders.

**Strategic report (*continued*) – Financial review**

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**Purchase of own shares**

During the year the Company purchased 417,595 (2016: nil) of its own shares (treasury shares) at a cost of £3.46 million (2016: nil).

**Earnings per share**

Basic and diluted earnings per ordinary share ("EPS") rose from 32.6p to 56.4p per share as a result of the strong trading performance and treasury share purchases.

**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, in the Chief Executive's statement 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 automotive consulting segment staff utilisation, amounts billed to clients and cash collected are closely monitored; order intake is monitored monthly in respect of the security solutions segment.

**Principal 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 automotive consulting and food manufacturing segments, there is a dependency on a small number of customers and a reduction in the volume or range of products or services 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.

**Nick Lander**  
**Chief Financial & Operating Officer**

24 May 2018

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

### Directors' report

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The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

### Business review and indication of likely future developments

The business review and indication of likely future developments are included within the Strategic Report.

### Dividends

The Directors do not recommend the payment of a dividend (2016: £nil).

### 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 (until a threshold return of assets of £10 billion has been reached) 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.

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 29 June 2017 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.

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

### 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. David Buchler retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election.

#### Directors' interests

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

	Number of Ordinary Shares 31 December 2017	% of Total Voting Rights 31 December 2017	Number of Ordinary Shares 31 December 2016	% of Total Voting Rights 31 December 2016
David Buchler	129,893	3.54%	129,893	3.18%
Jonathan Lander	921,310	25.12%	1,023,677	25.05%
Nick Lander	493,449	13.45%	548,277	13.42%

No director held any share options at 31 December 2017 or 2016. No material changes in directors' shareholdings (or options) occurred between 31 December and the date of this report.

#### 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 2014. 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. However, the Board is reviewing its corporate governance arrangements and will publish details of those in due course, and in any event not later than 30 September 2018.

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

#### Political and charitable donations

The Group made no donations to political organisations in 2017 (2016: nil). Charitable donations in the year were £7,500 (2016: £6,300).

#### 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.

## **Volvere plc - Annual report and financial statements for the year ended 31 December 2017**

### **Directors' report (*continued*)**

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#### **Employee involvement**

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

#### **Substantial shareholdings**

On 21 May 2018 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:

<b>Name of shareholder</b>	<b>Number of Ordinary Shares</b>	<b>% of issued Ordinary Share Capital and Voting Rights</b>	<b>Nature of holding</b>
State Street Nominees Limited	282,000	7.69%	Direct
Andrew Lynton Cohen	208,144	5.67%	Direct
FG Nominees Limited	182,114	4.96%	Direct

#### **Supplier payment policy**

The Group's policy is to agree payment terms with its suppliers and to abide by those agreed terms. At the year end the Group had an average of 36 days (2016: 39 days) of purchases outstanding.

#### **Auditor**

In accordance with section 489 of the Companies Act 2006, a resolution to reappoint KPMG LLP as auditor will be proposed at the forthcoming annual general meeting.

#### **Disclosure of information to the auditor**

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Signed by order of the Board**

**Nick Lander**  
**Company Secretary**

24 May 2018

Company number: 04478674

**Statement of Directors' responsibilities**

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The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

**On behalf of the Board**

**Nick Lander**  
**Company Secretary**

24 May 2018



# Independent auditor's report

## to the members of Volvere plc

### 1. Our opinion is unmodified

We have audited the financial statements of Volvere plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated statement of financial position, Consolidated statement of cash flows, Parent Company balance sheet, Parent Company statement of changes in equity and the related notes, including the accounting policies in note 1.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Overview

<b>Materiality:</b> group financial statements as a whole	£170,000 (2016:£90,000) 5% (2016: 4.5%) of group profit before tax
<b>Coverage</b>	95% (2016: 82%) of group profit before tax

#### Risks of material misstatement vs 2016

<b>Recurring risks (Group)</b>	Revenue recognition (Automotive consultancy segment)	▲
<b>Recurring risks (Company)</b>	Recoverability of parent company's investment in subsidiaries	◀▶

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<b>Revenue recognition (Automotive consultancy segment)</b>  <i>(£4.6 million; 2016: £4 million)</i>  <i>Refer to page, page 22 (accounting policy) and page 31 (financial disclosures).</i>	<b>Judgements on service level agreements</b>  <p>The Automotive Consultancy segment provides services under contracts which may include more complex revenue arrangements. The contracts may include different service level agreements which mean that the amount of revenue that may be recognised at the point or points that the group has provided the services may be variable. Determining the level of variability involves judgement around services delivered and the interpretation of the contractual terms which may impact the recognition of revenue and contract profits.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Controls designs and operation:</b> Testing the design and implementation of controls over entering into new or revised contracts to determine whether they are appropriately authorised;</li> <li>— <b>Test of detail:</b> We discussed with management and obtained a breakdown of revenue to identify contracts with a service level agreement feature. We also reviewed a number of other contracts, identified on a quantitative and qualitative criteria basis to identify whether there were any service level agreements included. For any contracts with service level agreements we performed procedures to understand key terms in contracts such as start date, specific deliverables and clauses associated with service level agreement features. We vouched management's revenue recognition treatment to key terms within contracts by determining the level of work delivered compared to the contract hierarchy requirements, as well as understanding amounts invoiced and payments either during the year or subsequent to the year-end;</li> <li>— <b>Re-performance:</b> We re-performed management's revenue and service level agreement calculations to test for mathematical accuracy;</li> <li>— <b>Retrospective analysis:</b> We performed post year end inquiries to determine whether any conditions existed at year end that would require adjustment for the effect of the service level agreements;</li> <li>— <b>Assessing application:</b> We assessed the application of the group revenue recognition policy against our sampled contracts to ensure the policy had been applied appropriately and consistently; and</li> <li>— <b>Assessing transparency:</b> Assessing whether the group's disclosures were comprehensive and provided sufficient detail of the revenue recognition policies and of the key judgements applied.</li> </ul>



## 2. Key audit matters: our assessment of risks of material misstatement

	The risk	Our response
<p><b>Recoverability of the parent company's investment in its subsidiaries</b> (£5.4 million; 2016: £5.5 million)</p> <p><i>Refer to page 22 (accounting policy) and page 31 (financial disclosures).</i></p>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the parent company's investments in its subsidiaries represents 25% (2016: 22%) of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Tests of detail:</b> Comparing the carrying amount of 100% of investments with the relevant subsidiaries' audited draft financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</li> <li>— <b>Assessing transparency:</b> Assessing the work performed on the subsidiaries and considering the results of that work on those subsidiaries' profits and net assets.</li> </ul>

### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £170,000 (2016: £90,000). This has been determined with reference to a benchmark of group profit before tax of £3.45 million (2016: £1.98 million), of which it represents 5% (2016: 4.5%).

Materiality for the parent company financial statements as a whole was set at £161,000 (2016: £90,000). Initially the Benchmark used for the company was 5% (2016: 5%) of Net assets of £16.5m (2016: £19.5m) however this exceeds the group materiality of £170,000 (2016: £90,000) and has been limited to the group materiality. Furthermore aggregation risk of 5% has been taken into account for the parent company.

We agreed to report to the audit committee any corrected or uncorrected misstatements exceeding £6,000 (2016: £4,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 11 (2016: 11) reporting components, we subjected 3 (2016: 3) to full scope audits for group purposes and 1 (2016: 1) to specified risk-focused audit procedures. The latter is not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

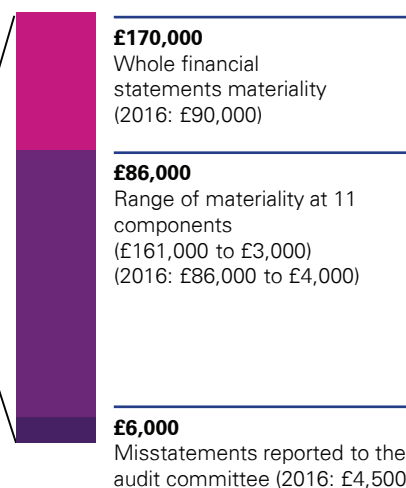
The remaining 4% of total group revenue, 5% of group profit before tax and 3% of total group assets is represented by 7 of reporting components, none of which individually represented more than 2% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

**Profit before tax**  
£3.4m (2016: £1.98m)

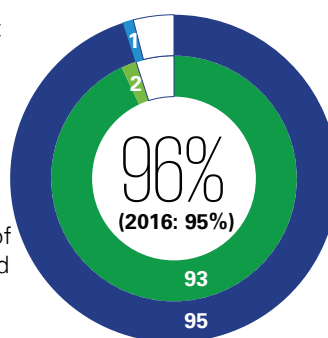


Profit before tax  
Group materiality

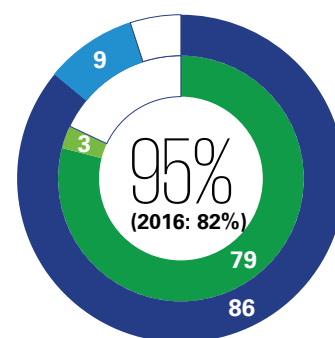
**Group Materiality**  
£170k (2016: £90k)



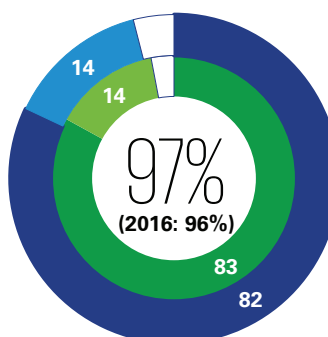
**Group revenue**



**Group profit before tax**



**Group total assets**



Full scope for group audit purposes 2017  
Specified risk-focused audit procedures 2017  
Full scope for group audit purposes 2016  
Specified risk-focused audit procedures 2016  
Residual components

#### 4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

#### 7. Respective responsibilities

##### Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

##### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### 8. The purpose of our audit work and to whom we owe our responsibilities

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.

**Stuart Smith (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

25 May 2018

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

### Consolidated income statement

	Note	2017 £'000	2016 £'000
Revenue	5	43,418	32,964
Cost of sales		(33,693)	(25,033)
<b>Gross profit</b>		<b>9,725</b>	<b>7,931</b>
Distribution costs		(974)	(932)
Administrative expenses		(5,264)	(5,065)
<b>Operating profit</b>	2	<b>3,487</b>	<b>1,934</b>
Investment revenues	7	93	186
Other gains and losses	7	-	(22)
Finance expense	7	(164)	(162)
Finance income	7	38	48
<b>Profit before tax</b>		<b>3,454</b>	<b>1,984</b>
Income tax expense	8	(675)	(311)
<b>Profit for the year</b>		<b>2,779</b>	<b>1,673</b>
Attributable to:			
- Equity holders of the parent		2,251	1,334
- Non-controlling interests		528	339
		<b>2,779</b>	<b>1,673</b>
<b>Earnings per share</b>	9		
- Basic		56.4p	32.6p
- Diluted		56.4p	32.6p

The notes on pages 22 to 47 form part of these financial statements.

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

### Consolidated statement of comprehensive income

	2017 £'000	2016 £'000
<b>Profit for the year</b>	2,779	1,673
<b>Other comprehensive income:</b>		
Fair value gains and losses on available for sale financial assets		
- current period gains/(losses)	77	-
- reclassified to profit and loss	-	617
Revaluation of property	260	-
Deferred tax recognised on revaluation of property	(135)	-
Foreign exchange (losses)/gains on retranslation of foreign operations	(6)	25
<b>Other comprehensive income</b>	196	642
<b>Total comprehensive income for the year</b>	2,975	2,315
Attributable to:		
- Equity holders of the parent	2,423	1,976
- Non-controlling interests	552	339
	2,975	2,315

The notes on pages 22 to 47 part of these financial statements.

# Volvere plc - Annual report and financial statements for the year ended 31 December 2017

## Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Revaluation reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total £'000
<b>2017</b>							
Other comprehensive income	-	-	177	(5)	172	24	196
Profit for the year	-	-	-	2,251	2,251	528	2,779
<b>Total comprehensive income for the year</b>	-	-	177	2,246	2,423	552	2,975
<b>Balance at 1 January</b>	50	3,640	-	21,529	25,219	1,406	26,625
Transactions with owners:							
Purchase of own shares	-	-	-	(3,458)	(3,458)	-	(3,458)
Share based payments	-	-	-	2	2	-	2
<b>Total transactions with owners</b>	-	-	-	(3,456)	(3,456)	-	(3,456)
Balance at 31 December	50	3,640	177	20,319	24,186	1,958	26,144
	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total £'000
<b>2016</b>							
Other comprehensive income	-	-	-	25	25	-	25
Transfer to profit and loss on disposal	-	-	617	-	617	-	617
Profit for the year	-	-	-	1,334	1,334	339	1,673
<b>Total comprehensive income for the year</b>	-	-	617	1,359	1,976	339	2,315
<b>Balance at 1 January</b>	50	3,640	(617)	20,175	23,248	1,046	24,294
Transactions with owners:							
Increase in non-controlling interest	-	-	-	(12)	(12)	21	9
Share based payments	-	-	-	7	7	-	7
<b>Total transactions with owners</b>	-	-	-	(5)	(5)	21	16
Balance at 31 December	50	3,640	-	21,529	25,219	1,406	26,625

The notes on pages 12 to 47 part of these financial statements.

# Volvere plc - Annual report and financial statements for the year ended 31 December 2017

## Consolidated statement of financial position

Company number 04478674

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	11	380	380
Other intangible assets	11	8	39
Property, plant and equipment	12	5,424	5,572
Total non-current assets		5,812	5,991
<b>Current assets</b>			
Inventories	13	1,466	2,082
Trade and other receivables	15	10,104	7,231
Cash and cash equivalents		12,119	20,063
Available for sale investments	14	6,335	-
Total current assets		30,024	29,376
<b>Total assets</b>		<b>35,836</b>	<b>35,367</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loans and other borrowings	18	(783)	(1,613)
Finance leases	18	(192)	(159)
Trade and other payables	16	(6,023)	(4,431)
Tax payable		(433)	(184)
Total current liabilities		(7,431)	(6,387)
<b>Non-current liabilities</b>			
Loans and other borrowings	18	(1,353)	(1,448)
Finance leases	18	(315)	(442)
Total non-current liabilities		(1,668)	(1,890)
<b>Total liabilities</b>		<b>(9,099)</b>	<b>(8,277)</b>
<b>Provisions – deferred tax</b>	19	(514)	(376)
<b>Provisions – lease incentive</b>		(79)	(89)
<b>Net assets</b>		<b>26,144</b>	<b>26,625</b>
<b>Equity</b>			
Share capital	20	50	50
Share premium account	21	3,640	3,640
Revaluation reserves	21	177	-
Retained earnings		20,319	21,529
<b>Capital and reserves attributable to equity holders of the Company</b>		<b>24,186</b>	<b>25,219</b>
<b>Non-controlling interests</b>	26	1,958	1,406
<b>Total equity</b>		<b>26,144</b>	<b>26,625</b>

The financial statements on pages 14 to 43 were approved by the Board of Directors and authorised for issue on 24 May 2018 and were signed on its behalf by:

Nick Lander  
Director

Jonathan Lander  
Director

The notes on pages 12 to 47 form part of these financial statements.

# Volvere plc - Annual report and financial statements for the year ended 31 December 2017

## Consolidated statement of cash flows

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Profit for the year</b>			2,779		1,673
Adjustments for:					
Investment revenues	7	(93)		(186)	
Other gains and losses	7	-		22	
Finance expense	7	164		162	
Finance income	7	(38)		(48)	
Depreciation	12	664		436	
Amortisation of intangible assets	11	31		32	
Foreign exchange differences		7		(7)	
Loss on disposal of property, plant and equipment		7		62	
Income tax expense		675		311	
Share based payment expense		2		7	
			1,419		791
<b>Operating cash flows before movements in working capital</b>			4,198		2,464
(Increase)/decrease in trade and other receivables			(2,873)		100
Increase in trade and other payables			1,582		275
Decrease/(increase) in inventories			616		(976)
Tax paid			(422)		(82)
<b>Cash generated from operations</b>			3,101		1,781
<b>Investing activities</b>					
Proceeds from sale of discontinued operations net of cash sold	6	-		784	
Purchase of available for sale investments		(6,258)		-	
Income from available for sale investments		93		186	
Disposal of available for sale investments		-		4,908	
Purchase of property, plant and equipment	12	(190)		(164)	
Disposal of property, plant and equipment		-		25	
Interest received	7	38		49	
<b>Net cash (used by)/generated from investing activities</b>			(6,317)		5,788
<b>Financing activities</b>					
Interest paid		(164)		(162)	
Purchase of own shares (treasury shares)	20	(3,458)		-	
Net (repayment of)/new borrowings		(1,093)		620	
Issue of shares (by subsidiary)		-		9	
<b>Net cash (used)/generated by financing activities</b>			(4,715)		467
<b>Net (decrease)/increase in cash</b>			(7,931)		8,036
<b>Cash at beginning of year</b>			20,063		11,967
<b>Foreign exchange movement</b>			(13)		60
<b>Cash at end of year</b>			12,119		20,063

The notes on pages 22 to 47 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 Financial Reporting Standard 101 ("FRS 101"); these are presented on pages 45 to 51.

#### *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.

The results and net assets of subsidiaries whose accounts are denominated in foreign currencies are retranslated into Sterling at average and year-end rates respectively.

### **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 as set out below over their estimated useful lives, which are considered finite. Registered design rights are amortised over the life of the registration. Residual values and useful lives are reviewed at each reporting date and they are subject to impairment testing where indicators of impairment are present.

Intellectual property rights	- 10% straight line
Software	- 33% straight line

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. Customer rebates are deducted from revenue.

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 or, where recoverable from clients, are included in work-in-progress.

## **1 Accounting policies (*continued*)**

### **Revenue recognition (*continued*)**

Revenue from consulting services relating to fixed price contracts is recognised on a straight-line basis over the course of the contract as this is considered to best represent the manner in which the right to consideration is earned. Penalties for non-performance against specific terms of the contract are provided for when there is a probable outflow of resources under the contract terms and the amount can be reliably estimated. Such adjustments are deducted from revenue.

Revenue from software licences is recognised either upfront (where the grant of the licence is at inception of a contract and where maintenance is provided as a separate service) or periodically in line with the time for which the licence is provided (where such provision is part of an ongoing managed service).

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

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 profit before tax and intra-group charges) 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 and intra-group charges. 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.

**1 Accounting policies (*continued*)**

**Operating segments (*continued*)**

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

**Leasing**

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

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

**Foreign currencies**

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

**Retirement benefit costs**

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

**Taxation**

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

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.

**1 Accounting policies (*continued*)**

**Taxation (*continued*)**

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

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Freehold property is revalued on a periodic basis. 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	-	4%-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. Interest income and expenses are reported on an accruals basis using the effective interest method.

**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.

## 1 Accounting policies (*continued*)

### 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.

### 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). On disposal, amounts recognised in other comprehensive income are transferred to the profit and loss as part of the gain or loss on disposal. 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.

**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.



## 1 Accounting policies (*continued*)

### 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.

**Other financial liabilities:** Other financial liabilities include 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.

### Invoice discounting

The Group uses an invoice discounting facility and retains all significant benefits and risks relating to the relevant trade receivables. The gross amounts of the receivables are included within assets and a corresponding liability in respect of proceeds received from the facility is included within liabilities. The interest and charges are recognised as they accrue and are included in the income statement with other interest charges.

### 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 (other than estimates)

The judgements that have a significant impact on the carrying value of assets and liabilities are discussed below:

#### *Consolidation*

Management have concluded that it is not appropriate to utilise the exemption from consolidation available to investment entities under IFRS10 as the company is not considered to meet all of the essential elements of the definition of an investment entity as performance is not measured or evaluated on a fair value basis. Accordingly the consolidation includes all entities which the Company controls.

## 1 Accounting policies (*continued*)

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

#### *Revenue recognition*

Management makes judgements against the terms of fixed price contracts and whether they could result in penalties relating to non-performance against specific terms. This relates to £4.7 million of revenue (2016: £4 million).

#### *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.

This requires management to make decisions on such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there is a change in the tax rates or to the period over which temporary timing differences might be recognised, the value of the deferred tax asset will need to be revised in a future period.

The most sensitive area of estimation risk is with respect to losses. The Group has losses for which no value has been recognised for deferred tax purposes in these financial statements, as future economic benefit of these temporary differences is not probable. If appropriate profits are earned in the future, recognition of the benefit of these losses may result in a reduced tax charge in a future period.

#### 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*

Management is required to determine any adjustments to revenue for non-performance against terms of fixed price contracts. There is sensitivity in this adjustment as the penalties are set at various percentages according to performance achieved or considered to have been achieved.

#### *Receivables*

Due to the nature of some services provided by certain businesses within the Group the recoverability of receivables can be subject to management estimates. Management estimation is required in measuring and recognising provisions and otherwise determining the exposure to unrecoverable debts. Sensitivity is limited through the Group's credit control procedures and the overall high quality of the Group's customer base, although it is acknowledged that some customer concentration can mean that adjustments could be material.

#### *Useful lives of depreciable assets*

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the consolidated income statement.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology or regulations.



## **1 Accounting policies (*continued*)**

### *Inventories*

In determining the cost of inventories management have to make estimates to arrive at cost and net realisable value.

Furthermore, determining the net realisable value of the wider range of products held requires judgement to be applied to determine the saleability of the product and estimations of the potential price that can be achieved. In arriving at any provisions for net realisable value management takes into account the age, condition and quality of the product stocked and the recent sales trend. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices

### *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 standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. However, the Group has not adopted early the new or amended standards in preparing these consolidated financial statements.

The following standards are not expected to have a material impact on the Group's financial statements in the period of initial application.

#### **IFRS 9 'Financial Instruments' (2016)**

The IASB recently released IFRS 9 'Financial Instruments' (2016), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group is required to adopt IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018.

IFRS 9 'Financial Instruments' sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'.

The Group has performed initial assessments on the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements but has not yet completed its detailed assessment. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on these initial assessments and is not expected to be material.

## 1 Accounting policies (*continued*)

### New standards and interpretations – in issue but not yet effective (*continued*)

#### IFRS 16 'Leases'

IFRS 16 replaces existing leases guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of plant and machinery (principally in respect of vehicles) and one property. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to £2.06 million, on an undiscounted basis (see Note 22).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

## 2 Operating profit

Operating profit is stated after charging/(crediting):

	2017 £'000	2016 £'000
Staff costs	18,494	13,451
Depreciation of property, plant and equipment	664	436
Amortisation of intangible assets	31	32
Operating lease expense	975	309
Auditor's fees – audit services	62	58
Auditor's fees – tax advice	-	14
	<hr/>	<hr/>
The analysis of audit fees is as follows:		
- for the audit of the Company's annual accounts	23	16
- for the audit of the Company's subsidiaries' accounts	43	42
	<hr/>	<hr/>
	66	58
	<hr/>	<hr/>

# Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

### 3 Staff costs

Staff costs comprise:

	2017 £'000	2016 £'000
Wages and salaries	16,001	11,811
Employer's National Insurance contributions	1,869	1,218
Defined contribution pension cost	622	415
Share based payment expense	2	7
	<u>18,494</u>	<u>13,451</u>

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

	2017 Number	2016 Number
Engineering, production and professional	413	284
Sales and marketing	7	8
Administration and management	44	43
	<u>464</u>	<u>335</u>

### 4 Directors' remuneration

The remuneration of the directors was as follows:

	Salaries & fees 2017 £'000	Other benefits 2017 £'000	Total 2017 £'000
David Buchler	30	-	30
Jonathan Lander	11	-	11
Nick Lander	11	1	12
	<u>52</u>	<u>1</u>	<u>53</u>
	Salaries & fees 2016 £'000	Other benefits 2016 £'000	Total 2016 £'000
David Buchler	30	-	30
Jonathan Lander	11	-	11
Nick Lander	11	1	12
	<u>52</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 (which is controlled by them and is therefore a related party). The amount due under these agreements, which is in addition to the amounts disclosed above, for the year amounted to £528,000 (2016: £615,000). Amounts owed to D2L Partners LLP at the year end totalled £nil (2016: £nil).

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

#### 4 Directors' remuneration (*continued*)

The amount paid to David Buchler in the year was paid to DB Consultants Limited (which is controlled by him and is therefore a related party) and no amounts were outstanding at the year end (2016: £nil). None of the directors were members of the Group's defined contribution pension plan in the year (2016: none).

#### 5 Operating segments

##### Analysis by business segment:

An analysis of key financial data by business segment is provided below. The Group's automotive consulting and security solutions segments are engaged in the provision of services to third party customers. The group's food manufacturing segment is engaged in the production and sale of food products to third party customers, and the investing and management services segment incurs central costs, provides management services and financing to other Group segments and undertakes treasury management on behalf of the Group. A more detailed description of the activities of each segment is given in the Strategic Report.

2017	Automotive consulting 2017 £'000	Security solutions 2017 £'000	Food manufacturing 2017 £'000	Investing and management services 2017 £'000	Total 2017 £'000
Revenue	27,265	284	15,869	-	43,418
Profit/(loss) before tax <sup>(1)</sup>	3,604	47	635	(832)	3,454
2016	Automotive consulting 2016 £'000	Security solutions 2016 £'000	Food manufacturing 2016 £'000	Investing and management services 2016 £'000	Total 2016 £'000
Revenue	17,372	382	15,190	20	32,964
Profit/(loss) before tax <sup>(1)</sup>	1,485	163	1,149	(813)	1,984
2017	Automotive consulting 2017 £'000	Security solutions 2017 £'000	Food manufacturing 2017 £'000	Investing and management services 2017 £'000	Total 2017 £'000
Assets	8,305	247	10,819	16,465	35,836
Liabilities/provisions	(4,593)	(215)	(4,640)	(244)	(9,692)
Net assets <sup>(2)</sup>	3,712	32	6,179	16,221	26,144
2016	Automotive consulting 2016 £'000	Security solutions 2016 £'000	Food manufacturing 2016 £'000	Investing and management services 2016 £'000	Total 2016 £'000
Assets	4,834	207	11,136	19,190	35,367
Liabilities/provisions	(2,895)	(209)	(5,412)	(226)	(8,742)
Net assets <sup>(2)</sup>	1,939	(2)	5,724	18,964	26,625

(1) stated before intra-group management and interest charges

(2) assets and liabilities stated excluding intra-group balances

**Volvere plc - Annual report and financial statements for the year ended 31 December 2017**

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

**5 Operating segments (continued)**

2017	Automotive consulting 2017 £'000	Security solutions 2017 £'000	Food manufacturing 2017 £'000	Investing and management services 2017 £'000	Total 2017 £'000
Capital spend	34	6	223	-	263
Depreciation	48	3	613	-	664
Amortisation/impairment	30	-	1	-	31
Interest income (non-Group)	-	-	-	38	38
Interest expense (non-Group)	44	-	120	-	164
Tax expense	650	-	25	-	675

2016	Automotive consulting 2016 £'000	Security solutions 2016 £'000	Food manufacturing 2016 £'000	Investing and management services 2016 £'000	Total 2016 £'000
Capital spend	35	-	287	-	322
Depreciation	45	-	390	1	436
Amortisation/impairment	32	-	-	-	32
Interest income (non-Group)	-	-	-	48	48
Interest expense (non-Group)	41	-	121	-	162
Tax expense	175	-	136	-	311

**Geographical analysis:**

	External revenue by location of customers		Non-current assets by location of assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK	38,550	29,064	5,812	5,991
Rest of Europe	3,403	2,612	-	-
Other	1,465	1,288	-	-
	<u>43,418</u>	<u>32,964</u>	<u>5,812</u>	<u>5,991</u>

The Group had 2 (2016: 3) customers that individually accounted for in excess of 10% of the Group's continuing revenues as follows:

	2017 £'000	2016 £'000
First customer (automotive solutions segment)	11,621	3,697
Second customer (food manufacturing segment)	<u>6,671</u>	<u>6,713</u>

**6 Discontinued operations**

Cash received in 2016 in respect of discontinued activities consisted of the final payment in respect of the disposal of the Group's stake in JMP Consultants Limited ("JMP") which was sold on 18 December 2015 for cash consideration of £8,506,000, of which the Group's share was £6,477,000.

# Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

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

	2017 £'000	2016 £'000
<b>Investment revenues</b>	93	186
<b>Other gains and losses</b>	-	(22)
<b>Finance income</b>		
Bank interest receivable	38	49
<b>Finance expense</b>		
Bank interest	(58)	(64)
Finance lease interest	(23)	(19)
Other interest and finance charges	(83)	(79)
	(164)	(162)

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

	2017 £'000	2016 £'000
Current tax expense – current year	707	271
Current tax expense – adjustments in respect of prior years	(35)	-
Deferred tax expense recognised in income statement – current year	(25)	105
Deferred tax expense recognised in income statement – adjustments in respect of prior years	28	(65)
<b>Total tax expense recognised in income statement</b>	675	311
Tax recognised directly in equity	135	-
<b>Total tax recognised</b>	810	311

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:

	2017 £'000	2016 £'000
Profit before tax	3,454	1,984
Expected tax charge based on the prevailing rate of corporation tax in the UK of 19.25% (2016: 20%)	665	397
<u>Effects of:</u>		
Expenses not deductible for tax purposes	41	51
Income/gains not subject to tax	(18)	(37)
Deferred tax not recognised	(8)	1
Effect of changes in rate of tax	3	(36)
Adjustments in respect of prior years	(8)	(65)
<b>Total tax recognised in income statement</b>	675	311

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

#### 8 Income tax (*continued*)

Deferred tax assets and liabilities are recognised at rates of tax substantively enacted as at the balance sheet date. Deferred tax assets are recognised to the extent that they are considered recoverable. See also note 19.

#### Factors that may affect the future tax charge

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

#### 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:	2017 £'000	2016 £'000
Profit attributable to equity holders of the parent company:	2,251	1,334
Weighted average number of shares for the purposes of earnings per share:	2017 No.	2016 No.
Weighted average number of ordinary shares in issue	3,987,670	4,085,958
Dilutive effect of potential ordinary shares	-	-
Weighted average number of ordinary shares for diluted EPS	3,987,670	4,085,958

There were no share options (or other dilutive instruments) in issue during the year or the previous year in respect of the parent company's shares.

#### 10 Subsidiaries

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

Name	Registered address	Principal Activity	Proportion of ownership interest in ordinary shares
Volvere Central Services Limited	Note 1	Group support services	100%
NMT Group Limited	Note 2	Investment	98.6%
Sira Defence & Security Limited	Note 1	Software publishing	100%
Shire Foods Limited	Note 1	Food manufacturing	80%
Impetus Automotive Limited	Note 3	Automotive consulting	Note 7
Impetus Automotive Solutions Limited	Note 1	Holding company	100%
Impetus Automotive GmbH	Note 4	Automotive consulting	Note 7
Impetus Automotive Consulting Services (Beijing) Co., Ltd	Note 5	Automotive consulting	100%
Impetus Automotive Pty Limited	Note 6	Automotive consulting	100%
New Medical Technology Limited	Note 2	Dormant	98.6%
Zero-Stik Limited	Note 2	Dormant	98.6%

Note 1 – Registered at Shire House, Tachbrook Road, Leamington Spa, Warwickshire, CV31 3SF, England.

Note 2 – Registered at c/o Wright, Johnston & Mackenzie LLP, 302 St Vincent St, Glasgow, G2 5RZ, Scotland.

Note 3 – Registered at Tournament Court, Edgehill Drive, Warwick, CV34 6LG, England.

Note 4 – Registered at Bismarckstraße 30, 64668 Rimbach, Germany.

Note 5 – Registered at Office No 1562 NCI Tower, 12a Jianguomenwai Avenue, 100022 Beijing, China.

Note 6 – Registered at 75 Wensleydale Drive, Mornington, Victoria 3931, Australia.

Note 7 – The Group owns 100% of the A ordinary shares and none of the B ordinary shares of Impetus Automotive Limited, which at the date of these financial statements gives an economic interest in the total equity of approximately 83%. Impetus Automotive Limited owns 100% of Impetus Automotive GmbH, Impetus Automotive Consulting Services (Beijing) Co., Ltd and Impetus Automotive Pty Limited.

## 11 Goodwill and other intangible assets

	Goodwill £'000	Other intangible assets £'000	Total £'000
<b>Cost</b>			
At 1 January 2016, 1 January 2017 and 31 December 2017	380	601	981
<b>Amortisation</b>			
At 1 January 2016	-	530	530
Charge for 2016	-	32	32
Charge for 2017	-	31	31
At 31 December 2017	-	593	593
<b>Net book value</b>			
At 31 December 2017	380	8	388
At 31 December 2016	380	39	419

Goodwill is that arising on the acquisition of Impetus Automotive Limited in 2015.

As required by IAS 38 goodwill is not amortised and is instead tested annually for impairment. The business unit to which the goodwill attaches generated profits (before tax and intra-group management and interest charges) of over £3m and the carrying value of the goodwill is £380,000. Impairment testing therefore readily indicates that there is no impairment in the carrying value of goodwill, even if extremely conservative assumptions are used.

Other intangible assets comprise a mix of intellectual property rights and software. The net book value of internally-generated intangible assets was £8,000 (2016: £39,000).



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

**12 Property, plant and equipment**

	Short Leasehold Property £'000	Freehold Property £'000	Plant & Machinery £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2016	180	2,430	4,640	7,250
Additions	-	-	322	322
Disposals	-	-	(322)	(322)
At 31 December 2016 and 1 January 2017	180	2,430	4,640	7,250
Additions	-	-	263	263
Revaluation	-	120	-	120
Disposals	-	-	(14)	(14)
At 31 December 2017	180	2,550	4,889	7,619
<b>Accumulated depreciation</b>				
At 1 January 2016	63	95	1,319	1,477
Disposals	-	-	(235)	(235)
Charge for the year	12	22	402	436
At 31 December 2016 and 1 January 2017	75	117	1,486	1,678
Disposals	-	-	(7)	(7)
Reversed on revaluation	-	(140)	-	(140)
Charge for the year	12	23	629	664
At 31 December 2017	87	-	2,108	2,195
Net book value				
At 31 December 2017	93	2,550	2,781	5,424
At 31 December 2016	105	2,313	3,154	5,572

Freehold property was revalued by an independent valuation specialist to £2,550,000 as at 5 December 2017, resulting in an unrealised revaluation gain of £260,000 which has been recognised in other comprehensive income. Under the cost model, the carrying value of freehold property would be £2,290,000. All other property, plant and equipment is carried at cost less accumulated depreciation.

The net book value of property, plant and equipment held on finance leases was £748,000 (2016: £779,000).

Management consider there to be no indicators to suggest that any items of property, plant and equipment are impaired. Property, plant and equipment (which is all held within subsidiaries) with a net book value of £5.42 million is pledged as collateral for Group borrowings (all of which are within subsidiaries).

**13 Inventories**

	2017 £'000	2016 £'000
Raw materials	472	754
Finished products	994	1,328
	1,466	2,082

The total amount of inventories consumed in the year and charged to cost of sales was £12.35 million (2016: £9.21 million).

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

#### 14 Financial assets (current)

	2017 £'000	2016 £'000
Available-for-sale investments	6,335	-

During the year the Group invested in equity securities pursuant to its treasury management policies. The investments are carried at fair value as stated above. The historic cost of investments held at the balance sheet date was £6,258,000 (2016: £nil).

#### 15 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	9,108	6,512
Less: provision for impairment of trade receivables	-	(1)
Net trade receivables	9,108	6,511
Other receivables	301	271
Amounts recoverable on contracts	395	218
Prepayments and accrued income	300	231
	10,104	7,231

Certain of the Group's subsidiaries have invoice discounting arrangements for their trade receivables which are pledged as collateral. Under these arrangements it is considered that the subsidiaries remain exposed to the risks and rewards of ownership, principally in the form of credit risk, and so the assets continue to be recognised. The associated liabilities arising restrict the subsidiaries' use of the assets.

The carrying amount of the assets and associated liabilities is as follows:

	2017 £'000	2016 £'000
Trade receivables	3,676	6,431
Borrowings	(687)	(1,521)
	2,989	4,910

Because of the normal credit periods offered by the subsidiaries, it is considered that the fair value matches the carrying value for the assets and associated liabilities.

The Group is exposed to credit risk with respect to trade receivables due from its customers, primarily in the automotive consulting and food manufacturing segments. Both segments have a relatively large number of customers, however there is a significant dependency on a small number of large customers who can and do place significant contracts. Provisions for bad and doubtful debts are made based on management's assessment of the risk taking into account the ageing profile, experience and circumstances. There were no significant amounts due from individual customers where the credit risk was considered by the Directors to be significantly higher than the total population.

There is no significant currency risk associated with trade receivables as the vast majority are denominated in Sterling.

The ageing analysis of trade receivables is disclosed below:

	2017 £'000	2016 £'000
Up to 3 months	8,936	6,431
3 to 6 months	172	80
6 to 12 months	-	-
Over 12 months	-	1
	9,108	6,512

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

**16 Trade and other payables (current)**

	2017 £'000	2016 £'000
Trade payables	1,964	1,723
Other tax and social security	1,337	759
Other payables	101	108
Accruals	1,991	1,214
Deferred income	630	627
	<u>6,023</u>	<u>4,431</u>

The fair value of all trade and other payables approximates to book value at 31 December 2017 and at 31 December 2016.

**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, none of the Group's investments were interest bearing.

*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, nor is its exposure to foreign currency risk considered to be significant.

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

**17 Financial instruments – risk management (*continued*)**

*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 17.

*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 were made in 2017 in equity funds, which reflect the Group's need to access capital. The presence of these investments expose the Group to market price risk. The directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances, as they seek to balance the competing priorities of risk management and return maximisation.

*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.

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:

	2017 £'000	2016 £'000
Total debt	(2,643)	(3,662)
Add cash and cash equivalents	12,119	20,063
Net funds	9,476	16,401
Total equity (capital)	26,144	26,625
Net funds to capital ratio	36.2%	61.6%

*Reconciliation of Movement in Net Cash*

	Net cash at 1 January 2017 £'000	Cash flow £'000	Repayment of borrowings £'000	Other non- cash items £'000	Net cash at 31 December 2017 £'000
Cash at bank and in hand	20,063	(7,944)	-	-	12,119
Borrowings	(3,662)	-	1,093	(74)	(2,643)
	16,401	(7,944)	1,093	(74)	9,476

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

**18 Financial assets and liabilities – numerical disclosures**

*Analysis of financial assets by category:*

	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Non-financial items carried at fair value</b>		
Freehold property	2,550	2,430
<b>Financial instruments carried at fair value</b>		
Available for sale investments	6,335	-
<b>Assets carried at amortised cost</b>		
Loans and receivables	10,105	7,000
Cash and cash equivalents	12,119	20,063
<b>Total financial assets and non-financial assets carried at fair value</b>	<u>31,109</u>	<u>29,493</u>
<b>Liabilities carried at amortised cost</b>		
Trade and other payables	3,402	2,590
Borrowings	2,643	3,662
<b>Total financial liabilities</b>	<u>6,045</u>	<u>6,252</u>

*Fair values*

Assets held at fair value fall into three categories, depending on the valuation techniques used, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider the carrying values of all financial assets and liabilities to be a reasonable approximation of their fair values.

Available for sale investments fall under Level 1 in the IFRS7 fair value hierarchy. Freehold property falls under Level 3. Freehold property was valued by an independent qualified person as at 5 December 2017 using RICS guidelines on an open market value basis.

All other assets, and all liabilities are carried at amortised cost.

*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:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Sterling		
No fixed maturity	<u>6,335</u>	<u>-</u>

**Volvere plc - Annual report and financial statements for the year ended 31 December 2017**

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

**18 Financial assets and liabilities – numerical disclosures (*continued*)**

*Maturity of financial liabilities*

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

	<b>2017 £'000</b>	<b>2016 £'000</b>
Less than six months	831	1,647
Six months to one year	144	125
One to two years	283	259
Two to five years	456	588
More than five years	929	1,043
	<u>2,643</u>	<u>3,662</u>

The above borrowings are analysed on the balance sheet as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Loans and other borrowings (current)	783	1,613
Finance leases (current)	192	159
Loans and other borrowings (non-current)	1,353	1,448
Finance leases (non-current)	315	442
	<u>2,643</u>	<u>3,662</u>

Borrowings are secured on certain assets of the Group, and interest was charged at rates of between 2.5% and 3.2% during the year. Including interest that is expected to be paid, the maturity of borrowings (including finance leases) is as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Less than six months	870	1,690
Six months to one year	181	165
One to two years	348	331
Two to five years	586	742
More than five years	1,064	1,218
	<u>3,049</u>	<u>4,146</u>

The above borrowings including interest that is expected to be paid are analysed as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Loans and other borrowings (current)	839	1,674
Finance leases (current)	212	182
Loans and other borrowings (non-current)	1,664	1,814
Finance leases (non-current)	334	476
	<u>3,049</u>	<u>4,146</u>

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

**18 Financial assets and liabilities – numerical disclosures (continued)**

*Maturity of financial liabilities*

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

	2017 £'000	2016 £'000
Less than six months	3,733	2,590

**19 Deferred tax**

Movements in deferred tax provisions are outlined below:

	Accelerated tax depreciation £'000	Other timing differences £'000	Re- valuations £'000	Total £'000
At 1 January 2017	(385)	9	-	(376)
Recognised in P&L during the year	(1)	(2)	-	(3)
Recognised in OCI during the year	-	-	(135)	(135)
At 31 December 2017	(386)	7	(135)	(514)

Previous year movements were as follows:

	Accelerated tax depreciation £'000	Other timing differences £'000	Losses £'000	Total £'000
At 1 January 2016	(432)	(36)	133	(335)
Recognised in P&L during the year	47	45	(133)	(41)
At 31 December 2016	(385)	9	-	(376)

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

	2017 £'000	2016 £'000
Tax losses carried forward	595	583
Excess of depreciation over capital allowances	4	3
Short term temporary differences	11	8
Net unrecognised deferred tax asset	610	594

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

The unrecognised elements of the deferred tax assets have not been recognised because there is insufficient evidence that they will be recovered because such losses are within entities that are not expected to yield sufficient future profits.

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

#### 20 Share capital

	2017 Number	Authorised 2017 £'000	2016 Number	2016 £'000
Ordinary shares of £0.0000001 each	100,100,000	-	100,100,000	-
A shares of £0.49999995 each	50,000	25	50,000	25
B shares of £0.49999995 each	50,000	25	50,000	25
Deferred shares of £0.00000001 each	4,999,999,500,000	50	4,999,999,500,000	50
		100		100
	2017 Number	Issued and fully paid 2017 £'000	2016 Number	2016 £'000
Ordinary shares of £0.0000001 each	6,207,074	-	6,207,074	-
Deferred shares of £0.00000001 each	4,999,994,534,696	50	4,999,994,534,696	50
		50		50

#### Treasury shares

During the year the Company acquired 417,595 (2016: nil) of its own Ordinary shares for total consideration of £3,458,000 (2016: nil). This brought the total number of Ordinary shares held in treasury to 2,538,711 with an aggregate nominal value of less than £1.

#### Rights attaching to deferred shares & A and B shares

The Deferred shares carry no rights to participate in the profits of the Company and carry no voting rights. After the distribution of the first £10 billion in assets in the event of a return of capital (other than a purchase by the Company of its own shares), the Deferred shares are entitled to an amount equal to their nominal value.

The Company has no A and B shares in issue. These shares have conversion rights allowing them to convert into Ordinary shares on a pre-determined formula. All A and B shares previously in issue have been converted into Ordinary shares.

#### 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 reserves	Cumulative net unrealised gains and short-term losses arising on the revaluation of the Group's available for sale investments and freehold property
Retained earnings	Cumulative net gains and losses recognised in the statement of comprehensive income, other than those included in revaluation reserves.



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

## 22 Operating leases

The Group has one lease for a property occupied by a subsidiary, and various leases in respect of plant and machinery. The property lease is of the tenant repairing type with a rent review due in 2020 and it ends during 2025. The total future values of minimum lease payments are due as follows:

	Land and buildings 2017 £'000	Other 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000
Not later than one year	144	891	144	269
Later than one year and not later than five years	552	114	552	166
Later than five years	363	-	499	-
	<u>1,059</u>	<u>1,005</u>	<u>1,195</u>	<u>435</u>

## 23 Share-based payments

The Company has previously operated 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. All options issued have now either lapsed or been exercised, such that there are no options in issue as at 31 December 2017 (2016: nil). All options in issue were fully vested prior to 1 January 2016, hence there is no share based payment charge in 2017 or 2016, in respect of share options issued by the company.

During the previous year certain employees purchased a newly-issued class of shares in one of the company's subsidiaries. The rights attaching to this new class of shares vest on a number of criteria over a 2 year period following issue, including that they require employees to continue in employment. The shares issued have restricted rights, and the company that issued the shares has first option to repurchase them in certain scenarios.

This gave rise to a share-based payments charge in the income statement of £2,000 (2016: £7,000) based on an independent valuation exercise prepared for the company. Detailed disclosures regarding the share-based payments charge have not been included in the financial statements as the amounts involved are immaterial.

## 24 Related party transactions

Details of amounts payable to Directors, and parties related to the directors, are disclosed in note 4. There were no other transactions with key members of management, and no other transactions with related parties.

## 25 Contingent liabilities

The Group had no material contingent liabilities as at the date of these financial statements.

## Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

#### 26 Non-controlling interests

The non-controlling interests of £1,958,000 (2016: £1,406,000) relate to the net assets attributable to the shares not held by the Group at 31 December 2017 in the following subsidiaries:

Name of subsidiary	2017 £'000	2016 £'000
NMT Group Limited	72	74
Impetus Automotive Limited	652	205
Shire Foods Limited	1,234	1,127
	<u>1,958</u>	<u>1,406</u>

Summarised financial information (before intra-group eliminations) in respect of those subsidiaries with material non-controlling interests is presented below.

	Impetus Automotive Limited		Shire Foods Limited	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets	163	209	5,264	5,401
Current assets	8,141	4,624	5,556	5,735
Non-current liabilities	-	-	(1,668)	(1,890)
Current liabilities	(4,586)	(3,726)	(2,458)	(3,221)
Provisions	(79)	(87)	(514)	(379)
<b>Net assets (equity)</b>	<u>3,639</u>	<u>1,020</u>	<u>6,180</u>	<u>5,646</u>
Attributable to:				
Group	2,988	815	4,946	4,519
Non-controlling interests	651	205	1,234	1,127
	<u>3,639</u>	<u>1,020</u>	<u>6,180</u>	<u>5,646</u>
<b>Revenue</b>	<u>27,266</u>	<u>17,372</u>	<u>15,869</u>	<u>15,190</u>
<b>Profit for the year after tax (stated after intra-group management and interest charges)</b>	<u>2,620</u>	<u>942</u>	<u>410</u>	<u>773</u>
<b>Profit for the year attributable to non-controlling interests</b>	<u>447</u>	<u>184</u>	<u>82</u>	<u>155</u>

#### 27 Events after the balance sheet date

There have been no significant events warranting disclosure in these financial statements.

**Volvere plc**

Parent Company financial statements

Year ended 31 December 2017

**Volvere plc****Annual report and financial statements for the year ended 31 December 2017****Parent Company balance sheet****Company number 04478674**

	<b>Note</b>	<b>2017 £'000</b>	<b>2017 £'000</b>	<b>2016 £'000</b>	<b>2016 £'000</b>
<b>Fixed assets</b>					
Tangible fixed assets	3	-		1	
Investments	4	5,433		5,523	
			5,433		5,524
<b>Current assets</b>					
Debtors	5	262		1,428	
Cash at bank and in hand		9,402		18,151	
Investments	6	6,335		-	
		15,999		19,579	
<b>Creditors: amounts falling due within one year</b>	7	(4,907)		(4,904)	
<b>Net current assets</b>			11,092		14,675
<b>Total assets less current liabilities</b>			16,525		20,199
<b>Net assets</b>			16,525		20,199
<b>Capital and reserves</b>					
Called up share capital	9		50		50
Share premium account			3,640		3,640
Fair value reserve			77		-
Profit and loss account			12,758		16,509
<b>Shareholders' funds</b>			16,525		20,199

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2018 and were signed on their behalf by:

Nick Lander  
**Director**

Jonathan Lander  
**Director**

The notes on pages 51 to 55 form part of these financial statements.

**Volvere plc**

**Annual report and financial statements for the year ended 31 December 2017**

**Parent Company statement of changes in equity**

	Share capital £'000	Share premium £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
<b>2017</b>					
Loss for the year	-	-	-	(293)	(293)
Fair value gains	-	-	77	-	77
<b>Total comprehensive income for the year</b>			77	(293)	(216)
<b>Balance at 1 January</b>	50	3,640	-	16,509	20,199
Purchase of own shares (treasury shares)	-	-	-	(3,458)	(3,458)
Balance at 31 December	50	3,640	77	12,758	16,525
<b>2016</b>					
	Share capital £'000	Share premium £'000	Fair value reserve £'000	Retained earnings £'000	Total £'000
Transfer to profit and loss on disposal	-	-	617	(617)	-
Profit for the year	-	-	-	593	593
<b>Total comprehensive income for the year</b>	-	-	617	(24)	593
<b>Balance at 1 January</b>	50	3,640	(617)	16,533	19,606
Balance at 31 December	50	3,640	-	16,509	20,199

The notes on pages 51 to 55 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 Financial Reporting Standard 101 "Reduced Disclosure Framework". The following disclosure exemptions have been taken:

- disclosure requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- disclosure requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- disclosure requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements in respect of capital management;
- disclosure about the effects of new but not yet effective IFRSs under IAS 8; and
- disclosure requirements in respect of the compensation of Key Management Personnel under IAS 24 Related Party Disclosures.

The principal accounting policies are summarised below.

### *Cash flow statement*

The Company has not provided a cash flow statement as permitted by FRS 101.

### *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 impairment 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.

### *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 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.

## **1 Accounting policies (*continued*)**

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.

### *Financial instruments*

#### Current asset investments

Current asset investments comprise holdings in an equity fund. They are carried at fair value with changes in fair value recognised directly in equity (other comprehensive income). On disposal, amounts recognised in other comprehensive income are transferred to the profit and loss as part of the gain or loss on disposal. 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.

#### Other financial assets

Other financial assets comprise solely of receivables. 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.

#### 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 company after deducting all of its liabilities.

Other financial liabilities include 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.

### *Share-based payments*

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

## **2 Profit for the financial year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes a loss after tax of £293,000 (2016: loss £24,000) which is dealt with in the financial statements of the Parent Company.

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

### 3 Tangible fixed assets

	Short Leasehold Property £'000	Plant & Machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	9	19	28
Additions	-	-	-
At 31 December 2017	9	19	28
<b>Accumulated depreciation</b>			
At 1 January 2017	9	18	27
Charge for the year	-	1	1
At 31 December 2017	9	19	28
<b>Net book value</b>			
At 31 December 2017	-	-	-
At 31 December 2016	-	1	1

### 4 Fixed asset investments

	Shares in group undertakings 2017 £'000	Shares in group undertakings 2016 £'000
<b>Net book value</b>		
Cost	5,811	5,811
Impairment	(378)	(288)
Net book value	5,433	5,523

There was an impairment charge of £90,000 (2016: £88,000) to write down the carrying value of one of the company's investments to the company's share of the net assets of the relevant subsidiary.

Details of the Company's subsidiaries are disclosed in note 10 of the Group financial statements.

### 5 Debtors

	2017 £'000	2016 £'000
Amounts owed by group undertakings	250	1,406
Other debtors	6	16
Prepayments and accrued income	6	6
	262	1,428

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



# Volvere plc - Annual report and financial statements for the year ended 31 December 2017

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

### 6 Current asset investments

	2017 £'000	2016 £'000
Current asset investments	6,335	-

During the year the Company invested in equity funds pursuant to its treasury management policies. More details are disclosed in the consolidated financial statements.

### 7 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	14	14
Amounts due to Group companies	4,759	4,759
Other creditors	44	34
Accruals and deferred income	90	97
	4,907	4,904

### 8 Share-based payments

#### *Equity settled share option schemes*

See note 23 of the consolidated financial statements for details.

### 9 Share capital

	2017 Number	Authorised 2017 £'000	2016 Number	2016 £'000
Ordinary shares of £0.0000001 each	100,100,000	-	100,100,000	-
A shares of £0.49999995 each	50,000	25	50,000	25
B shares of £0.49999995 each	50,000	25	50,000	25
Deferred shares of £0.00000001 each	4,999,999,500,000	50	4,999,999,500,000	50
		100		100
	2017 Number	Issued and fully paid 2017 £'000	2016 Number	2016 £'000
Ordinary shares of £0.0000001 each	6,207,074	-	6,207,074	-
Deferred shares of £0.00000001 each	4,999,994,534,696	50	4,999,994,534,696	50
		50		50

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.

**10 Related party transactions**

The Company has taken advantage of the exemption conferred by FRS 101 relating to transactions and balances with subsidiaries that are 100% owned.

During the year the company had management charges receivable from NMT Group Limited ("NMT") of £151,000 (2016: £154,000), from Shire Foods Limited ("Shire") of £100,000 (2016: £100,000) and from Impetus Automotive Limited ("IAL") of £192,000 (2016: £192,000). NMT, Shire and IAL are subsidiary undertakings.

At 31 December 2017, amounts due to NMT were £4,759,000 (2016: £4,759,000) and interest charged to the Company by NMT amounted to £61,000 (2016: £67,000).

Also, at 31 December 2017 an amount of £nil (2016: £66,000) was owed by Shire and an amount of £66,000 (2016: £23,000) was owed by IAL. Interest of £nil (2016: £40,000) was charged to Shire in the year.



