Company Registration No. 04478674

Volvere plc

Report and financial statements

31 December 2004

REPORT AND FINANCIAL STATEMENTS 2004

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Lord Kalms

Non-Executive Chairman

Lord Kalms (73) is Non-Executive Chairman of Volvere plc. He grew the Dixons Group into the UK's leading electrical retailer with a turnover of £4.9 billion and nearly 34,000 employees. He stood down as Chairman of Dixons in 2002 and has been appointed President of the Group. In 1996 he was knighted in recognition of his services to electrical retailing and appointed a Life Peer in 2004. He was a governor of Dixons City Technology College in Bradford and was Chairman of Kings' Healthcare NHS Trust (1993-1996). He was Treasurer of the Conservative Party (2002/3) and a founder of Business for Sterling. Lord Kalms holds several honorary degrees and other academic awards in recognition of his commercial and industrial achievements.

Jonathan Lander

Chief Executive Officer

Jonathan (37) is Chief Executive Officer of Volvere plc. In 1998 he founded Dawnay, Day Lander Limited ("DDL"), a London-based technology venture capital and advisory firm. DDL is a joint venture with Dawnay, Day the UK property-to-financial services group and Friedman Billings Ramsey, a US investment bank listed on the NYSE. DDL has been an early investor in a number of emerging growth companies including Domainnames.com (now part of Verisign Inc. in the US) and Interactive Prospect Targeting Holdings plc, the UK's leading online direct marketing company which is listed on AIM. Prior to DDL Jonathan was a founder member of the Nomura Technology Group. He has an MA in Law from Cambridge University.

Nick Lander

Chief Operating & Financial Officer and Company Secretary

Nick (38), who qualified as a Chartered Accountant with Coopers & Lybrand in 1990, is Chief Operating & Financial Officer of Volvere plc. Nick has been Managing Director of Vectra Group Limited since its acquisition in May 2003. He is a Chief Operating Officer of Dawnay, Day Lander Limited ("DDL"). He has worked for a number of public companies in both financial and operational roles. Prior to joining DDL, he held the positions of Corporate Development Director at Clyde Blowers PLC and Deputy Managing Director at Clyde Materials Handling Limited. Prior to joining Clyde Blowers PLC, Nick spent 6 years with APV plc (now part of Invensys PLC), latterly as Managing Director of a subsidiary business.

Richard Kalms

Business Development Director

Richard (50) is Business Development Director of Volvere plc. He has a degree in Accounting and Finance from the London School of Economics and spent the early part of his career at the Dixons Group, working for the Retail, Finance and Property divisions. His roles at Dixons included Joint Managing Director of the Property division and Group Director of Corporate Affairs. After leaving Dixons he spent six years as a director of Union Pictures Limited, a TV and Film production company. Since 2000, Richard has been a director of Dawnay, Day Lander Limited.

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

Neil Ashley

Non-Executive Director
Neil (68) is a Non-Executive Director of Volvere plc and the Non-Executive Chairman of its subsidiary undertaking, Vectra Group Limited. Neil was the Chairman of Amey plc from a management buy-in in 1989 until his retirement in May 2001. This period included Amey's flotation on the Official List of the London Stock Exchange in 1994. From November 2000 until April 2003 he was Chairman of the Oxford Radcliffe Hospitals Trust, one of the ten largest NHS Trusts in the UK. He is the former Chairman of Energy Power Resources Limited, Heritage Commercial Property Group and BPO Group Limited. He is a former Chairman of the CBI Southern Region, is a Governor of Oxford Brookes University and was a member of the Medical Sciences Board of Oxford University until 2003.

David Buchler

Non-Executive Director
David (53) has some 30 years experience in the field of corporate turnaround. He was a partner at Arthur Andersen prior to becoming a founding partner of Buchler Phillips, the UK's leading financial recovery and restructuring specialist which was acquired by Kroll Inc., the world's leading risk mitigation firm, in 1999. Until 2003, he was Chairman of Kroll for Europe and Africa. He is a former President of R3, the Association of Business Recovery and Turnaround Professionals, and is currently Chairman of Baltimore Technologies Plc, DB Consultants Limited and Gregory Park Holding Limited as well as Vice-Chairman of Tottenham Hotspur Football Club.

REGISTERED OFFICE

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London
SW1W 0BD

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Website: www.volvere.co.uk

BANKERS

Bank of Scotland	Barclays Bank plc
Corporate Banking (West)	Marcham Road Branch
123 St Vincent St	PO Box 42
Glasgow	Abingdon
G2 5EA	Oxon, OX14 1GU

SOLICITORS

Hammonds
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

CHAIRMAN'S STATEMENT

I am pleased to report on the results for the year ended 31 December 2004.

Last year I reported how we believed that the changes we made to Vectra's operations put it on a platform for growth and profitability. Vectra's performance continues to improve and its turnaround is substantially complete. We reported in our interim results that Vectra was profitable before group management charges in the second quarter. I am pleased to report that profitability continued in the third and fourth quarters.

As part of our commitment to see Vectra's performance increase further we have strengthened the management team with the recruitment of a highly experienced Managing Director. This has the further benefit of freeing Group management from Vectra's day-to-day operations and permits increased focus on originating follow-on corporate transactions.

OUTLOOK

The trading at Vectra has continued to be reassuring in the early part of 2005 and we remain confident for the rest of the year. The Group has significant cash reserves, a strong balance sheet and a profitable subsidiary. I look forward to new opportunities as they arise in the year ahead.

Lord Kalms
Chairman

21 March 2005

CHIEF EXECUTIVE'S STATEMENT

I have reported before on how the strength of equity markets and low levels of interest rates have made it more difficult for us to find companies trading below the realisable value of their net assets or alternatively that were in distress. During the period we nevertheless identified one company that we felt was undervalued, namely NMT Group PLC. At the year end we held approximately 3.7% of that company's share capital, which we acquired at an attractive price. We reviewed a number of distressed companies during the period although none have met our requirements for investment or acquisition. The number of proposals that we have considered has however increased. We have set a high standard with our acquisition of Vectra in 2003 and remain committed to further acquisitions. I remain confident of the growth potential of Vectra.

OPERATING REVIEW - VECTRA

Vectra's turnover for the year ended 31 December 2004 was £10,501,000 (24 May 2003 to 31 December 2003 £7,061,000) and its operating loss before Group management charges was £43,000 (see Table A) (24 May 2003 to 31 December 2003: £444,000). This result is good, particularly since it is stated after restructuring costs of £98,000 (24 May 2003 to 31 December 2003 £114,000). Vectra's operating loss before Group management charges has continued to reduce, with a monthly average for 2004 of less than £4,000. This compares very favourably with a 2003 pre-acquisition loss of approximately £201,000 per month and 2003 post-acquisition average loss of approximately £63,000 per month. Further information about Vectra's performance is contained in the Financial Review below.

Following its establishment in late 2003, our Middle East office has delivered new leads and new business with local clients. There and elsewhere we have won new assignments and extensions to existing client projects including contracts with Shell Group, JGC Corporation, BNFL, Dolphin Energy, Fluor, ProRail (The Netherlands), Tube Lines, Metronet, Network Rail, QinetiQ, the London Boroughs of Brent and Hillingdon and the Health and Safety Executive. Our main market sectors remain: Nuclear, Oil and Gas, Transport and Property.

EMPLOYEES

We have recruited a new Managing Director for Vectra who joined in January 2005. I am confident that this will allow us to build on the considerable work that the management and employees of Vectra have put in over the last two years. The level of professionalism as well as motivation and dedication of our staff continues to be our strength. These are the reasons for the turnaround and for which I thank them.

ACQUISITIONS AND FUTURE STRATEGY

The successful turnaround of Vectra shows that we can source, acquire and turn round companies within an acceptable timescale and on attractive terms. We remain committed to building our existing subsidiary into a very profitable unit. At the same time we are looking to acquire other companies that offer attractive returns at an acceptable level of risk.

Jonathan Lander
Chief Executive

21 March 2005

FINANCIAL REVIEW

This Financial Review covers the Group's performance during the year ended 31 December 2004. It should be read in conjunction with the Chairman's and Chief Executive's statements.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

TURNOVER AND OPERATING PERFORMANCE

As noted in the Chief Executive's report, Vectra's operating performance continued to improve during the year. Table A below summarises key financial information in relation to Vectra.

Turnover in the period was £10,501,000, all of which was generated by Vectra. Vectra's average monthly turnover fell by 13% during the year when compared with the seven month post-acquisition period from 24 May 2003 to 31 December 2003. This was due principally to lower volumes in the Contract Recruitment and Disaster Recovery businesses, following our decision to reduce our activities in the former and exit the latter. Both businesses were not capable of achieving suitable levels of profitability for the risks associated with them.

The Group's loss before tax for the year was £211,000 (2003: profit £546,000), after realising £60,000 of negative goodwill (2003: £1,252,000). The reduction compared to the prior period was a result of the underlying assets acquired, which gave rise to the negative goodwill, having been turned substantially into cash or consumed in the business.

Although the Group reported a loss before tax for the year as a whole, this was less than that reported at the interim results for the first half of the year (2 July 2004: £218,000), the improved second half performance at Vectra resulting in a small profit before tax being achieved overall in the second half. This was achieved in spite of turnover being 7% lower in the second half of the year (2nd Half £5,054,000, 1st Half £5,447,000), due principally to reduced billable hours over the summer and Christmas vacation periods.

The gross margin was 45% for the year (2003: 42%), all of which was attributable to Vectra. During the year, we saw margins increase between the first half (44%) and second half (46%).

Table A	**Year ended 31 December 2004 £000**	**24 May 2003 to 31 December 2003 £000**
Turnover	10,501	7,061
Average monthly turnover	875	1,009
Operating loss (notes 1 and 2)	(43)	(444)
Average monthly operating loss (notes 1 and 2)	(4)	(63)

Note 1: The operating loss for the year is before group management charges of £480,000 (24 May to 31 December 2003: £616,000).

Note 2: The operating loss for the year is after restructuring costs of £98,000 (24 May to 31 December 2003: £114,000).

FINANCIAL REVIEW (CONTINUED)

TAXATION

The Group had no tax charge in the year.

LOSS PER SHARE

The basic and diluted loss per share was 5.82p (2003 basic and diluted earnings per share: 16.53p and 15.44p respectively). During the year the Group implemented a share option scheme in which all staff are entitled to participate, subject to certain conditions.

NEGATIVE GOODWILL

Negative goodwill arising on the acquisition of Vectra has been capitalised as an intangible asset and credited to the profit and loss account during the period in so far as the assets acquired have been consumed or realised as cash. In the period an amount of £nil (2003: £1,402,000) was capitalised and £60,000 (2003: £1,252,000) credited to the profit and loss account.

CASH MANAGEMENT

The Group had no borrowings during the year. Cash balances totalled £3,003,000 (2003: £3,238,000). Although cash was lower than the prior period, the reduction was after investments made in 2004 totalling £192,000.

HEDGING

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

DIVIDENDS

In accordance with the policy set out in our prospectus on our admission to AIM, the Board does not currently intend to recommend payment of a dividend but prefers to retain profits as they arise for investment in future opportunities.

Nick Lander

Chief Operating & Financial Officer

21 March 2005

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES

The Company is a holding company that identifies and invests in undervalued and distressed businesses. During the year the Company invested £192,000 in NMT Group PLC. The Company had one trading subsidiary throughout the year, Vectra, whose principal activity is the provision of safety, risk and other consulting and field services to clients in, and regulators of, regulated industries.

BUSINESS REVIEW

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

RESULTS AND DIVIDENDS

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

The directors do not recommend the payment of a dividend. (2003: £nil)

SUPPLIER PAYMENT POLICY

The Group does not follow any specified code or standard on payment practice. However, it is the Group's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. It is the Group's policy to make prompt payment to those suppliers meeting their obligations. The Group period end trade creditors represented approximately 63 days (2003: 46 days) (Company 166 days (2003: 40 days)).

DIRECTORS

The directors who served during the year are as follows:

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

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

	Number of Ordinary Shares 2004	Number of A Shares 2004	Number of B Shares 2004	Number of Ordinary Shares 2003	Number of A Shares 2003	Number of B Shares 2003
Lord Kalms	250,000	2,630	2,630	250,000	2,630	2,630
Neil Ashley	250,000	2,630	2,630	250,000	2,630	2,630
David Buchler	28,985	-	-	-	-	-
Richard Kalms	250,000	5,265	5,265	250,000	5,265	5,265
Jonathan Lander	100,000	14,500	14,500	100,000	14,500	14,500
Nick Lander	25,000	7,315	7,315	25,000	7,315	7,315

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

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

No directors exercised options during the period.

SUBSTANTIAL SHAREHOLDINGS

As at 16 March 2005 the company had been notified of the following interests in 3 per cent or more of its issued share capital (excluding directors):

Shareholder	Number of Ordinary Share	% of Enlarged Issued Ordinary Share Capital	Number of A Shares	% of Issued A Shares	Number of B Shares	% of Issued B Shares
Dawnay, Day International Limited	500,000	13.7	10,525	21.1	10,525	21.1
Friedman, Billings Ramsey International Limited	500,000	13.7	5,165	10.3	5,165	10.3
Chase Nominees Limited	350,000	9.6	Nil	Nil	Nil	Nil
State Street Nominees Limited	282,000	7.7	Nil	Nil	Nil	Nil
Dawnay, Day Lander Limited	250,000	6.9	Nil	Nil	Nil	Nil
Ashley Grandchildren's 2003 Settlement	250,000	6.9	1,250	2.5	1,250	2.5
Nutraco Nominees Limited	180,000	4.9	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE

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

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

DONATIONS

There were no charitable donations made in the year.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

Approved by the Board of Directors on 21 March 2005
and signed on behalf of the Board

Nick Lander
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VOLVERE PLC

We have audited the financial statements of Volvere plc for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2004 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Registered Auditors and Chartered Accountants

Reading

21 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Note	£000	Year ended 31 December 2004 £000	£000	Period from 5 July 2002 to 31 December 2003 * £000
TURNOVER	2		10,501		7,061
Cost of sales			(5,787)		(4,090)
Gross profit			4,714		2,971
Administrative expenses					
– before realisation of negative goodwill		(5,075)		(3,768)	
– realisation of negative goodwill		60		1,252	
			(5,015)		(2,516)
OPERATING (LOSS)/PROFIT			(301)		455
Finance income - interest receivable			90		91
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2		(211)		546
Tax on profit on ordinary activities	5		-		-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAX, BEING RETAINED (LOSS)/PROFIT FOR THE PERIOD	15		(211)		546
(LOSS)/EARNINGS PER ORDINARY SHARE OF 0.00001p:					
- Basic	7		(5.82p)		16.53p
- Diluted	7		(5.82p)		15.44p

All results are derived from continuing operations.

There have been no recognised gains and losses attributable to the shareholders other than the losses for the current and preceding financial period and accordingly, no statement of total recognised gains and losses is shown.

* The consolidated profit and loss for the period from 5 July 2002 to 31 December 2003 includes the results of Vectra Group Limited for the period from acquisition on 24 May 2003 to 31 December 2003.

BALANCE SHEETS
31 December 2004

	Note	2004 Group £000	2004 Company £000	2003 Group £000	2003 Company £000
FIXED ASSETS					
Intangible fixed assets - negative goodwill	8	(90)	-	(150)	-
Tangible fixed assets	9	153	-	215	-
Investments	10	192	2,316	-	2,124
		255	2,316	65	2,124
CURRENT ASSETS					
Stocks	11	-		5	-
Debtors	12	2,790	78	2,937	645
Cash at bank and in hand		3,003	1,964	3,283	1,258
		5,793	2,042	6,225	1,903
CREDITORS: amounts falling due within one year	13	(2,208)	(225)	(2,289)	(184)
NET CURRENT ASSETS		3,585	1,817	3,936	1,719
TOTAL ASSETS LESS CURRENT LIABILITIES		3,840	4,133	4,001	3,843
CAPITAL AND RESERVES					
Called up share capital	14	50	50	50	50
Share premium account	15	50	50	-	-
Profit and loss account	15	3,740	4,033	3,951	3,793
EQUITY SHAREHOLDERS' FUNDS	16	3,840	4,133	4,001	3,843

These financial statements were approved by the Board of Directors on 21 March 2005.

Signed on behalf of the Board of Directors

Lord Kalms
Director

Nick Lander
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2004

	Note	Year ended 31 December 2004 £000	Period from 5 July 2002 to 31 December 2003 * £000
Net cash (outflow)/inflow from operating activities	17	(206)	1,356
Returns on investments and servicing of finance	18	90	91
Capital expenditure and financial investment	18	(214)	(59)
Acquisitions and disposals	18	-	(1,560)
Cash outflow before management of liquid resources and financing		(330)	(172)
Financing	18	50	3,455
(Decrease)/increase in cash in the year		(280)	3,283

* The consolidated cash flow statement for the period from 5 July 2002 to 31 December 2003 includes the results of Vectra Group Limited for the period from acquisition on 24 May 2003 to 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES

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

Basis of accounting

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

The group financial statements consolidate the financial statements of Volvere plc and its subsidiary undertaking drawn up to 31 December 2004. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Goodwill

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

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

Tangible fixed assets

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

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

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

Investments

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

Stocks and work in progress

Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective stocks. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Amounts recoverable on contracts

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

Turnover

Turnover is recognised on a basis appropriate to the nature of the income source. Turnover earned on time and materials contracts is recognised as costs are incurred. Income from fixed price contracts is recognised in proportion to the stage of completion of the relevant contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

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

Investment income

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

Pension costs

The group's subsidiary undertaking, Vectra, operates a defined contribution scheme. Vectra's contributions are charged against profits in the years in which they fall due. The assets of the scheme are held separately from those of the company and group in independently administered funds.

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

Operating leases

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

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

The turnover is attributable to the continuing operations and principal activity of safety, risk and other consulting and field services.

By Destination and Origin	2004 £000	2003 £000
United Kingdom	8,599	6,197
Rest of Europe	1,187	555
United States of America	-	23
Other	715	286
	10,501	7,061

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

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

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

	2004 £000	2003 £000
Profit on sale of fixed assets	-	1
Depreciation on owned assets	84	80
Realisation of negative goodwill (see note 8)	(60)	(1,252)
Auditors' remuneration:		
- audit services	35	48
- non-audit services	7	24
Operating lease costs		
– plant and machinery	163	131
– other	438	218
Exchange loss/(gain)	2	(19)

Auditors' remuneration in respect of the company was £14,500 (2003: £24,000).

3. DIRECTORS' EMOLUMENTS

The remuneration of the directors was as follows:

	2004 £000	2003 £000
Emoluments	136	91

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

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

4. STAFF COSTS

	2004 £000	2003 £000
Wages and salaries	5,691	4,111
Social security costs	666	429
Pension costs	251	148
	6,608	4,688

The average monthly number of persons employed by the group during the period was 124 of which management and administration numbered 30 and consultants and other chargeable staff totalled 94 (2003: 184 being management and administration 38, consultants and other chargeable staff 146).

The group's subsidiary undertaking, Vectra, operates a defined contribution pension plan to which it and its employees contribute.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
UK corporation tax	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2003: 30%). The actual tax charge for the year exceeds the standard rate for the reasons set out in the following reconciliation.

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before tax	(211)	546
Tax charge on loss on ordinary activities at standard rate	63	(164)
Factors affecting charge for the period:		
Income not chargeable for tax purposes	(3)	336
Capital allowances in excess of depreciation	17	(3)
Tax losses not recognised	(83)	(167)
Movement in short term timing differences	6	(2)
Total actual amount of current tax	-	-

At 31 December 2004 a deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, revenue losses and other short term timing differences as there is insufficient evidence that the asset will be recovered against future taxable profits. The amount of the asset not recognised is £543,421 (2003: £396,000).

6. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £240,000 (2003: £388,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

7. EARNINGS PER SHARE

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

	2004 Number	2003 Number
Number of shares used for basic earnings per share	3,628,525	3,303,602
Number of shares deemed to be issued at nil consideration under incentive share scheme (see note 14)	185,820	232,053
Number of shares used for diluted earnings per share	3,814,345	3,535,655

	2004 £000	2003 £000
(Loss)/earnings attributable to shareholders	(211)	546

At the end of the period 3,638,440 ordinary shares (2003: 3,609,720) were in issue. In addition, 99,470 convertible shares (2003: 100,000) were in issue and options for 237,741 shares (2003: 145,691). FRS14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options net loss per share would only be increased by the exercise of out-of-the-money share options. Accordingly, no adjustment has been made to diluted EPS for out-of-the-money share options.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

8. INTANGIBLE FIXED ASSETS – NEGATIVE GOODWILL

	Negative Goodwill £000
Cost	
At 1 January 2004	(1,402)
At 31 December 2004	(1,402)
Amortisation	
At 1 January 2004	1,252
Realised in the year	60
At 31 December 2004	1,312
Net book value	
At 31 December 2004	(90)
At 31 December 2003	(150)

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

9. TANGIBLE FIXED ASSETS

Group	Short leasehold property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2004	414	994	1,408
Additions	5	20	25
Disposals	-	(29)	(29)
At 31 December 2004	419	985	1,404
Depreciation			
At 1 January 2004	294	899	1,193
Charge for the year	24	60	84
Disposals	-	(26)	(26)
At 31 December 2004	318	933	1,251
Net book value			
At 31 December 2004	101	52	153
At 31 December 2003	120	95	215

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

10. FIXED ASSET INVESTMENTS

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Subsidiary undertaking	-	2,124	-	2,124
Other investments	192	192	-	-
	192	2,316	-	2,124

The Company's investments represent 100% of the ordinary share capital of Vectra Group Limited and 3.7% of the ordinary share capital of NMT Group PLC.

Subsidiary undertakings	Group £000	Company £000
Cost and Net Book Value		
1 January 2004	-	2,124
Additions	-	-
31 December 2004	-	2.124

Other investments	Group £000	Company £000
Cost and Net Book Value		
1 January 2004	-	-
Additions	192	192
31 December 2004	192	192

	Group £000	Company £000
Listed investments included above	192	192
Aggregate market value as at 31 December 2004	172	172

11. STOCKS

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Finished goods and goods for resale	-	-	5	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

12. DEBTORS

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	1,643	-	1,383	-
Amounts recoverable on contracts	876	-	1,231	-
Amounts due from subsidiary undertaking	-	69	-	636
Other debtors	13	-	49	-
Prepayments and accrued income	258	9	274	9
	2,790	78	2,937	645

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Trade creditors	735	128	655	32
Corporation tax	-	-	12	-
Other taxes and social security	174	-	211	-
VAT payable	388	32	402	90
Other creditors	263	-	277	-
Accruals and deferred income	648	65	732	62
	2,208	225	2,289	184

14. CALLED UP SHARE CAPITAL

Company	2004 £000	2003 £000
Authorised		
100,100,000 Ordinary shares of £0.0000001 each	-	-
50,000 A shares of £0.49999995 each	25	25
50,000 B shares of £0.49999995 each	25	25
4,999,999,500,000 Deferred shares of £0.00000001 each	50	50
Issued, called-up and fully paid		
3,638,440 ordinary shares of £0.0000001 each (2003: 3,607,720)	-	-
49,735 A shares of £0.49999995 each (2003: 50,000)	25	25
49,735 B shares of £0.49999995 each (2003: 50,000)	25	25
2,649,998,554 Deferred shares of £0.00000001 each (2003: nil)	-	-

On 7 May 2004 28,985 £0.0000001 ordinary shares were issued at £1.725 each, giving rise to share premium on issue of £49,999.

The A and B class shares rank pari passu with the ordinary shares on a return of capital and have equal voting rights. The A and B shares became capable of being converted into ordinary shares at the option of the holder on or after 24 December 2003 and 24 December 2004 respectively, on a predetermined conversion formula based upon share price performance, whereby 15% of the growth in market capitalisation of Group is attributable to the holders of the A and B shares. On 24 August 2004 265 A shares were converted into 591 ordinary shares and the these, along with the holding of 265 ordinary shares held before conversion of the A shares, were redeemed by the company for a consideration of £1,455.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

14. CALLED UP SHARE CAPITAL (CONTINUED)

Based on the closing share price of £1.525 at 31 December 2004, the A and B class shares would be capable of converting into 185,820 ordinary shares (2003: 232,053). The deferred shares carry no rights to participate in the profits or assets of the Company and carry no voting rights.

Option scheme	Date of grant	Exercise price (pence)	Number
Volvere plc EMI Plan	30 June 2004	187.5	78,594
	31 December 2004	190.0	92,050
Unapproved	13 April 2004	187.5	31,000
	24 December 2002	100.0	36,097
			237,741

Options granted under the Volvere plc EMI Plan vest subject to certain performance and time-based criteria and are exercisable between 3 and 10 years following grant.

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

15. SHARE PREMIUM AND RESERVES

Group

	Share premium £000	Profit and loss account £000	Total £000
At beginning of period	-	3,951	3,951
(Loss) transferred for the year	-	(211)	(211)
Premium on share issues (net of expenses)	50	-	50
At end of period	50	3,740	3,790

Company

	Share premium £000	Profit and loss account £000	Total £000
At beginning of period	-	3,793	3,793
Profit transferred for the year	-	240	240
Premium on share issues (net of expenses)	50	-	50
At end of period	50	4,033	4,083

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Opening shareholders' funds	4,001	3,843	-	-
Issue of share capital	50	50	3,610	3,610
Expenses associated with issue of share capital	-	-	(155)	(155)
(Loss)/profit for the period	(211)	240	546	388
Closing shareholders' funds	3,840	4,133	4,001	3,843

17. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO OPERATING CASH FLOWS

Group	2004 £000	2003 £000
Operating (loss)/profit	(301)	455
Depreciation	84	80
Realisation of negative goodwill	(60)	(1,252)
Loss on sale of fixed assets	-	1
Decrease/(increase) in stocks	5	(5)
Decrease in debtors	147	1,489
(Decrease)/increase in creditors	(81)	588
Net cash (outflow)/inflow from operating activities	(206)	1,356

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

18. ANALYSIS OF CASH FLOWS

Group	2004 £000	2003 £000
Returns on investments and servicing of finance		
Interest received	90	91
Net cash inflow from returns on investments and servicing of finance	90	91
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(25)	(64)
Sale of tangible fixed assets	3	5
Purchase of equity investment	(192)	-
Net cash outflow from capital expenditure and financial investment	(214)	(59)
Acquisitions and disposals		
Acquisition of subsidiary undertaking	-	(2,124)
Net cash acquired on acquisition of subsidiary undertaking	-	564
Net cash outflow from acquisition and disposals	-	(1,560)
Financing		
Issue of share capital	50	3,610
Costs associated with issue of share capital	-	(155)
Net cash inflow from financing	50	3,455

Vectra Group Limited's net cash outflow from operating activities for the year was £907,000 (2003: inflow £1,510,000), received £12,000 (2003: £10,000) in respect of net returns on investment and servicing of finance, paid £nil (2003: £nil) in respect of taxation and utilised £25,000 (2003: £64,000) for capital expenditure.

19. ANALYSIS AND RECONCILIATION OF NET FUNDS

Group

	31 December 2003 £000	Cashflow £000	31 December 2004 £000
Cash in hand at bank, being net funds	3,283	(280)	3,003

The group had no debt during the year or at 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2004

20. COMMITMENTS AND CONTINGENCIES

Operating leases

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

	2004 Plant and machinery £000	Other £000
Expiry date		
- within one year	17	175
- between two and five years	88	232
	105	407

21. RELATED PARTIES

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

As stated in note 3 above, the company's Executive Directors are provided under the terms of a Service Agreement dated 19 December 2002 with Dawnay, Day Lander Limited. The amount paid under this agreement in the period amounted to £100,000. In addition, pursuant to a Facilities Agreement dated 19 December 2002 with Dawnay, Day Lander Limited, the company is provided with certain administrative and support services. The amount paid under this agreement during the period amounted to £35,000.

22. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings at 31 December 2004 are shown below. All subsidiary undertakings are registered in the United Kingdom and prepare accounts to 31 December each year.

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

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