



VOLVERE PLC

Annual report and financial statements

Year ended 31 December 2019

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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 9700

Web: www.volvere.co.uk

Directors

David Buchler, Non-Executive Chairman, aged 68

David is a Chartered Accountant and has over 36 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, and is, a Director of a number of public companies.

Jonathan Lander, Chief Executive Officer, aged 52

Jonathan is a founder and Chief Executive Officer of Volvere. He has over 30 years' experience in the financial services industry, including over 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 53

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 a Council member of the Institute of Chartered Accountants of Scotland.

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Solicitors

Keystone Law
48 Chancery Lane
London
WC2A 1JF

Nominated adviser

Cairn Financial Advisers LLP
Cheyne House
Crown Court
62-63 Cheapside
London
EC2V 6AX

Auditor

James Cowper Kreston
Reading Bridge House
George Street
Reading
RG1 8LS

Broker

Hobart Capital Markets LLP
8-10 Grosvenor Gardens
London
SW1W 0DH

Strategic report – Chief Executive's statement

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 2019.

The Group's performance in 2019 was once again pleasing, with a good trading performance from Shire Foods and a disposal in May 2019 of Sira Defence & Security for £3 million. Following the share buy-backs totalling £16.6 million in 2019, the Group's net assets per share* increased to £13.85 (2018: £12.50).

David Buchler
Chairman

28 May 2020

*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 19.

Chief Executive's statement

Introduction

The results of 2019 reflect the trading performance of Shire Foods Limited ("Shire") and the gain on the disposal of Sira Defence & Security Limited ("Sira"), which was sold in May 2019. I was once again pleased with Shire's performance for the year and delighted with the positive exit from Sira. I wish the Sira team well in their new home and thank them for their contribution to the Group.

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 food manufacturing and security software solutions. In light of the disposal of Sira, which formed the security software solutions segment, that company's activities have been classified as discontinued. The financial performance of the remaining segments is summarised below and set out in more detail in the financial review, as well as note 5 to the consolidated financial statements.

The Group acquired the business and certain assets of Indulgence Patisserie Limited ("Indulgence") in February 2020. Indulgence manufactures premium frozen desserts and cakes for the retail and foodservice markets.

Operating review

Food manufacturing

Shire, in which the Group has an 80% stake, was acquired in 2011. The company manufactures frozen pies, pasties and other pastry products for food retailers and foodservice customers.

Revenues grew by approximately 26% to £23.04 million (2018: £18.34 million) and the company achieved a profit before tax, intra-group interest and management charges of approximately £1.38 million (2018: £0.85 million). Profit before tax was £1.18 million (2018: £0.65 million) – with the difference being intra-group interest and management charges. Further commentary on the financial performance is set out in the financial review.

Strategic report – Chief Executive's statement

I am pleased with the growth achieved in 2019, which came principally from a deepening of relationships with existing customers, resulting in wider distribution and broader product ranges. Particularly encouraging was the growth in vegan product lines, where we believe we have developed flavours and textures that appeal to a wide consumer audience. Our new product development strategy with respect to vegan products is to make them appealing not only to vegans, but to address the much larger opportunity represented by those consumers wishing to consume less meat.

More generally, our strategy in relation to Shire is continuing to pay dividends – and it did in fact pay a dividend in the period for the first time since we invested of £0.5 million, of which the Group retained £0.4 million. We strive to provide our customers with the best tasting products in their category and to innovate constantly. We employ people that “go the extra mile” and believe that our flat structure, open communication and direct approach makes Shire a partner supplier of choice. We appreciate that without the loyalty of our customers and staff Shire would not have achieved the success, nor have been able to extend and grow its manufacturing capabilities, in the way that it has. I am very grateful to everyone at Shire for their efforts and to our customers for their support.

We know, however, that we need to remain efficient and productive and are investing further in site capacity in 2020 with a further £0.4 million committed to installation of an additional manufacturing line.

The impact of the COVID-19 pandemic is explained below.

Further information about Shire can be found at www.shirefoods.com.

As reported previously, the Group acquired Indulgence in February 2020. Indulgence manufactures a range of premium sweet dessert products for both the retail and foodservice markets. We have been working to integrate that business, streamline its operations and to improve its performance. The impact of COVID-19 pandemic is explained below.

COVID – 19

The Group's trading businesses are both food manufacturers and, as a result, have an important part to play during the current COVID-19 pandemic.

In the first quarter of 2020 there has been an uplift in sales made to our retail customers when compared with the comparable period of 2019. However, it is too early to say whether this will be sustained and ultimately translate into higher sales for the Group for the year overall. In both Shire and Indulgence there are foodservice customers from whom we have seen a downturn in orders.

In the case of Shire, foodservice represented about 12.5% of sales in 2019. We have some reducing debt and stock exposure to those customers but at this time we expect that, once the pandemic restrictions are eased, normal trading will resume over time.

In Indulgence, foodservice previously represented a larger part of sales, but as we are actively rebuilding that business, historical sales are less important. More generally, since the acquisition date, we have been working to improve customer and supplier relationships, increasing teamwork and investing in new systems – and whilst we have been encouraged on a number of fronts, there is still work to be done in making the business more efficient and reducing costs.

Throughout the COVID-19 period to date we have not seen material staff absences from illness and at both companies we have put in place mitigating measures to try to reduce the risk of internal contagion. Whilst those measures are modestly affecting our short-term capacity and resulting in increased labour costs, we are still achieving an encouraging level of output and, for the most part, meeting customer demand. Our staff's welfare is a continual focus.

Irrespective of the current pandemic, the Group is in a strong financial position, with significant cash resources.

Strategic report – Chief Executive’s statement

Investing and management services

The Group’s investing 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.

Future strategy

We are already seeing increased levels of distressed deal flow due to the COVID-19 pandemic. The length of the economic effects is uncertain, but I fear it is likely to extend well into 2021 and possibly beyond. The anticipated reductions in financial support from state schemes will probably trigger more hardship for individuals and companies.

We will do what we can to rescue those businesses which we believe viable, in all sectors and geographies, in accordance with our investment mandate, but with added focus on building a larger group of food businesses, leveraging our competencies in this area.

Jonathan Lander
Chief Executive

28 May 2020

Financial performance

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

Overview

The Group's disposal in May 2019 of Sira has resulted in that business's results being treated as discontinued operations and the comparative results for 2018 have been restated accordingly. Group revenue from continuing operations increased by approximately 26% to £23.04 million (re-presented 2018: £18.34 million), all of which arose in Shire.

The overall profit before tax for the year was £3.2 million, including the profit arising from discontinued operations of £3.1 million (re-presented 2018: £23.2 million). The profit before tax on continuing operations was £0.1 million (re-presented 2018: loss £2.5 million), which was a small improvement over the underlying result for 2018 (since the loss for that year was stated after incentive payments of approximately £2.5 million relating to a further discontinued business sold in 2018).

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 consolidated financial statements and below.

Food manufacturing

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

Shire's revenue increased to £23.04 million from £18.34 million in 2018 and profit before tax and intra-group management and interest charges increased to £1.38 million (2018: £0.85 million). Profit before tax for the year was £1.18 million (2018: £0.65 million) – with the difference being intra-group interest and management charges.

The overall materials margin in Shire increased slightly compared to 2018, principally due to price rises agreed with customers that took effect during the year along with an improved product mix towards vegan products. The effect of these was partially offset by the increase in the National Living Wage and employer pension contributions. In addition to further increases in these in 2020, we also expect to see increasing distribution costs.

Shire had no Group debt outstanding at the start or end of the year but did borrow £0.2m for a short period during 2019 (2018: £nil) to meet working capital requirements. Group management charges totalled £0.2 million in the period (2018: £0.2 million). During 2019 Shire invested £1.8 million in new plant and equipment (of which £1.1 million was funded by external debt). The company paid a dividend of £0.5 million, of which £0.1 million was paid to third party shareholders.

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

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

| | Year ended 31 December 2019 £'000 | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 | Year ended 31 December 2016 £'000 | Year ended 31 December 2015 £'000 |
|---|---|---|---|---|---|
| Revenue | 23,036 | 18,344 | 15,869 | 15,190 | 15,476 |
| Underlying profit before tax, intra-group management and interest charges | 1,384 | 854 | 635 | 1,149 | 1,588 |
| Intra-group management and interest charges | (200) | (200) | (200) | (240) | (423) |
| Profit before tax | 1,184 | 654 | 435 | 909 | 1,165 |

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. This was held on deposit at a UK bank but prevailing low interest rates meant very low investment revenues (£nil) were achieved (2018: £0.12 million). In the previous year, active treasury management resulted in other gains of £0.37 million (2019: nil).

The Group's net finance income was £0.06 million (2018: £0.06 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.

Profit from discontinued business

The Group sold Sira in May 2019 for a total consideration of £3 million. The gain on sale arising, before management and staff incentives associated with the disposal (which are included in continuing business overheads), was £3.08 million. Of the sale proceeds, £0.24 million is held in escrow, as is customary in such transactions, for a period of 18 months from the date of sale.

Statement of financial position

Overall position

Group net assets were £27.0 million at the year end (2018: £40.4 million). The decrease year-on-year was due principally to treasury share purchases, as explained further below.

Cash and current investments

Year-end cash totalled £19.3 million (2018: £34.1 million).

The principal movements in the cash during the year arose from the disposal of Sira, offset by purchases of the Group's own shares. The final consideration receivable by the Group on the sale of Sira was £3 million (£0.24m of which is in escrow, as explained above). The share purchases resulted in outflows of £16.6 million, bringing share purchases to date to approximately £32 million.

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. As noted above, Shire paid a dividend of which third party shareholders received £0.1 million.

Purchase of own shares

During the year the Company purchased 1,283,927 (2018: 550,254) of its own shares, which are held in treasury, at a cost of £16.6 million (2018: £6.1 million).

Earnings per share

Basic and diluted loss per ordinary share from continuing operations was (5.7)p (2018: (63.3)p). The basic and diluted profit per ordinary share from discontinued operations was 127.9p (2018: 649.5p). Total basic and diluted earnings per ordinary share were 122.2p (2018: 586.2p).

Investing strategy

The Company's investing strategy is to invest in, or acquire: quoted companies where, in the Directors' opinion, the market capitalisation does not reflect the value of the assets; any company that is in distress but offers the possibility of a turnaround; and any company that fits strategically with an existing portfolio investment.

The Company may also invest in quoted or unquoted start-up, early or development-stage companies in sectors where the Directors have experience of investing or where they have identified management teams with experience in those areas.

The Company may invest in any company (or similar structure) or third-party fund on a short or long-term basis, where the Directors have experience of investing, especially where such investment is similar or complementary to an existing or past investment of the Company.

The Company may also create and invest in fund vehicles owned, managed or controlled by the Company, including where there is the possibility of raising third party investment; and invest in third party funds where the investment strategy of those funds is in the Directors' opinion similar to that of the Company, and specifically including funds that invest in distressed debt and equity, or that invest in derivative securities of distressed debt or equity.

The Company has a preference for active rather than passive investing and for holding a small number of investments, including a single investment, and does not necessarily seek to diversify risk across a wide range of investments, unless this can be achieved without affecting the Company's active investment style. The Company's preference is to make investments in the UK and Continental Europe.

Where the Company makes a direct investment, investment decisions will be made by the Directors, who collectively have many years of experience in selecting and managing investments. Investments made by fund vehicles, if owned, managed or controlled by the Company, will be made by the executives of the investment manager of the fund vehicle, which will include representatives of the Board. Investments made by fund vehicles owned, managed or controlled by third parties, will normally be made by the fund investment manager which may or may not include the involvement of Company executives.

Screening and due diligence of potential investments (including any initial investment in a fund vehicle) will be carried out by the executive management of the Company. Any decision on whether to proceed will be made by the unanimous decision of the Board.

Outside consultants and professional advisers will be used where appropriate but the Company will endeavour to keep this to a minimum in order to control expenses.

The Board seeks shareholder approval for the investing strategy on an annual basis. The Directors expect to be able to find suitable investment or acquisition candidates within the next 12 months, however there is no time limit and if no suitable acquisition or investment has been identified before the Company's next annual general meeting, the Directors may review the Company's investing strategy at that time.

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 to the consolidated financial statements.

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 and 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 goods and services that are dependent on the continued employment of the Group's employees and availability of suitable, profitable workload. In the food manufacturing segment, there is a dependency on a small number of customers and a reduction in the volume or range of products supplied to those customers or the loss of any one of them could impact the Group materially. The current COVID-19 pandemic could impact on the Group's employees, customers, suppliers and financial position but has not had a material effect to date.

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 16 to the consolidated financial statements.

Statement by the Directors relating to their statutory duties under s172(1) Companies Act 2006

The Board of Directors considers, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the members as a whole (having regard to the stakeholders and the matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019.

The Company is a holding company for which the investing strategy is approved by members annually at the Company's Annual General Meeting. The Company's success in following this investing strategy is measurable ultimately in terms of the value arising – both from operating results and upon any final exit – from the investments undertaken.

There is an inherent and probable interdependency between the Company's success and the success of its underlying investments. Those investments are monitored by the Board on a regular basis and the success of those investments is key to the success of the Company over time. However, it is possible that actions taken, or not taken, from time to time by the Board in relation to the underlying investments could be perceived as, or be, in conflict with stakeholder interests within those investments themselves.

Notwithstanding this:

- The Board assesses risk in the application of capital when making investment decisions both at the time of initial investment and subsequently thereafter. The long-term potential outcome of an investment opportunity is inherently uncertain, but the Board seeks to minimise downside risk and achieve investment success.
- The Company and its subsidiaries are dependent upon the loyalty and hard work of their employees and seeks to reward those employees fairly whilst creating an environment that is both safe, secure and rewarding with responsive and trusted leadership.

- The Company's subsidiaries are encouraged to maintain regular and honest contact with customers and suppliers, to understand their needs and to build a partnering approach to business generally for the long term.
- The Company's subsidiaries consider the impact of their operations on their local communities with charitable activities encouraged and supported.
- The Company and its subsidiaries consider the impact of their operations on the environment, with travel minimised and recyclable packaging materials employed where possible.
- The Board's intention, for itself and for its subsidiaries, is to operate responsibly within a governance culture and framework that is appropriate to nature and size.
- The Board, through its Annual General Meeting and ad hoc Stock Market announcements, communicates with members fairly and equally by providing clear and informative information about the Company's business and its investments.

Nick Lander
Chief Financial & Operating Officer

28 May 2020

Corporate governance report

All members of the Board believe in the value and importance of good corporate governance and in our accountability to all the Group's stakeholders, including shareholders, staff, clients and suppliers. In the statement below, we explain our approach to governance, and how the Board and its committees operate.

The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportionate to the size, risks, complexity and operations of the business and is reflective of the Group's values. We have partially adopted and partially comply with the Quoted Companies Alliance's ("QCA") Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. Except as set out below, the Board considers that it does not depart from any of the principles of the QCA Code. The information below was last updated on 11 May 2020.

The following paragraphs set out the Group's compliance (or otherwise) with the ten principles of the QCA Code.

1. Establish a strategy and business model which promote long-term value for shareholders

Explanation

The Company's strategy is to identify and invest 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.

Since 2002 the Company's shares have been traded on the Alternative Investment Market ("AIM") of the London Stock Exchange (ticker VLE).

In order to execute the Company's strategy successfully, the following key issues are addressed:

Investment Identification – the Company's executive directors are responsible for identifying potential investments. This is done through maintaining relationships with intermediaries and through personal networks.

Investment Assessment – the Company's executive directors are responsible for assessing potential investments as a basis for delivering long-term shareholder value. This is done principally by undertaking due diligence on such investments, such work being done largely by the executive directors themselves. Where considered necessary, cost-effective and practicable, external advisers may be used.

Investment Structuring – the Company's executive directors are responsible for determining the initial investment structure relating to potential investments. Investments have individual management teams and risk and reward profiles and the Company puts in place an investment structure that seeks to balance the risks and potential rewards for all such stakeholders.

Investment Performance Improvement – the Company's executive directors are responsible for implementing a strategy that improves the performance of investments (where such investments are not simply held for treasury purposes). This will typically involve board leadership and an appropriate level of operational involvement to ensure that financial and operational risks are minimised through increased profitability and cash generation. This is typically done by improving customer service and quality, clearer financial reporting and control, increasing management responsibility and target setting.

Investment Exit – the Board is responsible for assessing the optimum time to exit from an investment. This is determined based on a range of factors, including the potential divestment valuation, the nature of any potential acquirer, the external environment and other stakeholder intentions.

Compliance Departure and Reason – None.

2. Seek to understand and meet shareholder needs and expectations

Explanation

Responsibility for investor relations rests with the CEO, supported by the CFO. The Company communicates in different ways with its shareholders to ensure that shareholder needs and expectations are clearly understood.

Communication with shareholders is principally through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meeting ("AGM"). A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on our website. The AGM is the principal opportunity for dialogue with private shareholders, and all Board members seek to attend it and answer shareholder questions. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. In addition, the CEO attends potential investor shows in order to increase the Company's profile.

Compliance Departure and Reason – None.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Explanation

The Group's ability to deliver on its strategy is dependent partly upon its effective engagement with stakeholders and a wider recognition of the social implications of its operations. In all businesses, the typical key stakeholders are shareholders, customers, staff and suppliers.

Customers – in all businesses the Group seeks to provide clients with products and services that are differentiated from competitors. This is done through meeting clients to understand their needs and through understanding competitors' offerings.

Staff – the Group's staff are critical to delivering client satisfaction over the longer term. All Group companies have in place staff communication forums and flat management structures, which aid communication. Group management is accessible to company staff. In situations where individual subsidiary decisions would impact on staff security or morale, the relevant company will seek to minimise the impact on staff.

Suppliers – to varying degrees the Group is dependent upon the reliable and efficient service of its supply chain. In the case of significant suppliers, each Group company will meet periodically with them to review and determine future trading arrangements and to share the relevant company's requirements of that supplier.

Compliance Departure and Reason – None.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

Explanation

Recognising and managing business risks is key to ensuring the delivery of strategy and the creation of long-term shareholder value.

As part of the Group's annual reporting to shareholders, specific financial risks are evaluated, including those related to foreign currency, interest rates, liquidity and credit. The Group's key risks are set out in the Annual Report & Accounts.

The nature of the Group's operations is such that individual companies are organised independently and operate business and IT systems that are appropriate to their individual businesses. The Audit Committee reviews the findings of the Group's auditors and considers whether there are remedial actions necessary to improve the control environment in each company.

The Group has in place an Anti-Bribery Policy and a Share Dealing Code that apply to staff.

Compliance Departure and Reason – None.

5. Maintain the board as a well-functioning, balanced team led by the chair

Explanation

Board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

The Board consists of three directors of which two are executive and one (the Chairman) is non-executive. The Chairman is considered independent and independent directors will stand for re-election on an annual basis in the event of having more than 10 years continuous board service. The QCA Code requires that the Company has two non-executive directors.

The board is supported by both Audit and Remuneration committees, the member of each of which is the Chairman.

The Board meets formally on a regular basis (typically 4-6 times per annum), with interim meetings convened on an as-required basis. The Audit committee undertakes an annual review and the Remuneration committee undertakes reviews on an as-required basis. All directors commit the required time to meet the needs of the Group from time-to-time.

Compliance Departure and Reason – As currently constituted the Board includes only one non-executive director. The Board considers that the size of the Group does not merit the appointment of an additional non-executive director but will continue to review this over time.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Explanation

The Company's directors are David Buchler (Chairman), Jonathan Lander (CEO) and Nicholas Lander (COO/CFO). All members of the Board have experience relevant to delivering the Company's strategy.

The Board believes that, as currently constituted, it has a blend of relevant experience, skills and personal qualities to enable it to successfully execute its strategy.

The Directors' biographies are in the Annual Report and Accounts and incorporated here by reference.

Compliance Departure and Reason – The QCA Code requires, inter alia, that the Company describes the relevant experience, skills, personal qualities and capabilities that each director brings to the Board. The Board believes the individual's biography as noted above, coupled with their successful service to date with the Company, is sufficiently objective evidence that the Board has the necessary requirements to fulfil their roles individually and collectively.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Explanation

The Board does not formally review the effectiveness of itself as a unit nor of the Remuneration and Audit committees. The small size of the Board means that individual directors' contributions are transparent. Where the Company identifies potential Board members, these are noted for any possible future vacancies as part of succession planning or to bring in additional skills or capabilities.

Compliance Departure and Reason – Where the need for Board changes has become evident in the past, the necessary changes have been implemented. It is not considered necessary to formally review performance given this embedded approach, whereby review of effectiveness is continuous.

Corporate governance report (*continued*)

8. Promote a corporate culture that is based on ethical values and behaviours

Explanation

The nature of the Group's businesses are diverse and, by their nature, may have different cultures and values relevant to their sector. However, there are some core values that the Group adopts throughout all its businesses, irrespective of their nature and size.

These values are: honesty, integrity, openness and respect. The Board leads by example, demonstrating through its collective actions and individually as directors through theirs, to local management teams and staff. The Company has an Anti-bribery Policy and makes an annual Modern Slavery statement.

Compliance Departure and Reason – None.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Explanation

The Board provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the Group's businesses as well as defining its strategic goals. The Board has approved terms of reference for its Audit and Remuneration committees to which certain responsibilities are delegated.

The individual roles and responsibilities of the Board, the Board members and the Audit and Remuneration Committees are set out below.

| | |
|---------------------------------------|---|
| Role and Responsibilities of Chairman | <p>The Chairman is independent and from an external perspective, engages with shareholders at the Company's Annual General Meeting to reinforce the fact that the Board is being run with the appropriate level of engagement and time commitment. From an internal perspective, he ensures that the information which flows within the board and its sub committees is accurate, relevant and timely and that meetings concentrate on key operational and financial issues which have a strategic bias, together with monitoring implementation plans surrounding commercial objectives.</p> <p>In relation to corporate governance, his responsibility is to lead the board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. He also aims to foster a positive governance culture throughout the Company working through the CEO and COO/CFO.</p> |
| Roles and Responsibilities of CEO | <p>The CEO is responsible for recommending and ensuring effective delivery of the Group's strategy and achieving financial performance commensurate with that strategy.</p> <p>The CEO works with the Chairman and COO/CFO in an open and transparent way and keeps them up-to-date with matters of importance and relevance to delivering the strategy.</p> |
| Roles and Responsibilities of COO/CFO | <p>The COO/CFO is responsible for the operational aspects of the Group's businesses and for maintaining a robust financial control and reporting environment throughout.</p> |
| Role of the Board | <p>The Board of a company is responsible for setting the vision and strategy for the Company to deliver value to its shareholders by effectively putting in place its business model. The Board members are collectively responsible for defining corporate governance arrangements to achieve this purpose, under clear leadership by the Chairman.</p> |

Corporate governance report (*continued*)

| | |
|---|--|
| <p>Role of the Board (<i>continued</i>)</p> | <p>The Board is authorised to manage the business of the Company on behalf of its shareholders and in accordance with the Company's Articles of Association. The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group.</p> <p>The Board meets several times a year and at other times as necessary, to discuss a formal schedule of matters specifically reserved for its decision.</p> <p>These matters routinely include:</p> <ul style="list-style-type: none"> • Group strategy and associated risks • Financial performance of the Group's businesses and approval of annual budgets, the half year results, annual report and accounts and dividends • Changes relating to the Group's capital structure or share buy-backs • Appointments to and removal from the Board and Committees of the Board given the absence of a separate nomination committee • Acquisitions, disposals and other material transactions • Actual or potential conflicts of interest relating to any Director are routinely identified at all Board discussions |
| <p>Role of Audit Committee</p> | <p>The Audit Committee provides confidence to shareholders on the integrity of the financial results of the Company expressed in the Annual Report and Accounts and other relevant public announcements of the company. The Audit Committee challenges both the external auditors and the management of the Company. It keeps the need for internal audit under review. It is responsible for the assessing recommendations to the Board on the engagement of auditors including tendering and the approval of non-audit services, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls.</p> <p>It also has responsibility for reviewing financial statements prior to publication and reporting to the Board on any significant reporting issues, estimates and judgements made in connection with the preparation of the Company's financial statements.</p> <p>The Audit Committee, in conjunction with the rest of the Board, also has a key role in the oversight of the effectiveness of the risk management and internal control systems of the Company.</p> <p>Members: David Buchler</p> |
| <p>Role of Remuneration Committee</p> | <p>It is the role of the Remuneration Committee to ensure that remuneration arrangements are aligned to support the implementation of Company strategy and effective risk management for the medium to long-term, and to take into account the views of shareholders.</p> <p>The Company's remuneration policy has been designed to ensure that it encourages and rewards the right behaviours, values and culture.</p> <p>The Remuneration Committee reviews the performance of the executive directors, sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and reviews and approves any proposed bonus entitlement. It also determines the allocation of share options to employees.</p> <p>Members: David Buchler</p> |

Corporate governance report (*continued*)

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the Group evolves. The Board is satisfied that the current framework will evolve in line with the current growth plans of the Group.

Compliance Departure and Reason – None.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Explanation

A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company. In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the Board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the Company. It should be clear where these communication practices are described (annual report or website).

The Group's Annual Report and Accounts and other governance-related material, along with notices of all general meetings over the last five years (as a minimum) are accessible via the Company's website.

Audit Committee Report – the Audit Committee's annual meeting is minuted. All matters raised by the Group's auditors are carefully considered and actions implemented where considered appropriate. The approach and role of the Audit Committee is noted in section 9 above.

Remuneration Committee Report – the Remuneration Committee's meetings are minuted. The remuneration of the Board is set out in the Annual Report and Accounts. The approach and role of the Remuneration Committee is noted in section 9 above.

Compliance Departure and Reason – The Audit Committee and Remuneration Committee have not prepared formal reports as required by the Code. Given the small size of the Board, such formal reporting is not considered necessary.

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

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 (2018: £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 19. 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 | £0.0000001 | - | 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 24 June 2019 a number of resolutions were passed in relation to the Company's capital structure. Those remaining in force are summarised below:

- The Directors may allot, grant options over, offer or otherwise deal with or dispose of any equity securities in the capital of the Company up to a maximum aggregate nominal amount of £2.00, such authority to expire fifteen months after the passing of the resolution or if earlier, on the conclusion of the next annual general meeting.
- The Directors may allot equity securities wholly for cash and/or to sell or transfer shares held by the Company in treasury. This authority shall be limited to the allotment (or sale or transfer of shares held in treasury) when in connection with an offer by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise. In addition, other than pursuant to an offer by way of rights, the Directors may exercise such authority in respect of Ordinary shares having up to an aggregate nominal amount of £2.00. The authority expires fifteen months after the date the resolution was passed or if earlier, on the conclusion of the next annual general meeting.

Directors' report (continued)

- The Company may make one or more market purchases of Ordinary shares of the Company provided that the maximum aggregate number of shares authorised to purchase is 1,834,181 and the minimum price paid per share is £0.0000001. In addition unless the Company makes market purchases of its own Ordinary shares by way of tender or partial offer made to all holders of Ordinary shares on the same terms, the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than 20 per cent above the average of the closing offer prices for an Ordinary share as derived from the AIM Appendix to the London Stock Exchange Official List for the five business days immediately preceding the date on which the Ordinary share is purchased. The authority expires fifteen months after the date the resolution was passed or if earlier, on the conclusion of the next annual general meeting.

Directors

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

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

The current Directors' biographies are set out on page 1 and are incorporated here by reference. Jonathan Lander retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election. Additionally, David Buchler offers himself for re-election, having served more than 10 years as a Director.

Directors' interests

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

| | Number of Ordinary Shares 31 December 2019 | % of Total Voting Rights 31 December 2019 | Number of Ordinary Shares 31 December 2018 | % of Total Voting Rights 31 December 2018 |
|-----------------|--|--|--|--|
| David Buchler | 45,000 | 2.45% | 129,893 | 4.17% |
| Jonathan Lander | 240,037 | 13.09% | 603,896 | 19.37% |
| Nick Lander | 131,947 | 7.19% | 323,444 | 10.37% |

No director held any share options at 31 December 2019 or 2018. No material changes in directors' shareholdings (or options) occurred between 31 December and the date of this report.

Political and charitable donations

The Group made no donations to political organisations in 2019 (2018: nil). Charitable donations in the year were £nil (2018: nil).

Disabled employees

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

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them 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.

Directors' report (continued)

Substantial shareholdings

On 27 May 2020 the Company had been notified of the following voting rights (other than the Directors whose interests are disclosed earlier) as a shareholder of the Company:

| Name of shareholder | Number of Ordinary Shares | % of issued Ordinary Share Capital and Voting Rights | Nature of holding |
|-----------------------|---------------------------|--|-------------------|
| State Street Nominees | 282,000 | 15.37% | Direct |
| FG Nominees | 81,946 | 4.47% | 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 29 days (2018: 38 days) of purchases outstanding.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution to reappoint James Cowper Kreston 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

28 May 2020

Company number: 04478674

Statement of Directors' responsibilities

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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.

On behalf of the Board

Nick Lander
Company Secretary

28 May 2020

Opinion

We have audited the financial statements of Volvere plc (the 'Company') for the year ended 31 December 2019 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the parent company balance sheet and related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union. The financial reporting framework applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the group and parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- Have been properly prepared in accordance with the financial reporting frameworks as outlined above; and
- 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 of Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further discussed in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards as applied to listed entities, and we have fulfilled our ethical responsibilities with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

An overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)'). We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditor's report to the members of Volvere plc (*continued*)

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account our understanding of the group and its environment, the accounting processes and controls, and the industry in which the group operates. The group operates within the parent company and a number of operating subsidiaries. We planned our work to include sufficient work in respect of the parent company and the subsidiaries to enable us to provide an opinion on the consolidated financial statements.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified in the Key audit matters section below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing 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 not provide a separate opinion on these matters.

Revenue recognition

Risk description

There is an inherent risk of misstatement of revenue in most trading business, whether arising from fraud or error.

How the scope of our audit responded to the risk

To assess the appropriateness and completeness of revenue recognised in the year the following procedures were performed:

- examined a sample of revenue transactions by reference to underlying contractual terms;
- examined on a sample basis invoices and postings for items recorded around the period end;
- reviewed manual journals posted to the revenue account in the period and subsequent to year-end gaining an understanding of the appropriateness of these;
- Considered the appropriateness and application of the company's accounting policy for revenue recognition and;
- Considered the disclosures in the financial statements regarding revenue.

Key observations

The results of our testing were satisfactory.

Completeness of liabilities

Risk description

There is an inherent risk that liabilities could be materially understated at the year end.

How the scope of our audit responded to the risk

We performed procedures to obtain reasonable assurance that the balances due to the group's key suppliers were not materially misstated. We also reviewed post year end invoices and payments to obtain reasonable assurance that no material liabilities had been omitted from the group financial statements.

Key observations

The results of our testing were satisfactory.

Stock existence and valuation

Risk description

Shire Foods holds material stock levels which are subject to inherent existence and valuation risks.

How the scope of our audit responded to the risk

We performed audit procedures to gain reasonable assurance that stock was not materially misstated. Such testing included attendance at physical stock counts including sample test counts, review of standard costing methodologies, agreeing a sample of stock costings to purchase invoices and other evidence, and consideration of whether stock was appropriately valued at the lower of cost and net realisable value.

Key observations

The results of our testing were satisfactory.

Sale of subsidiary (SIRA Defence and Security Limited)

Risk description

The Group disposed of a subsidiary in the year resulting in a material profit on disposal being recorded in the group income statement.

How the scope of our audit responded to the risk

We performed appropriate audit procedures to gain reasonable assurance that the disposal was accounted for in accordance with the commercial arrangements for the sale, and in accordance with relevant accounting standards. We also reviewed the relevant disclosures.

Key observations

The results of our testing were satisfactory.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decision of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgements we determined materiality for the consolidated financial statements as a whole to be £540,000 (2018: 800,000) and for the parent company financial statements to be £400,000 (2018: £675,000) based upon 2% of net assets.

We agreed with the directors that we would report all audit difference in excess of £25,000 (2018: £40,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information included in the annual report

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially misstated. If we identify such material inconsistencies or apparent material misstatement, we are required to determine whether there is a material misstatement in the financial statement or a material misstatement in the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared are consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with the applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to the financial statements which the Companies Act 2006 require to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for the audit have not been received from branches not visited by us; or
- The 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 19 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors' either intend to liquidate the company or to cease operating, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 decision of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

Use of our report

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alan Poole BA (Hons) FCA (Senior Statutory Auditor)

For and on behalf of
James Cowper Kreston

Statutory Auditors
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

Date: 28 May 2020

Volvere plc - Annual report and financial statements for the year ended 31 December 2019

Consolidated income statement

| | Note | 2019 £'000 | 2018 (as restated) £'000 |
|--|------|---------------|--------------------------------|
| Continuing operations | | | |
| Revenue | 5 | 23,036 | 18,344 |
| Cost of sales | | (19,454) | (15,700) |
| Gross profit | | 3,582 | 2,644 |
| Distribution costs | | (1,225) | (1,095) |
| Administrative expenses | | (2,281) | (4,589) |
| Operating profit/(loss) | 2 | 76 | (3,040) |
| Investment revenues | 7 | - | 115 |
| Other gains and losses | 7 | - | 374 |
| Finance expense | 7 | (118) | (47) |
| Finance income | 7 | 179 | 106 |
| Profit/(Loss) before tax | | 137 | (2,492) |
| Income tax (expense)/credit | 8 | (31) | 370 |
| Profit/(Loss) for the year from continuing operations | | 106 | (2,122) |
| Profit for the year from discontinued operations | 6 | 3,078 | 23,218 |
| Profit for the year | | 3,184 | 21,096 |
| Attributable to: | | | |
| - Equity holders of the parent | | 2,942 | 20,956 |
| - Non-controlling interests | | 242 | 140 |
| | | 3,184 | 21,096 |
| Earnings per share | 9 | | |
| Basic | | | |
| - from continuing operations | | (5.7)p | (63.3)p |
| - from discontinued operations | | 127.9p | 649.5p |
| Total | | 122.2p | 586.2p |
| Diluted | | | |
| - from continuing operations | | (5.7)p | (63.3)p |
| - from discontinued operations | | 127.9p | 649.5p |
| Total | | 122.2p | 586.2p |

The notes on pages 30 to 57 form part of these financial statements.

Consolidated statement of comprehensive income

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Profit for the year | 3,184 | 21,096 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 3,184 | 21,096 |
| Attributable to: | | |
| - Equity holders of the parent | 2,942 | 20,956 |
| - Non-controlling interests | 242 | 140 |
| | 3,184 | 21,096 |

The notes on pages 30 to 57 part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2019

Consolidated statement of changes in equity

| | Share capital £'000 | Share premium £'000 | Revaluation reserve £'000 | Retained earnings £'000 | Total £'000 | Non-controlling interests £'000 | Total £'000 |
|--|------------------------|------------------------|------------------------------|----------------------------|----------------|------------------------------------|----------------|
| 2019 | | | | | | | |
| Other comprehensive income | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | 2,942 | 2,942 | 242 | 3,184 |
| Total comprehensive income for the year | - | - | - | 2,942 | 2,942 | 242 | 3,184 |
| Balance at 1 January | 50 | 3,640 | 100 | 35,180 | 38,970 | 1,447 | 40,417 |
| Transactions with owners: | | | | | | | |
| Purchase of own shares | - | - | - | (16,512) | (16,512) | - | (16,512) |
| Dividend paid to non-controlling interests | - | - | - | - | - | (100) | (100) |
| Total transactions with owners | - | - | - | (16,512) | (16,512) | (100) | (16,612) |
| Balance at 31 December | 50 | 3,640 | 100 | 21,610 | 25,400 | 1,589 | 26,989 |

| | Share capital £'000 | Share premium £'000 | Revaluation reserves £'000 | Retained earnings £'000 | Total £'000 | Non-controlling interests £'000 | Total £'000 |
|--|------------------------|------------------------|-------------------------------|----------------------------|----------------|------------------------------------|----------------|
| 2018 | | | | | | | |
| Other comprehensive income | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | 20,956 | 20,956 | 140 | 21,096 |
| Total comprehensive income for the year | - | - | - | 20,956 | 20,956 | 140 | 21,096 |
| Balance at 1 January | 50 | 3,640 | 177 | 20,319 | 24,186 | 1,958 | 26,144 |
| Transactions with owners: | | | | | | | |
| Purchase of own shares | - | - | - | (6,095) | (6,095) | - | (6,095) |
| Share based payments | - | - | - | - | - | - | - |
| Total transactions with owners | - | - | - | (6,095) | (6,095) | - | (6,095) |
| Eliminated on disposal | - | - | (77) | - | (77) | (651) | (728) |
| Balance at 31 December | 50 | 3,640 | 100 | 35,180 | 38,970 | 1,447 | 40,417 |

The notes on pages 30 to 57 part of these financial statements.

Volvere plc - Annual report and financial statements for the year ended 31 December 2019

Consolidated statement of financial position

Company number 04478674

| | Note | 2019 £'000 | 2018 £'000 |
|---|-------------|-----------------------|-----------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 7,331 | 6,062 |
| Total non-current assets | | 7,331 | 6,062 |
| Current assets | | | |
| Inventories | 12 | 2,204 | 1,774 |
| Trade and other receivables | 13 | 4,816 | 4,447 |
| Cash and cash equivalents | 14 | 19,317 | 34,137 |
| Total current assets | | 26,337 | 40,358 |
| Total assets | | 33,668 | 46,420 |
| Liabilities | | | |
| Current liabilities | | | |
| Loans and other borrowings | 17 | (1,154) | (708) |
| Leases | 17 | (466) | (314) |
| Trade and other payables | 15 | (2,408) | (2,776) |
| Total current liabilities | | (4,028) | (3,798) |
| Non-current liabilities | | | |
| Loans and other borrowings | 17 | (1,151) | (1,254) |
| Leases | 17 | (1,334) | (816) |
| Total non-current liabilities | | (2,485) | (2,070) |
| Total liabilities | | (6,513) | (5,868) |
| Provisions – deferred tax | 18 | (166) | (135) |
| Net assets | | 26,989 | 40,417 |
| Equity | | | |
| Share capital | 19 | 50 | 50 |
| Share premium account | 20 | 3,640 | 3,640 |
| Revaluation reserves | 20 | 100 | 100 |
| Retained earnings | | 21,610 | 35,180 |
| Capital and reserves attributable to equity holders of the Company | | 25,400 | 38,970 |
| Non-controlling interests | 23 | 1,589 | 1,447 |
| Total equity | | 26,989 | 40,417 |

The financial statements on pages 25 to 57 were approved by the Board of Directors and authorised for issue on 28 May 2020 and were signed on its behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 30 to 57 form part of these financial statements.

Volvare plc - Annual report and financial statements for the year ended 31 December 2019

Consolidated statement of cash flows

| | Note | 2019 £'000 | 2019 £'000 | 2018 £'000 (as restated) | 2018 £'000 (as restated) |
|---|------|---------------|---------------|-----------------------------------|-----------------------------------|
| Profit for the year | | | 3,184 | | 21,096 |
| Adjustments for: | | | | | |
| Investment revenues | 7 | - | | (115) | |
| Other gains and losses | 7 | - | | (374) | |
| Finance expense | 7 | 118 | | 47 | |
| Finance income | 7 | (179) | | (106) | |
| Profit from discontinued operations | 6 | (3,078) | | (23,218) | |
| Depreciation | 11 | 633 | | 458 | |
| Income tax (credit)/expense | 8 | 31 | | (370) | |
| | | | (2,475) | | (23,678) |
| Operating cash flows before movements in working capital | | | 709 | | (2,582) |
| Increase in trade and other receivables | | | (349) | | (350) |
| (Decrease)/Increase in trade and other payables | | | (18) | | 1,109 |
| (Decrease) in inventories | | | (430) | | (308) |
| Tax paid | | | (50) | | (100) |
| Cash (used by)/generated from continuing operations | | | (138) | | (2,231) |
| Operating cash flows from discontinued operations | | | (315) | | 1,838 |
| Net cash used by/generated from operating activities | | | (453) | | (393) |
| Investing activities | | | | | |
| Proceeds from sale of discontinued operations net of cash sold | | 3,138 | | 22,537 | |
| Proceeds from disposal of available for sale investments | | - | | 6,632 | |
| Purchase of property, plant and equipment | | (916) | | (429) | |
| Interest received | 7 | 179 | | 106 | |
| Income from investments | 7 | - | | 115 | |
| Net cash generated from/used by investing activities | | | 2,401 | | 28,961 |
| Financing activities | | | | | |
| Interest paid | 7 | (118) | | (47) | |
| Purchase of own shares (treasury shares) | 19 | (16,575) | | (6,094) | |
| Net increase/(repayment) of borrowings | | 25 | | (375) | |
| Dividend paid by subsidiary to external shareholders | | (100) | | (49) | |
| Net cash used by financing activities | | | (16,768) | | (6,565) |
| Net (decrease)/increase in cash | | | (14,820) | | 22,003 |
| Cash at beginning of year | | | 34,137 | | 12,119 |
| Foreign exchange movement | | | - | | 15 |
| Cash at end of year | | | 19,317 | | 34,137 |

The notes on pages 30 to 57 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 58 to 64.

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 16 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and, 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 enable it 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 (i.e. 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.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services net of discounts, VAT and other sales-related taxes. The group concludes that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. Payment is typically due within 60 days. Contracts with customers do not contain a financing component or any element of variable consideration. The group does not offer an option to purchase a warranty.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, 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.

Revenue from consulting services relating to fixed price contracts is recognised in relation to the delivery of the performance obligations specified in the contract. 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.

1 Accounting policies (*continued*)

Revenue recognition (*continued*)

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

Discontinued operations

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

Operating segments

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

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

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.

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

The company applies IFRS 16 Leases. Accordingly leases are all accounted for in the same manner:

- A right-of-use asset and lease liability is recognised on the statement of financial position, initially measured at the present value of future lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities are recognised in the statement of comprehensive income;
- The total amount of cash paid is recognised in the statement of cash flows, split between payments of principal (within financing activities) and interest (also within financing activities)

1 Accounting policies (*continued*)

The initial measurement of the right-of-use asset and lease liability takes into account the value of lease incentives such as rent free periods.

The costs of leases of low value items and those with a short term at inception are recognised as incurred.

Foreign currencies

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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 |

1 Accounting policies (*continued*)

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 property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of options that will ultimately vest.

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

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.

1 Accounting policies (*continued*)

Cash and cash equivalents

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

Financial assets

Recognition and derecognition

Financial assets and financial instruments are recognised when the Group becomes a party to the contractual provisions of the financial asset.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all of the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial recognition of financial assets

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial asset, other than those designated and effective as hedging instruments are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where its effect is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category. This category also includes investments in equity instruments.

Financial assets which are designated as FVTPL are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined with reference to active market transactions or using a valuation technique where no active market exists.

1 Accounting policies (*continued*)

Financial assets (*continued*)

Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets include listed equity securities.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

Impairment of financial assets

IFRS 9's impairment requirements use forward looking information to recognise expected credit losses – the 'expected credit loss (ECL) method'. Recognition of credit losses is no longer dependent on first identifying a credit loss event, but considers a broader range of information in assessing credit risk and credit losses including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('stage 2').

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

12 month expected credit losses are recognised for the first category while lifetime expected credit losses are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial asset.

Trade and other receivables and contract assets

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis, as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Classification and measurement of financial liabilities

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.

1 Accounting policies (*continued*)

Financial assets (*continued*)

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 IFRS 10 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.

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 £nil revenue in 2019 (2018: £nil).

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.

1 Accounting policies (*continued*)

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

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.

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.

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 take 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.

1 Accounting policies (*continued*)

New and revised standards and interpretations applied

The following new and revised Standards and Interpretations have been issued and are effective for the current financial year of the Group:

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. No transitional adjustments were required upon adoption.

All leases are accounted for in the same manner:

- A right of use asset and lease liability is recognised on the statement of financial position, initially measured at the present value of future lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities are recognised in the statement of comprehensive income;
- The total amount of cash paid is recognised in the statement of cash flows, split between payments of principal (within financing activities) and interest (also within financing activities).

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated in accordance with the company's depreciation policies. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes forming part of the consolidated financial statements

1 Accounting policies (*continued*)

New and revised standards and interpretations applied (*continued*)

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements, all of which are effective for the accounting period commencing 1 January 2020. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

| | 2019 £'000 | 2018 £'000 (as restated) |
|---|-----------------------------|--|
| Staff costs | 4,646 | 5,770 |
| Depreciation of property, plant and equipment | 633 | 458 |
| Operating lease expense | 12 | 14 |
| Exchange loss | 2 | 6 |
| Auditor's fees – audit services | 31 | 29 |
| | <u>31</u> | <u>29</u> |
| The analysis of audit fees is as follows: | | |
| - for the audit of the Company's annual accounts | 8 | 8 |
| - for the audit of the Company's subsidiaries' accounts | 23 | 21 |
| | <u>31</u> | <u>29</u> |

3 Staff costs

Staff costs comprise:

| | 2019 £'000 | 2018 £'000 (as restated) |
|---|-----------------------------|--|
| Wages and salaries | 4,229 | 5,183 |
| Employer's National Insurance contributions | 315 | 530 |
| Defined contribution pension cost | 102 | 57 |
| | <u>4,646</u> | <u>5,770</u> |

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

| | 2019 Number | 2018 Number |
|--|------------------------------|------------------------------|
| Engineering, production and professional | 146 | 106 |
| Sales and marketing | 7 | 6 |
| Administration and management | 31 | 25 |
| | <u>184</u> | <u>137</u> |

4 Directors' remuneration

The remuneration of the directors was as follows:

| | Salaries & fees 2019 £'000 | Other benefits 2019 £'000 | Total 2019 £'000 |
|-----------------|---|--|---|
| David Buchler | 34 | - | 34 |
| Jonathan Lander | 143 | - | 143 |
| Nick Lander | 143 | 1 | 144 |
| | <u>320</u> | <u>1</u> | <u>321</u> |

Notes forming part of the consolidated financial statements

4 Directors' remuneration (continued)

| | Salaries & fees 2018 £'000 | Other benefits 2018 £'000 | Total 2018 £'000 |
|-----------------|-------------------------------------|------------------------------------|------------------------|
| David Buchler | 45 | - | 45 |
| Jonathan Lander | 1,083 | - | 1,083 |
| Nick Lander | 1,083 | 1 | 1,084 |
| | <u>2,211</u> | <u>1</u> | <u>2,212</u> |

The services of Jonathan Lander and Nick Lander are provided under the terms of a Service Agreement with D2L Partners LLP. The amount due under these agreements, which is in addition to the amounts disclosed above, for the year amounted to £528,000 (2018: £861,000). Amounts owed to D2L Partners LLP at the year end totalled £nil (2018: £333,000).

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 the amount outstanding at the year end was £11,250 (2018: £11,250). None of the directors were members of the Group's defined contribution pension plan in the year (2018: none).

5 Operating segments

Analysis by business segment:

An analysis of key financial data by business segment is provided below. 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.

During the year, the security solutions segment was sold and therefore the results of this segment are now included within Profit in the year from discontinued operations and have been excluded from the following analysis:

| | Food manufacturing 2019 £'000 | Investing and management services 2019 £'000 | Total 2019 £'000 |
|---|--|--|--|
| Revenue | 23,036 | - | 23,036 |
| Profit/(loss) before tax ⁽¹⁾ | 1,384 | (1,247) | 137 |
| | <u>23,036</u> | <u>(1,247)</u> | <u>21,789</u> |
| | Food manufacturing 2018 £'000 | Investing and management services 2018 £'000 | Total 2018 (as restated) £'000 |
| Revenue | 18,344 | - | 18,344 |
| Profit/(loss) before tax ⁽¹⁾ | 854 | (3,346) | (2,492) |
| | <u>18,344</u> | <u>(3,346)</u> | <u>14,998</u> |

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

5 Operating segments (continued)

| | Security solutions 2019 £'000 | Food manufacturing 2019 £'000 | Investing and management services 2019 £'000 | Total 2019 £'000 |
|---------------------------------|--|--|--|------------------------|
| Assets | - | 14,336 | 19,332 | 33,668 |
| Liabilities/provisions | - | (6,732) | 51 | (6,681) |
| Net assets⁽²⁾ | - | 7,604 | 19,383 | 26,987 |
| | Security solutions 2018 £'000 | Food manufacturing 2018 £'000 | Investing and management services 2018 £'000 | Total 2018 £'000 |
| Assets | 419 | 12,311 | 33,690 | 46,420 |
| Liabilities/provisions | (359) | (5,427) | (217) | (6,003) |
| Net assets⁽²⁾ | 60 | 6,884 | 33,473 | 40,417 |

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

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

| | Security solutions 2019 £'000 | Food manufacturing 2019 £'000 | Investing and management services 2019 £'000 | Total 2019 £'000 |
|------------------------------|--|--|--|---|
| Capital spend | - | 1,904 | - | 1,904 |
| Depreciation | - | 632 | 1 | 633 |
| Interest income (non-Group) | - | - | 179 | 179 |
| Interest expense (non-Group) | - | 118 | - | 118 |
| Tax expense | - | 38 | (69) | (31) |
| | Security solutions 2018 £'000 | Food manufacturing 2018 £'000 | Investing and management services 2018 £'000 | Total 2018 (as restated) £'000 |
| Capital spend | - | 1,253 | - | 1,253 |
| Depreciation | 2 | 458 | - | 460 |
| Amortisation/impairment | - | - | - | - |
| Interest income (non-Group) | - | - | 106 | 106 |
| Interest expense (non-Group) | - | 47 | - | 47 |
| Tax expense | (32) | (52) | (318) | (402) |

Geographical analysis:

| | External revenue by location of customers | | Non-current assets by location of assets | |
|----------------|--|--------------------------------|---|---------------|
| | 2019 £'000 | 2018 £'000 (as restated) | 2019 £'000 | 2018 £'000 |
| UK | 22,522 | 17,746 | 7,331 | 6,062 |
| Rest of Europe | 514 | 598 | - | - |
| | 23,036 | 18,344 | 7,331 | 6,062 |

Notes forming part of the consolidated financial statements (continued)

5 Operating segments (continued)

The Group had 3 (2018: 4) customers (all in the food manufacturing segment) that individually accounted for in excess of 10% of the Group's continuing revenues as follows:

| | 2019 £'000 | 2018 £'000 |
|-----------------|---------------|---------------|
| First customer | 8,761 | 7,207 |
| Second customer | 8,119 | 4,901 |
| Third customer | 3,037 | 2,763 |
| Fourth customer | - | 2,437 |

There is minimal uncertainty over the timing and amount of revenue recognition in respect of continuing operations. The Group has no material balances which arise from contracts with customers save for trade receivables as set out in note 13.

6 Discontinued operations

On 23 May 2019 the Group disposed of its subsidiary undertaking, Sira Defence and Security Limited for a total of £3.0 million in cash, resulting in a gain of £3.4 million before tax.

The profit of Sira Defence and Security Limited until the date of disposal and the gain on disposal are summarised below. The discontinued operations in 2018 include the results of the Group's former subsidiary, Impetus Automotive Limited, which was sold in that year.

| | 2019 £'000 | 2018 (as restated) £'000 |
|---|---------------|-----------------------------------|
| Revenue | 154 | 22,460 |
| Cost of sales | 45 | (16,654) |
| Gross profit | 199 | 5,806 |
| Administrative expenses | (578) | (3,137) |
| Operating loss/profit | (379) | 2,669 |
| Finance expense | - | (36) |
| (Loss)/profit from discontinued operations before tax | (379) | 2,633 |
| Income tax expense | 27 | (506) |
| (Loss)/profit for the period | (352) | 2,127 |
| Total gain on disposal | 3,430 | 21,091 |
| Profit for the year from discontinued operations | 3,078 | 23,218 |

All of the assets and liabilities have been disposed of in this transaction.

Cash flows generated by Sira Defence and Security Limited for the reporting periods under review until its disposal are summarised below. The discontinued operations in 2018 include the results of the Group's former subsidiary, Impetus Automotive Limited, which was sold in that year.

| | 2019 £'000 | 2018 (as restated) £'000 |
|--|---------------|-----------------------------------|
| Operating activities | (315) | 1,838 |
| Investing activities | 3,138 | 22,537 |
| Cash flows from discontinued operations | 2,823 | 24,375 |

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

6 Discontinued operations (*continued*)

Cash flows from investing activities relate solely to the proceeds from the sale of Sira Defence and Security Limited which was received in cash in 2019, of which £240,000 was held on escrow. At the date of disposal, the carrying amounts of Sira Defence and Security Limited's net assets were as follows:

| | £'000 |
|--|--------------|
| Assets | |
| Non-current assets | |
| Property, plant and equipment | 2 |
| Total non-current assets | 2 |
| Current assets | |
| Trade and other receivables | 112 |
| Cash and cash equivalents | 26 |
| Total current assets | 138 |
| Liabilities | |
| Current liabilities | |
| Trade and other payables | (432) |
| Total liabilities | (432) |
| Provisions | - |
| Net liabilities | (292) |
| Net liabilities disposed | (292) |
| Intra-group charges | (134) |
| Total net consideration received in cash | 3,004 |
| Gain on disposal | 3,430 |

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

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|-----------------------|-----------------------|
| Investment revenues | - | 115 |
| Other gains and losses | - | 374 |
| Finance income | | |
| Bank interest receivable | 179 | 106 |
| Finance expense | | |
| Bank interest | 14 | 21 |
| Lease interest | (86) | (22) |
| Other interest and finance charges | (46) | (46) |
| | (118) | (47) |

Notes forming part of the consolidated financial statements

7 Investment revenues, other gains and losses and finance income and expense (continued)

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

| | 2019 | 2018 |
|--|--------------|----------------------|
| | £'000 | (as restated) |
| | | £'000 |
| Current tax expense – current year | - | - |
| Current tax credit – adjustments in respect of prior years | - | (23) |
| Deferred tax (credit)/expense recognised in income statement – current year | 31 | (343) |
| Deferred tax credit recognised in income statement – adjustments in respect of prior years | - | (4) |
| Total tax (credit)/expense recognised in income statement | 31 | (370) |
| Tax recognised directly in equity | - | - |
| Total tax recognised | 31 | (370) |

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:

| | 2019 | 2018 |
|--|--------------|----------------------|
| | £'000 | (as restated) |
| | | £'000 |
| Profit before tax | 137 | (2,428) |
| Expected tax charge based on the prevailing rate of corporation tax in the UK of 19% | 26 | (461) |
| <u>Effects of:</u> | | |
| Expenses not deductible for tax purposes | 24 | 25 |
| Income/gains not subject to tax | (3) | (93) |
| Deferred tax not recognised | (37) | 84 |
| Other adjustments | 23 | 58 |
| Effect of changes in rate of tax | (2) | 44 |
| Adjustments in respect of prior years | - | (27) |
| Total tax recognised in income statement | 31 | (370) |

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 18.

9 Earnings per share

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

| | 2019 | 2018 |
|---|--------------|----------------------|
| | £'000 | (as restated) |
| | | £'000 |
| Earnings for the purposes of earnings per share: | | |
| (Loss)/profit attributable to equity holders of the parent company: | | |
| From continuing operations | (136) | (2,262) |
| From discontinued operations | 3,078 | 23,218 |

Notes forming part of the consolidated financial statements

9 Earnings per share (continued)

| | 2019 No. | 2018 No. |
|---|---------------------|---------------------|
| Weighted average number of shares for the purposes of earnings per share: | | |
| Weighted average number of ordinary shares in issue | 2,405,768 | 3,574,895 |
| Dilutive effect of potential ordinary shares | - | - |
| | <u>2,405,768</u> | <u>3,574,895</u> |
| Weighted average number of ordinary shares for diluted EPS | <u>2,405,768</u> | <u>3,574,895</u> |

There were no share options (or other dilutive instruments) in issue during the year or the previous year.

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 at 31 December 2019 |
|--------------------------------------|--------------------|------------------------|---|
| 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 | Note 3 |
| Shire Foods Limited | Note 1 | Food manufacturing | 80% |
| Impetus Automotive Solutions Limited | Note 1 | Dormant | 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 – The Group owned 100% of the ordinary shares of Sira Defence & Security Limited. On 23rd May 2019, the Group sold the entirety of its shareholding.

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

11 Property, plant and equipment

| | Short Leasehold Property £'000 | Freehold Property £'000 | Plant & Machinery £'000 | Total £'000 |
|--|---|-------------------------------|-------------------------------|----------------|
| Cost or valuation | | | | |
| At 1 January 2018 | 180 | 2,550 | 4,889 | 7,619 |
| Additions | - | - | 1,253 | 1,253 |
| Revaluations | - | - | - | - |
| Disposals | (180) | - | (281) | (461) |
| At 31 December 2018 and 1 January 2019 | - | 2,550 | 5,861 | 8,411 |
| Additions | - | - | 1,906 | 1,906 |
| Revaluation | - | - | - | - |
| Disposals | - | - | (16) | (16) |
| At 31 December 2019 | - | 2,550 | 7,751 | 10,301 |
| Accumulated depreciation | | | | |
| At 1 January 2018 | 87 | - | 2,108 | 2,195 |
| Disposals | (87) | - | (219) | (306) |
| Charge for the year | - | 38 | 422 | 460 |
| At 31 December 2018 and 1 January 2019 | - | 38 | 2,311 | 2,349 |
| Disposals | - | - | (12) | (12) |
| Charge for the year | - | 38 | 595 | 633 |
| At 31 December 2019 | - | 76 | 2,894 | 2,970 |
| Net book value | | | | |
| At 31 December 2019 | - | 2,474 | 4,857 | 7,331 |
| At 31 December 2018 | - | 2,512 | 3,550 | 6,062 |

Freehold property was revalued by an independent valuation specialist to £2,550,000 as at 5 December 2017. 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.

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 £7.33 million is pledged as collateral for Group borrowings (all of which are within subsidiaries).

Notes forming part of the consolidated financial statements

11 Property, plant and equipment (continued)

Right-of-use asset

The Group leases certain plant and equipment. The average remaining lease term across all leases is 3.8 years. There are no options to purchase at the end of the lease lives. In all cases, the lease obligations are secured by the lessor's title to the leased assets. The right-of-use assets included in the statement of financial position are as follows:

| | 2019 £'000 | 2018 £'000 |
|----------------------------------|-----------------------------|-----------------------------|
| Net values | 2,388 | 1,533 |
| Depreciation charge for the year | 231 | 131 |
| | <u>2,388</u> | <u>1,533</u> |

Amounts recognised in profit and loss

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|-----------------------------|-----------------------------|
| Interest expense on lease liabilities | 86 | 22 |
| Expense relating to short-term leases | 12 | 14 |
| | <u>98</u> | <u>36</u> |

The aggregate undiscounted commitments for short-term and low value leases at the year end was £7,000.

12 Inventories

| | 2019 £'000 | 2018 £'000 |
|-------------------|-----------------------------|-----------------------------|
| Raw materials | 782 | 603 |
| Finished products | 1,422 | 1,171 |
| | <u>2,204</u> | <u>1,774</u> |

The total amount of inventories consumed in the year and charged to cost of sales was £14.31 million (2018 restated: £11.86 million).

13 Trade and other receivables

| | 2019 £'000 | 2018 £'000 |
|---|-----------------------------|-----------------------------|
| Trade receivables | 4,349 | 4,024 |
| Less: provision for impairment of trade receivables | - | - |
| | <u>4,349</u> | <u>4,024</u> |
| Net trade receivables | 4,349 | 4,024 |
| Other receivables | 153 | 170 |
| Amounts recoverable on contracts | - | - |
| Prepayments and accrued income | 314 | 253 |
| | <u>4,816</u> | <u>4,447</u> |

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.

13 Trade and other receivables (continued)

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

| | 2019 £'000 | 2018 £'000 |
|-------------------|-----------------------------|-----------------------------|
| Trade receivables | 4,349 | 3,952 |
| Borrowings | (1,051) | (609) |
| | <u>3,298</u> | <u>3,343</u> |

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:

| | 2019 £'000 | 2018 £'000 |
|----------------|-----------------------------|-----------------------------|
| Up to 3 months | 4,097 | 3,985 |
| 3 to 6 months | 252 | 39 |
| 6 to 12 months | - | - |
| Over 12 months | - | - |
| | <u>4,349</u> | <u>4,024</u> |

14 Cash and cash equivalents

| | 2019 £'000 | 2018 £'000 |
|--------------------------|-----------------------------|-----------------------------|
| Cash at bank and in hand | 19,317 | 34,137 |

Included within cash at bank and in hand is an amount of £2,627,000 held in escrow. This is held to satisfy, in the first instance, any warranty or similar claims arising following the sales of Impetus Automotive Limited ("Impetus") and Sira Defence and Security Limited. The escrow retention period is 18 months from the date of sale. Subsequent to the year end, the full amount relating to Impetus of £2,387,000 was released from escrow.

15 Trade and other payables (current)

| | 2019 £'000 | 2018 £'000 |
|-------------------------------|-----------------------------|-----------------------------|
| Trade payables | 1,250 | 1,335 |
| Other tax and social security | 107 | 111 |
| Other payables | 34 | 43 |
| Accruals | 1,017 | 1,040 |
| Deferred income | - | 247 |
| | <u>2,408</u> | <u>2,776</u> |

The fair value of all trade and other payables approximates to book value at 31 December 2019 and at 31 December 2018.

16 Financial instruments – risk management

The Group's principal financial instruments are:

- Trade receivables
- Cash at bank
- Current asset investments
- Loans and right of use leases
- Trade and other payables

The Group is exposed through its operations to 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. The Directors are of the opinion that the exposure to foreign currency risk is not significant.

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 13.

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

16 Financial instruments – risk management (continued)

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.

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, fair value 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:

| | 2019 £'000 | 2018 £'000 |
|----------------------------|-----------------------|-----------------------|
| Total debt | (4,105) | (3,092) |
| Cash and cash equivalents | 19,317 | 34,137 |
| Net funds | 15,212 | 31,045 |
| Total equity (capital) | 26,987 | 40,417 |
| Net funds to capital ratio | 56.4% | 76.8% |

Reconciliation of movement in net cash

| | Net cash at 1 January 2019 £'000 | Cash flow £'000 | Repayment of borrowings £'000 | Other non- cash items £'000 | Net cash at 31 December 2019 £'000 |
|------------------------------------|---|----------------------------|--|--|---|
| Cash at bank and in hand | 34,137 | (14,820) | - | - | 19,317 |
| Borrowings | (3,092) | - | (25) | (988) | (4,105) |
| Total financial liabilities | 31,045 | (14,820) | (25) | (988) | 15,212 |

Non-cash items of £988,000 relate to the increase in lease finance arising on the purchase of fixed asset additions.

17 Financial assets and liabilities – numerical disclosures

Analysis of financial assets by category:

| 31 December 2019 | Amortised cost £'000 | FVTPL £'000 | Total £'000 |
|------------------------------|-------------------------------------|------------------------|------------------------|
| Financial assets | | | |
| Trade and other receivables | 4,816 | - | 4,816 |
| Cash and cash equivalents | 19,317 | - | 19,317 |
| Total assets | 24,133 | - | 24,133 |
| Financial liabilities | | | |
| Non-current borrowings | 3,054 | - | 3,054 |
| Current borrowings | 1,051 | - | 1,051 |
| Trade and other payables | 2,408 | - | 2,408 |
| Total liabilities | 6,513 | - | 6,513 |
| 31 December 2018 | Amortised cost £'000 | FVTPL £'000 | Total £'000 |
| Financial assets | | | |
| Trade and other receivables | 4,447 | - | 4,447 |
| Cash and cash equivalents | 34,137 | - | 34,137 |
| Total assets | 38,584 | - | 38,584 |
| Financial liabilities | | | |
| Non-current borrowings | 2,483 | - | 2,483 |
| Current borrowings | 609 | - | 609 |
| Trade and other payables | 2,776 | - | 2,776 |
| Total liabilities | 5,868 | - | 5,868 |

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 IFRS 7 fair value hierarchy.

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 13 above) are as follows:

| | 2019 £'000 | 2018 £'000 |
|-------------------|---------------|---------------|
| Sterling | - | - |
| No fixed maturity | - | - |

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

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

Maturity of financial liabilities

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

| | 2019 £'000 | 2018 £'000 |
|------------------------|-----------------------|-----------------------|
| Less than six months | 1,339 | 818 |
| Six months to one year | 281 | 204 |
| One to two years | 438 | 368 |
| Two to five years | 1,273 | 720 |
| More than five years | 774 | 982 |
| | <u>4,105</u> | <u>3,092</u> |

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

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Loans and other borrowings (current) | 1,154 | 708 |
| Leases (current) | 466 | 314 |
| Loans and other borrowings (non-current) | 1,151 | 1,254 |
| Leases (non-current) | 1,334 | 816 |
| | <u>4,105</u> | <u>3,092</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 leases) is as follows:

| | 2019 £'000 | 2018 £'000 |
|------------------------|-----------------------|-----------------------|
| Less than six months | 1,387 | 863 |
| Six months to one year | 326 | 244 |
| One to two years | 522 | 435 |
| Two to five years | 1,492 | 888 |
| More than five years | 858 | 1,110 |
| | <u>4,585</u> | <u>3,540</u> |

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

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Loans and other borrowings (current) | 1,202 | 760 |
| Leases (current) | 511 | 347 |
| Loans and other borrowings (non-current) | 1,367 | 1,516 |
| Leases (non-current) | 1,505 | 917 |
| | <u>4,585</u> | <u>3,540</u> |

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

| | 2019 £'000 | 2018 £'000 |
|----------------------|-----------------------|-----------------------|
| Less than six months | <u>1,357</u> | <u>1,446</u> |

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

18 Deferred tax

Movements in deferred tax provisions are outlined below:

| | Accelerated tax depreciation £'000 | Other timing differences £'000 | Re- valuations £'000 | Losses £'000 | Total £'000 |
|-----------------------------------|---|---|-------------------------------------|-------------------------|------------------------|
| At 1 January 2019 | (319) | - | (135) | 319 | (135) |
| Recognised in P&L during the year | 4 | 44 | - | (79) | (31) |
| At 31 December 2019 | <u>(315)</u> | <u>44</u> | <u>(135)</u> | <u>240</u> | <u>(166)</u> |

Previous year movements were as follows:

| | Accelerated tax depreciation £'000 | Other timing differences £'000 | Re- valuations £'000 | Losses £'000 | Total £'000 |
|-----------------------------------|---|---|-------------------------------------|-------------------------|------------------------|
| At 1 January 2018 | (386) | 7 | (135) | - | (514) |
| Recognised in P&L during the year | 67 | (7) | - | 319 | 379 |
| At 31 December 2018 | <u>(319)</u> | <u>-</u> | <u>(135)</u> | <u>319</u> | <u>(135)</u> |

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

| | 2019 £'000 | 2018 £'000 |
|--|-----------------------|-----------------------|
| Tax losses carried forward | 573 | 675 |
| Excess of depreciation over capital allowances | - | 5 |
| Short term temporary differences | - | 15 |
| Net unrecognised deferred tax asset | <u>573</u> | <u>695</u> |

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

The unrecognised 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 future profits and cannot be used to offset against profits in other entities.

19 Share capital

| | 2019 Number | Authorised 2019 £'000 | 2018 Number | 2018 £'000 |
|-------------------------------------|------------------------|--------------------------------------|------------------------|-----------------------|
| Ordinary shares of £0.0000001 each | 100,100,000 | - | 100,100,000 | - |
| A shares of £0.49999995 each | 50,000 | 25 | 50,000 | 25 |
| B shares of £0.49999995 each | 50,000 | 25 | 50,000 | 25 |
| Deferred shares of £0.00000001 each | 4,999,999,500,000 | 50 | 4,999,999,500,000 | 50 |
| | | <u>100</u> | | <u>100</u> |

| | 2019 Number | Issued and fully paid 2019 £'000 | 2018 Number | 2018 £'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 |
| | | <u>50</u> | | <u>50</u> |

Treasury shares

During the year the Company acquired 1,283,927 (2018: 550,254) of its own Ordinary shares for total consideration of £16,512,000 (2018: £6,094,000). This brought the total number of Ordinary shares held in treasury to 4,372,892 with an aggregate nominal value of less than £1. At the year end the total number of Ordinary shares outstanding (excluding treasury shares) was 1,834,182 (2018: 3,118,109).

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.

20 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*)

21 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.

22 Contingent liabilities

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

23 Non-controlling interests

The non-controlling interests of £1,589,000 (2018: £1,434,000) relate to the net assets attributable to the shares not held by the Group at 31 December 2019 in the following subsidiaries:

| Name of subsidiary | 2019 £'000 | 2018 £'000 |
|----------------------------|-----------------------|-----------------------|
| NMT Group Limited | 70 | 71 |
| Impetus Automotive Limited | - | - |
| Shire Foods Limited | 1,519 | 1,376 |
| | <u>1,589</u> | <u>1,447</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 | |
|---|---------------------------------------|-----------------------|----------------------------|-----------------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Non-current assets | - | - | 7,330 | 6,060 |
| Current assets | - | - | 7,006 | 6,252 |
| Non-current liabilities | - | - | (2,485) | (2,070) |
| Current liabilities | - | - | (3,830) | (2,903) |
| Provisions | - | - | (416) | (454) |
| Net assets (equity) | <u>-</u> | <u>-</u> | <u>7605</u> | <u>6,885</u> |
| Attributable to: | | | | |
| Group | - | - | 6,086 | 5,509 |
| Non-controlling interests | - | - | 1,519 | 1,376 |
| | <u>-</u> | <u>-</u> | <u>7,605</u> | <u>6,885</u> |
| Revenue | <u>-</u> | <u>-</u> | <u>23,036</u> | <u>18,344</u> |
| Profit for the year after tax (stated after intra-group management and interest charges) | <u>-</u> | <u>2,035</u> | <u>1,221</u> | <u>706</u> |
| Profit for the year attributable to non-controlling interests | <u>-</u> | <u>342</u> | <u>244</u> | <u>141</u> |

24 Events after the balance sheet date

24(a) Acquisition of Indulgence Patisserie Limited

On 7 February 2020, the Group acquired the trade and assets of Indulgence Patisserie Limited ("Indulgence"), a business engaged in the manufacture of premium desserts for the retail and foodservice markets for a cash consideration of £1.25m. There is no deferred or contingent consideration. Directly attributable acquisition costs currently amount to £107,000 and will be included in administrative expenses in the period ended 31 December 2020.

The provisionally determined fair values of the assets and liabilities of Indulgence as at the date of acquisition are as follows:

| | £'000 |
|----------------------------------|--------------|
| Property | 1,000 |
| Plant and equipment | 335 |
| Inventories | 120 |
| Current liabilities | (40) |
| Net assets acquired | 1,415 |
| Consideration – cash | 1,250 |
| Negative goodwill arising | (165) |

24(b) Other events

The impact of COVID-19 since the balance sheet date is set out in the Strategic Report.

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

Volvere plc

Parent Company financial statements

Year ended 31 December 2019

Volvere plc**Annual report and financial statements for the year ended 31 December 2019****Parent Company balance sheet****Company number 04478674**

| | Note | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
|---|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 3 | - | | - | |
| Investments | 4 | 5,308 | | 5,358 | |
| | | | 5,308 | | 5,358 |
| Current assets | | | | | |
| Debtors | 5 | 2,676 | | 2,712 | |
| Cash at bank and in hand | | 16,784 | | 31,041 | |
| | | 19,460 | | 33,753 | |
| Creditors: amounts falling due within one year | 6 | (4,885) | | (5,227) | |
| Net current assets | | | 14,575 | | 28,526 |
| Total assets less current liabilities | | | 19,883 | | 33,884 |
| Net assets | | | 19,883 | | 33,884 |
| Capital and reserves | | | | | |
| Called up share capital | 7 | | 50 | | 50 |
| Share premium account | | | 3,640 | | 3,640 |
| Fair value reserve | | | - | | - |
| Profit and loss account | | | 16,193 | | 30,194 |
| Shareholders' funds | | | 19,883 | | 33,884 |

The financial statements were approved by the Board of Directors and authorised for issue on 28 May 2020 and were signed on their behalf by:

Nick Lander
Director

Jonathan Lander
Director

The notes on pages 61 to 64 form part of these financial statements.

Volvere plc**Annual report and financial statements for the year ended 31 December 2019****Parent Company statement of changes in equity**

| | Share capital £'000 | Share premium £'000 | Fair value reserve £'000 | Retained earnings £'000 | Total £'000 |
|--|---------------------------|---------------------------|--------------------------------|-------------------------------|----------------|
| 2019 | | | | | |
| Profit for the year | - | - | - | 2,511 | 2,511 |
| Fair value gains | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | - | - | 2,511 | 2,511 |
| Balance at 1 January | 50 | 3,640 | - | 30,194 | 33,884 |
| Purchase of own shares (treasury shares) | - | - | - | (16,512) | (16,512) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December | 50 | 3,640 | - | 16,193 | 19,883 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| 2018 | | | | | |
| Profit for the year | - | - | - | 23,530 | 23,530 |
| Fair value losses | - | - | (77) | - | (77) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | | | (77) | 23,530 | 23,453 |
| Balance at 1 January | 50 | 3,640 | 77 | 12,758 | 16,525 |
| Purchase of own shares (treasury shares) | - | - | - | (6,094) | (6,094) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December | 50 | 3,640 | - | 30,194 | 33,884 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 61 to 64 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 Company has not provided a cash flow statement as permitted by FRS 101

The principal accounting policies are summarised below.

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 profit after tax of £2,511,000 (2018: £23,530,000) which is dealt with in the financial statements of the Parent Company.

3 Tangible fixed assets

| | Short Leasehold Property £'000 | Plant & Machinery £'000 | Total £'000 |
|---------------------------------|---|-------------------------------|----------------|
| Cost | | | |
| At 1 January 2019 | - | 19 | 19 |
| Additions | - | - | - |
| At 31 December 2019 | - | 19 | 19 |
| Accumulated depreciation | | | |
| At 1 January 2019 | - | 19 | 19 |
| Charge for the year | - | - | - |
| At 31 December 2019 | - | 19 | 19 |
| Net book value | | | |
| At 31 December 2019 | - | - | - |
| At 31 December 2018 | - | - | - |

4 Fixed asset investments

| | Shares in group undertakings 2019 £'000 | Shares in group undertakings 2018 £'000 |
|-----------------------|---|---|
| Net book value | | |
| Cost | 5,811 | 5,811 |
| Impairment | (503) | (453) |
| Net book value | 5,308 | 5,358 |

On 31 May 2019 the group disposed of its subsidiary undertaking, Sira Defence and Security Limited. Details of the disposal are disclosed in note 6 of the Group financial statements.

There was an impairment charge of £50,000(2018: £nil) 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

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 2,390 | 2,390 |
| Deferred tax asset | 245 | 305 |
| Other debtors | 36 | 11 |
| Prepayments and accrued income | 5 | 6 |
| | 2,676 | 2,712 |

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

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

6 Creditors: amounts falling due within one year

| | 2019 £'000 | 2018 £'000 |
|--------------------------------|---------------|---------------|
| Trade creditors | 3 | 8 |
| Amounts due to Group companies | 4,759 | 4,759 |
| Other creditors | 33 | 25 |
| Accruals and deferred income | 90 | 435 |
| | <u>4,885</u> | <u>5,227</u> |

7 Share capital

| | 2019 Number | Authorised 2019 £'000 | 2018 Number | 2018 £'000 |
|-------------------------------------|-------------------|-----------------------------|-------------------|---------------|
| Ordinary shares of £0.0000001 each | 100,100,000 | - | 100,100,000 | - |
| A shares of £0.49999995 each | 50,000 | 25 | 50,000 | 25 |
| B shares of £0.49999995 each | 50,000 | 25 | 50,000 | 25 |
| Deferred shares of £0.00000001 each | 4,999,999,500,000 | 50 | 4,999,999,500,000 | 50 |
| | | <u>100</u> | | <u>100</u> |

| | 2019 Number | Issued and fully paid 2019 £'000 | 2018 Number | 2018 £'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 |
| | | <u>50</u> | | <u>50</u> |

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

8 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 £147,000 (2018: £149,000), from Shire Foods Limited ("Shire") of £50,000 (2018: £100,000), from Impetus Automotive Limited ("IAL") of £nil (2018: £144,000) and from Sira Defence and Security Limited ("SDS") of £129,000 (2018: £nil). NMT and Shire are subsidiary undertakings. IAL and SDS were subsidiary undertakings up to the respective dates of disposal of 4 October 2018 and 23 May 2019.

At 31 December 2019, amounts due to NMT were £4,759,000 (2018: £4,759,000) and interest charged to the Company by NMT amounted to £83,000 (2018: £76,000).

