Altitude Group plc

Annual Report 2010

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31 December 2010
Registered number 05193579

Contents

Directors and Advisers

Directors

Colin Cooke (Non-Executive Chairman)[1,2]
Colin was until recently Chairman of Fenner plc. He joined the Board as Non Executive Chairman on 23 September 2005. Colin has 26 years' experience as a public company director and has been Chairman of four public companies including Triplex Lloyd plc. Colin is a Fellow of the Institute of Metallurgy, and has also studied International Marketing at the London Business School.

Keith Willis (Non-Executive Director)[1,2]
Keith established Dowlis in 1974 to sell promotional merchandise and was Managing Director until 1999 when he became Chairman. At the time of the merger with Corporate Solutions, he was appointed Chairman of the Company and became a Non Executive Director on Admission. Keith is Chairman of the Remuneration Committee.

Barry Fielder (Non-Executive Director)[1,2]
Barry has 25 years experience as a Finance Director, having previously held this position at Dowlis prior to the Company's flotation on AIM, when he played a pivotal role in improving profitability and growth in turnover. Barry is Chairman of the Audit Committee.

Martin Varley (Chief Executive Officer)
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has over 24 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market. He joined Corporate Solutions in 2003.

David Smith (Group Finance Director)
David is a Chartered Accountant and qualified with Price Waterhouse in 1995. Prior to joining Altitude in March 2009 as Group Financial Controller, he was the Business Controller in the rail sector of Babcock International Group plc.

Viv Blumfield
Viv has over 30 year experience in the promotional marketing sector and, prior to joining the board, held the position of Managing Director at the Dowlis Promotional Products division for over four years. Viv's previous experience includes more than nine years as Managing Director at The Regency Collection Limited, the assets of which were acquired by the Dowlis Group Ltd in 2004.

1. Member of the Audit Committee
2. Member of the Remuneration Committee

Advisers

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B6 3DA

Auditors
KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Principal Bankers
Royal Bank of Scotland plc
Corporate Banking
Benwell House
Green Street
Sunbury-on-Thames
Surrey
TW16 6QT

Solicitors
Zatman & Co.
1 The Cottages
Deva Centre
Trinity Way
Manchester
M3 7BE

Nominated Adviser and Stockbrokers
Merchant Securities
51-55 Gresham Street
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EC2V 7HQ

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Cobb House
2-4 Oyster Lane
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KT14 7HQ
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Chairman's Statement

Performance overview

The Company made solid progress in 2010, not only achieving significant growth in revenues and profits, but also ending the year with a strong balance sheet and substantial cash balances.

The challenging trading conditions of 2009 turned more positive from the 2nd quarter of 2010 and as a result we enjoyed sales growth in the Promotional Marketing business of around 20% in the full year, the growth being higher in the 2nd half of the year. Technology and Information revenues were similar to those in 2009 but generated improved profitability despite substantial investment in the USA expansion.

In our preliminary results announcement dated 30th April 2010 we mentioned that we would explore the potential to unlock substantial value in the Group by "considering alternative strategies".

We have continued to review the activities of the Group and consider where the greatest potential might exist for additional improvement in shareholder returns. Against the background of better results from both business divisions, we remain convinced that there are further opportunities for increases in shareholder returns by narrowing our focus further. With this strategy in mind, we are taking further steps to separate the areas of our business into two separate divisions, thereby benefiting from clear distinct strategic objectives, management structures and improved business analysis of operating goals and results. Much of this organisational separation has been completed and we will report on the two divisions of Promotional Marketing and Technology and Information in greater detail from now onwards.

The Technology and Information division, through its Trade Only and Promoserve brands, provides a valuable information service between suppliers of promotional merchandise and independent distributors and has a clear strategic goal of becoming a leading provider of Cloud-based business software solutions and information services to the promotional merchandise industry globally.

Following its recently announced acquisition of Technologo, it also offers an easy to use web-based virtual sample technology, which can help customers enhance operational efficiency. Operating in a SaaS model (Software as a service) Trade Only enables its customers to access the technology and solutions without the need for them to have substantial technical knowledge or hardware resources in house. Trade Only in turn benefits from annually recurring license fees creating valuable revenue predictability.

Turning to the current trading environment since the close of 2010, our Technology and Information business has enjoyed a strong start to the year, when historically, the majority of the Trade Only annual revenues are achieved due to the January timing of the National Show. The 2011 event was very successful with visitor numbers reaching record levels and growing by 18% compared to the event held in January 2010. Bookings for the January 2012 event are already at 80% of the 2011 levels indicating sustained momentum and recognition of the show's leading status in the UK industry.

Since announcing the entry into a cloud software supply agreement with iPROMOTEu in the USA last November, the Trade Only business has made further progress with the acquisition of Technologo described above. The plans for operational integration are at an advanced stage in anticipation of closing the transaction. The board expects that the transaction will be earnings enhancing in the first full year while at the same time accelerating our market penetration substantially.

Our Promotional Marketing businesses are trading in line with management expectations. Recent account wins from 2010 are showing promise in 2011, costs are well controlled and there are opportunities for further growth from existing customers that are likely to continue to increase their marketing spend.

We used the proceeds of our February 2011 placing (which raised £916,000 before expenses) plus existing cash resources to acquire the Technologo assets. Despite this investment he board expects to be able to maintain cash and liquidity levels sufficient to support anticipated growth within the Group's two divisions.

It is now several years since we joined the Aim market, and I would also like to take this opportunity to thank Keith Willis and Barry Fielder two of our non executive Directors for their tremendous support and service to the group over that time. Both Keith and Barry have indicated their intent to step down from the board following the AGM in May of this year and we wish them both well in their retirement. It is our intention to review the most appropriate board composition over the next few months and I will provide and update as soon as this is agreed.

Performance overview

Group sales increased by 18% to £18.0m (2009: £15.3m), as previously active clients returned to the market following a reduction in spend during 2009. Results were also boosted by new account wins and a good performance from AdProducts.com our trade supply business. Revenues in the Technology and Information division were at a similar level to 2009, a credible performance being that they work at least a year in advance, and sales for the 2010 events and publications were taking place in the 1st half of 2009, a difficult time for most companies. The Trade Only business enjoyed much improved profitability thanks to the reorganisation carried out late 2009 from which we benefitted from a full year's impact.

The Group has returned to profitability for the first time in three years with a profit before taxation of £0.5m (2009: loss £0.6m). Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges was £0.8m (2009: £0.3m).

The Group balance sheet remains strong and was debt free at 31 December 2010 with a net cash balance of £1.5m (2009: £0.8m). Underlying cash flow before capital investment and taxation cash outflows was in line with operating profitability. The Group's working capital profile has remained strong despite increased supplier pressures as a result of the general economic situation.

Strategy

The Group's strategy is to drive substantial value creation from the two distinct business areas. This will be further helped by the efficient separation of the two distinct area of business such that management team can be measured, targeted and incentivised against metrics that are appropriate for the sector they operate in.

Chairman's Statement (continued)

The board takes the following points into consideration when setting targets for the business management teams:-

- The growth potential for the Technology and Information business is substantial on a global basis. The board believed that Trade Only offers an unrivalled set of tools for the promotional products and other similar industries. They are delivering growth in recurring revenues that have a high level of predictability. The on going investment in the USA which is the single biggest market for promotional products, is an important step towards value creation.
- The overall Promotional Merchandise market is returning to growth, which will serve as an added benefit following the reorganisation of our companies that operate in this sector. The division is well placed with the resources and efficient operations that can support further meaningful revenue growth.
- The Group will continue to investigate potential transactions and structures that would improve shareholder returns over the medium term.
- We wish to remain focussed on being a debt free business,

Promotional Marketing
The Promotional Marketing division made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.9m in 2010 (2009: £0.4m). The Non Stop Promotions business acquired in the year made an immediately profitable impact and has benefitted from the wider resources of the group from a systems and purchasing perspective.

Within this division, our trade supply business AdProducts.com achieved revenue growth and double-digit profit growth in the year, whilst growing the number of live customers. Further investment was made in new product ranges to support further growth in 2011 and the drive to become a more complete resource for trade customers. Modest capital expenditure will increase capacity in the year and improve operating margins modestly through efficiency gains. The potential for growth in this division is substantial and returns on investment and working capital are amongst the best in the group.

There are a number of initiatives under way to grow profitable revenue from the Promotional Marketing businesses, we have a number of new client opportunities to explore and we continue to innovate ways to serve customers in the most efficient way that will reduce their costs and improve their overall buying experience.

Technology and Information
Overall in 2010 the division made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.7m in 2010 (2009: £0.5m).

Under the brand of Trade Only, this division has a strategic goal of becoming a leading provider of Cloud-based business software solutions and information services to the promotional merchandise industry globally. The Company provides a valuable information service between suppliers of promotional merchandise and independent distributors.

As described above, in November 2010 Trade Only agreed terms with iPROMOTEu.com, Inc. to supply iPROMOTEu and its distributors with Trade Only's cloud based software solution.

iPROMOTEu, which is based in Boston, Massachusetts, was established in 1999 and has over 550 independent distributor affiliates as a part of its network. Trade Only provides a software as a service (SaaS) product for which customers pay on a monthly basis, providing them with a complete customer relationship management and business management suite. Users should benefit from greater efficiency, increased sales, and an improved customer experience.

The implementation phase is currently ahead of plan, we are still working to a go live timescale of the summer of this year, with some of the sales and marketing elements of the solution being provided to affiliates of iPROMOTEu from early April this year.

This agreement with iPROMOTEu provides a number of revenue streams for Trade Only. Three of these are; 1) The provision of the main ERP/CRM system for the head office to efficiently manage and process around 2,000 new orders a week. 2) The provision of a basic order entry cloud solution for individual affiliates for a modest monthly fee. 3) The provision of enhanced tools including web site and product research resources for the affiliates for a premium monthly subscription.

The nature of the tools and services that we provide to distributors and suppliers of promotional products are software tools which mean that we typically end up being their primary provider of these services. Our monthly rental model is now providing good visibility to the revenues and profit of the division and within the UK we are extending our market leadership position.

Corporate activity
We continue to explore opportunities to improve shareholder returns, we remain focussed on development and growth of the existing divisions of the company, but remain convinced that the constituent parts of the Group have the potential to unlock substantial value under alternative structural scenarios.

People
Overall the Group is now in its strongest position for three years. This is almost entirely due to the efforts and enthusiasm of all of our team, who have advanced overall profitability, innovated service improvements and developed solutions for customers that will result in further performance benefits this year.

Outlook
I am delighted that the Group has returned to profitability and its best performance for three years. This is as a result of revenue growth and the benefits of the 2009 restructuring programme that we enjoyed a full year of in 2010. We enter 2011 with a number of new opportunities, a strong and dedicated management team, an appropriately structured cost base and a strong balance sheet.

Colin Cooke
Chairman
24 March 2011

Operating and Financial Review

Promotional Marketing

	2010	2009
	£m	£m
Sales	15.6	13.1
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0.9	0.9
Operating profit/(loss) after non-recurring items, amortisation of customer related intangibles and share based payment charges	0.6	(0.1)
Net assets	4.7	4.4

Promotional Marketing comprises of our trade supplier AdProducts.com, and our distributor business Dowlis Corporate Solutions, Ross Promotional and Non Stop Promotions. Forming the largest part of the group, the Promotional Marketing business delivered revenue of £15.6m in 2010 (£13.1m in 2009). As part of this, the trade supply business AdProducts grew sales again in 2010 through an extended product range and a successful customer acquisition program. We made further modest investments in production equipment and through improved stock forecasting and planning reduced stock levels by 15%.

The challenging trading conditions of 2009 turned more positive from the 2nd quarter of 2010 and as a result we enjoyed sales growth in the promotional product business of around 20% in the full year, the growth being higher in the 2nd half of the year.

As a result, the Promotional Marketing division made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.9m in 2010 (2009: £0.4m). The Non Stop Promotions business acquired in the year made an immediately profitable impact and has benefitted from the wider resources of the group from a systems and purchasing perspective.

Technology and Information

	2010	2009
	£m	£m
Sales	2.9	2.8
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0.7	0.5
Operating profit / (loss) after non-recurring items, amortisation of customer related intangibles and share based payment charges	0.7	0.3
Net capital employed	(0.1)	0.2

The business made great progress again in 2010. Record visitor numbers for the 4th consecutive year at the January Trade Only National Show resulted in early rebooking for the 2010 event reaching 80% of the 2011 level within just two weeks of the show closing.

Our PromoServe business had a landmark year in 2010. We made a number of changes in 2009 that transformed the performance and enabled the business to produce cash throughout the year. Just prior to the end of December, we announced the acquisition of the 20% minority interests in PromoServe Business Systems Ltd from the previous management for a total sum of £225,000, this was funded from cash resources. For the full year 2010, PromoServe made an operating PBIT (before Plc management charges) of £0.3m (2009: £(0.2) m loss).

On the 25th November 2010 we announced a strategically important deal that Trade Only had agreed to terms with iPROMOTEu.com, Inc. to supply iPROMOTEu and its distributors with Trade Only's cloud based software solution.

Within the Trade Only business, we provide a number of more traditional tools for suppliers and distributors to work closely with each other; these include comprehensive product catalogues featuring best sellers from all leading suppliers. Sales for the 2011 edition improved over 2010 for the market leading 'Spectrum' catalogue and are showing good results from the soon to be published 'Envoy' catalogue which is based on a geographically limited distribution so that no two distributors in the same region use the catalogue.

Readership of PPD magazine that we have now been publishing for almost 5 years continues to grow, it enjoys the largest distribution of any trade publication for this sector.

Financial review

Results for the year and key performance indicators

Group revenues increased by 18% to £18.0m (2009: £15.3m). Gross margin reduced to 37% (2009: 41%) as a result of the significant sales growth in the lower margin business units together with tougher pricing conditions within this market. With total operating costs reduced to £6.2m (2009: £6.9m) the Group posted a profit before taxation of £0.5m (2009: loss £0.6m). Operating costs included £0.3m (2009: £0.9m) of non-recurring administrative expenses, amortisation of intangible assets and share based payment charges taking operating profit before these costs to £0.8m (2009: £0.3m).

Acquisitions

On 31 March 2010 the group acquired the trade and certain assets of Versatilia Limited for £54,000. The trade of this business has been absorbed into the Promoserve business. The group also acquired the stock and trade and certain assets of Non Stop Promotions and Marketing Limited from its administrators on 18th February 2010. The total purchase price was £75,000.

The group also agreed to purchase the remaining 20% of Promoserve Business Systems Limited at the year end. The total purchase price was £225,000 which represents a £71,000 reduction in the deferred consideration accrued in the accounts for the year ended 31 December 2009. This transaction was concluded in early January 2011.

Taxation

There was no corporation tax charge or credit in the year due to the utilisation of tax losses in the period.

Earnings per share

Basic earnings per share were 1.32p (2009: loss per share 1.41p).

Cash flow

The Group has reported a net cash inflow from operations of £1.1m, which is £0.6m ahead of the reported operating profit of the Group. Cash flow reflects a £0.2m increase in trade receivables and a £0.3m increase in trade payables due mainly from the trading volumes in the year, and a further £0.1m reduction in inventories due to active management control in this area. The Group benefited in the year from only minor capital investment of £0.1m.

Treasury

The Group continues to manage the cash position in a manner designed to maximise interest income, whilst at the same time minimising any risk to these funds. Where there are surplus cash funds, these are deposited with commercial banks that meet credit criteria approved by the Board. At 31 December 2010, the Group had £1.5m on short term deposits (2009: £0.8m).

Martin Varley
Chief Executive Officer

David Smith
Group Finance Director

24 March 2011

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

Principle activities and review
The Group operates in the UK promotional merchandise and marketing sectors.

A review of the Group's operations and future prospects is covered in the Chairman's Statement and Operating and Financial Review. Specifically, these reports include sections on strategy, markets, key risks and key performance indicators.

Financial results
The Group's financial results and position are set out in the Consolidated Income Statement, other primary statements and in the Notes to the Consolidated Financial Statements on pages 17 to 40.

Dividend policy
The payment of dividends will be subject to availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Group's activities. In the short term it is the Directors' intention to re-invest funds into the Group rather than fund the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend.

Directors
The Directors who served on the Board and on Board Committees as at 31 December 2010 are set out on page 13.

Under the Articles of Association of the Company, one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, or if their number is less than three then one of them, shall retire. Each retiring director is eligible for re-election. Each Director must retire at the third Annual General Meeting following his last appointment or re-appointment.

The Directors retiring by rotation at the forthcoming Annual General Meeting are Keith Willis and Barry Fielder. Both Keith and Barry have indicated their intent to step down from the board following the AGM in May of this year and we wish them both well for their retirement. It is our intention to review the most appropriate board structure over the next few months.

The service agreements of the executive Director will be available for inspection at the registered office of the Company on any weekday during normal business hours until the date of the Annual General Meeting and the meeting itself. Details of the service agreements are set out in the Directors' Remuneration Report.

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Information on Directors' remuneration and their interests in the shares and share options of the Company are shown in the Directors' Remuneration Report on pages 9 to 11. None of the Directors had any interest in the share capital of any subsidiary undertaking at any point during the year.

Substantial shareholders
The Company is informed that, at 15 March 2010, shareholders holding more than 3% of the Company's issued share capital were as follows:

Research and development
The Group expended £147,000 during the year (2009: £188,000) on research and development.

Donations
Charitable donations in the year were £90 (2009: £667) provided to local charities. There were no political donations.

Employee involvement and safety
It is Group policy that there shall be no discrimination in respect of sex, colour, race, religion or nationality and that equal opportunity shall be given to all employees.

The policy of giving full and fair consideration to applications for employment from disabled persons and, where practical, to continue the employment of anyone who may become disabled during their employment has continued. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate.

Every effort is made to ensure good communication. In particular, the Group recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Group. The Group is conscious of the importance of providing a safe

Substantial shareholders	Number of Shares	% of issued issued shares
Worldwide Nominees Limited*	11,815,275	28.12%
MR Varley	10,937,559	26.03%
Hansa Capital Partners LLP	2,750,000	6.54%
Cavendish Asset Management	1,944,444	4.63%
Octopus Asset Management	1,554,506	3.70%

* This holding includes 9,940,275 shares held on behalf of KT Willis and 900,000 shares on behalf of J Yeomans.

The middle market price of the Company's ordinary shares on 31 December 2010 was 21.75p and the range from 1 January 2009 was 7.25p to 26.0p with an average price of 11.0p.

working environment for both its employees and its customers, of ensuring compliance with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible. Careful attention is given to the promotion of risk management procedures.

Financial instruments
An indication of the financial risk management objectives and policies and the exposure of the group to credit risk, interest rate risk and currency risk is provided in Note 20 to the Consolidated Financial Statements.

Qualifying third party indemnity
The Company has provided an indemnity for the benefit of its current Directors which is a qualifying third party indemnity provision.

Supplier payment policy and practice

The Group’s operating companies determine terms and conditions of payment for the supply of goods and services. Payment is then made in accordance with these terms, subject to the terms and conditions being met by suppliers. The ratio, expressed in days, between the amount invoiced to the Group by its trade suppliers during the year to 31 December 2010 and the amount owed to its trade creditors at 31 December 2010, was 41days (2009: 47 days).

Environment and Health and Safety
The Group has clear policies in respect of environmental care and the health and safety of its employees. The environmental policy seeks to minimise the amount of waste produced and encourages recycling wherever practicable. The health and safety policy seeks to ensure the Group provides a safe working environment for all staff and visitors to our sites.

Disclosure of information to auditors
The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the company’s auditors are 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 company’s auditors are aware of that information

Going concern
The Group’s accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group’s budget for 2011 and outline projections for the subsequent year, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group’s foreseeable cash requirements.

Re-appointment of auditors
A resolution to reappoint KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held at 11.00am 11 May 2011 at the Group’s registered office at Cobb House, 2-4 Oyster Lane, Byfleet, Surrey, KT14 7HQ.

By Order of the Board

David Smith
Group Finance Director and Company Secretary
24 March 2011

Directors' Remuneration Report

Remuneration Committee
The Remuneration Committee was established on Admission to AIM on 7 November 2005. It now comprises three Non Executive Directors, Keith Willis (Chairman), Colin Cooke and Barry Fielder.

The terms of reference for the Committee are to determine on behalf of the Board the Company's policy on executive remuneration and to consider and approve the individual salaries and other terms of the remuneration package for the Executive Directors. In addition, it will oversee and review all aspects of the share option schemes including the selection of eligible Directors and other employees and the terms of any options granted.

Remuneration policy
The policy of the Group on Directors' remuneration is to provide competitive market-based packages which reward Group and individual performance and align the interests of Directors and Shareholders. Remuneration packages may comprise a basic salary, annual performance bonus, pension and other benefits and, where appropriate, participation in a share incentive plan.

Executive Directors
Basic salary
The base salaries of Executive Directors are reviewed annually by the Committee.

The Executive Directors are entitled to receive an allowance in respect of a motor vehicle and be reimbursed for all petrol costs incurred for business use. In addition the Executive Directors are entitled to receive the benefit of private health care and life assurance cover.

Performance related bonus
The Executive Directors' bonus scheme is based on pre-determined financial targets and strategic objectives established at the beginning of the year. The financial targets are based on profit before taxation. The Committee set this target and the level of the award. Under this bonus scheme an amount equal to 100% of salary can be paid to the Executive Directors. Performance related bonuses of £71,000 for Executive Directors were accrued but not paid at the year end in respect of 2010 (2009 : £Nil).

Service contracts
Martin Varley has a contract with the Company dated 21 October 2008 and is subject to a one year rolling notice period. David Smith has a contract with the Company dated 14 April 2009 and is subject to a three month notice period.

Non-Executive directors
Colin Cooke, Keith Willis and Barry Fielder each have letters of appointment. The Company and each of the Non-Executive

Total remuneration
The remuneration of each of the directors of the Company for the year ended 31 December 2010 is set out below.

Total remuneration

	Basic salary £000	Fees paid to 3rd parties for services £000	Accrued bonus for 2010	Pension £000	Benefits in kind £000	**Total 2010 £000**	Total 2009 £000
Non-executive Directors							
Colin Cooke	-	30	-	-	-	**30**	20
Keith Willis	20	-	-	-	4	**24**	17
Barry Fielder	20	-	-	-	-	**20**	15
Executive Directors							
Martin Varley	147	-	46	10	-	**203**	118
David Smith[1]	70	-	25	4	7	**106**	51
Viv Blumfield[2]	77	-	-	3	1	**81**	87
Craig Slater	-	-	-	-	-	**-**	38
Tim Sykes[3]	-	-	-	-	0	**-**	30
	334	30	71	17	12	**464**	356

1 – David Smith was appointed on 28 May 2009 his emoluments to 31 December 2009 include those as an employee prior to his appointment.

2 – Viv Blumfield was appointed on 1 September 2010 her emoluments to 31 December 2010 include those as an employee and director of a subsidiary undertaking prior to her appointment.

3 – Tim Sykes' services were provided to the Group via his company, Penta Financial Direction Limited in 2009.

Directors are entitled to the same notice period of six months in the case of Colin Cooke and Keith Willis and three months notice in the case of Barry Fielder. Colin Cooke receives £30,000 per annum, Keith Willis receives £20,000 per annum and Barry Fielder receives £20,000 per annum. No other benefits are awarded to any Non-Executive Directors except for any incidental travel and subsistence expenses incurred whilst performing their duties, and health insurance in the case of Keith Willis.

External appointments

The Committee recognises that its Directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the Company’s Directors to the benefit of the Group, it is the Company’s policy to approve such appointments provided there is no conflict of interest and the commitment required is not excessive. The Director concerned can retain the fees relating to any such appointment.

EMI Share Option Scheme

The EMI Share Option Scheme is a historical scheme, and options have been granted under the scheme during the year ended 31 December 2010. The scheme awards share options to executive directors and senior executives with a vesting period of three years with the aim of encouraging a focus on longer term business performance. Options granted under the EMI Share Option Scheme in 2010 have no performance conditions attached and are only dependent on continued employment. The exercise price of the options granted under the scheme is set equal to the market value of the Company's shares at the time of grant.

Directors’ interests in shares

The beneficial interests of Directors, their spouses and minor children in the ordinary shares of 0.4p each were as follows:

	31 December 2010		15 march 2011	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Non-executive Directors				
CI Cooke[1]	96,000	0.3%	96,000	0.2%
KT Willis[2]	9,940,275	26.0%	9,940,275	23.7%
BW Fielder	463,500	1.2%	463,500	1.2%
Executive Directors				
MR Varley	10,937,559	28.6%	10,937,559	26.0%
DR Smith	-	Nil%	-	Nil%
V Blumfield	-	Nil%	60,000	0.1%

1 – CI Cooke holds 40% of the share capital of a Company which owned 542,000 shares (1.4% of the issued share capital at 31 December 2010 and 552,000 (1.3% of the issued share capital) at 15 March 2011.

2 – KT Willis’ shareholding includes the shareholdings of both his wife and the Keith Willis Discretionary Trust.

None of the Directors had any interest in the share capital of any subsidiary company.

Details of directors’ interests in share options in the Executive Share Option Schemes

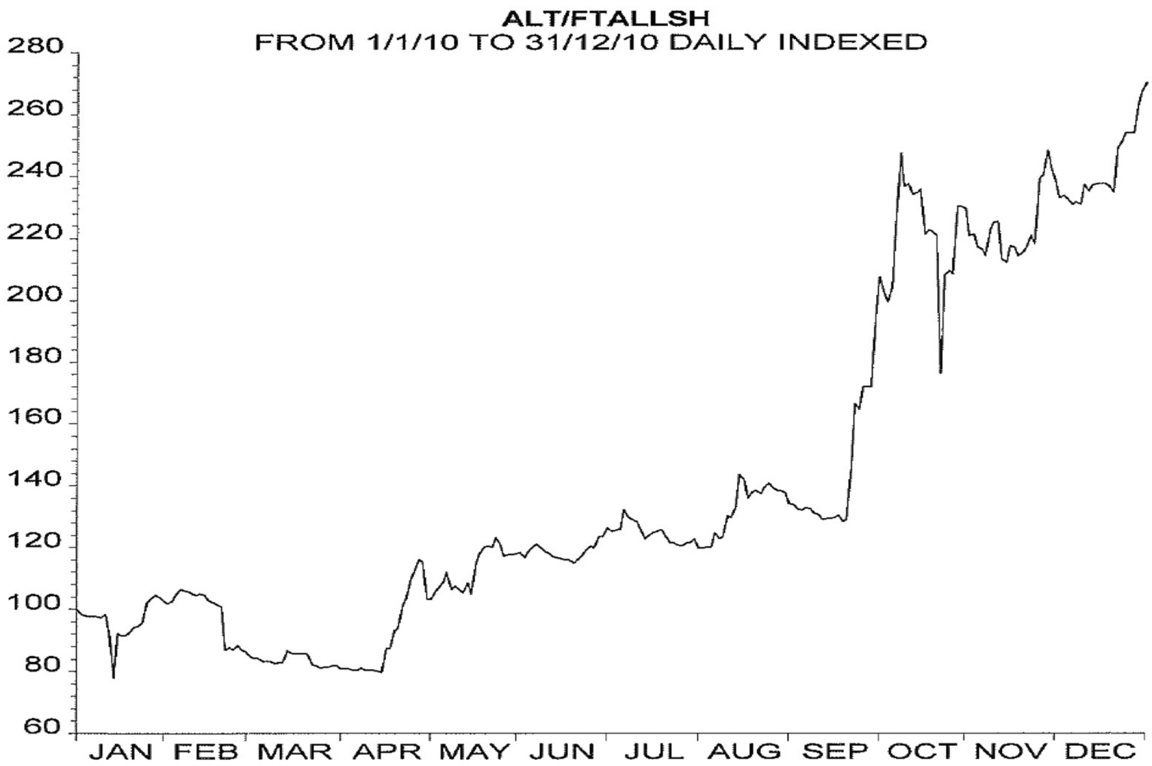
David Smith has interest in 555,556 options over the share capital of the Company.

The aggregate gain made by the Directors on the exercise of share options was £Nil (2009: £Nil).

Directors' Remuneration Report (continued)

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM (rebased) for the year to 31 December 2010. The Committee has selected this index because it is most relevant for a Company of Altitude' size and sector.



This report was approved by the Board on 24th March 2011.

KT Willis

Chairman of the Remuneration Committee

24th March 2011

Corporate Governance Report

Code on Corporate Governance
The Group is committed to high standards of corporate governance. The Board is accountable to the Group's shareholders for good governance.

The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its shares are not listed on the Main Market of the London Stock Exchange, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Set out below is a statement of how the Group has sought to apply the main principles of the Combined Code.

Board of Directors
The Board, which is headed by the Chairman who is non-executive, comprised two other non-executive and three executive members as at 31 December 2010 and at the date of this report. The Board met regularly throughout the year with ad hoc meetings also being held. The role of the Board is to provide leadership of the Company and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed. The Board has agreed the Schedule of Matters reserved for its decision which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others. It also approves acquisitions and disposals of businesses, major capital expenditure, annual financial budgets and it recommends interim and final dividends. It receives recommendations from the Audit Committee in relation to the appointment of auditors, their remuneration and the policy relating to non-audit services. The Board agrees the framework for executive directors' remuneration with the Remuneration Committee and determines fees paid to non-executive directors. Board papers are circulated before Board meetings in sufficient time to be meaningful.

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined. The Chairman's primary responsibility is ensuring the effectiveness of the Board and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group. The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

The performance of the Board is evaluated on an ongoing basis with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether Corporate Governance issues are handled in a satisfactory manner; and, whether there is a clear strategy and objectives.

A new director, on appointment, is briefed on the activities of the Company. Professional induction training is also given as appropriate. The Chairman briefs non-executive directors on issues arising at Board meetings if required and non-executive directors have access to the Chairman at any time. Ongoing training is provided as needed. Directors are continually updated on the Group's business and on issues covering insurance, pensions, social, ethical, environmental and health and safety by means of Board presentations.

In the furtherance of his duties or in relation to acts carried out by the Board or the Company, each director has been informed that he is entitled to seek independent professional advice at the expense of the Company. The Company maintains appropriate cover under a Directors and Officers insurance policy if legal action is taken against any director.

The non-executive directors are considered by the Board to be free to exercise independence of judgement. They do not participate in any of the Company's pension schemes or bonus arrangements. They receive no other remuneration from the Company other than their fees.

It is recognised that the Combined Code does not treat the Chairman as independent after appointment and it is considered best practice that he should not sit on the Audit or Remuneration Committees. However the Board takes the view that as the number of non-executive directors is only three, including the Chairman, and as the Chairman does not chair either of those Committees, his participation will continue as the Committees gain the benefit of his external expertise and experience in areas which the Company considers important.

The table below shows the number of Board, Audit Committee and the Remuneration Committee meetings held during the year from the date of the approval of the last set of financial statements to the date of approval of these financial statements and the attendance of each director.

The Audit Committee
The Audit Committee ("the Committee") was established by and is responsible to the Board. It has written terms of reference. Its main responsibilities are:

- to monitor and be satisfied with the truth and fairness of the Company's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards and the law;
- to monitor and review the effectiveness of the Company's system of internal control;
- to make recommendations to the Board in relation to the appointment of the external auditors and their remuneration, following appointment by the shareholders in general meeting, and to review and be satisfied with the auditors' independence, objectivity and effectiveness on an ongoing basis; and
- to implement the policy relating to any non-audit services performed by the external auditors.

Barry Fielder is Audit Committee Chairman and Colin Cooke and Keith Willis, the other two non-executive directors, remain as members of the Committee.

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Company and to obtain external legal or other independent professional advice as is deemed necessary by it.

Meetings of the Committee are held normally two times a year (usually September and March) to coincide with the review of the scope of the external audit and observations arising from their work in relation to internal control and to review the financial statements. The external auditors meet with the Audit Committee without management being present at least once a year. At its meeting in March, it carries out a full review of the year end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditors and taking into account any significant accounting policies, any changes to them and any significant estimates or judgments. Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee receives reports from management on any shortfall in the system of internal controls as and when such matters are identified. It also receives from the external auditors a report of matters arising during the course of the audit which the auditors deem to be of significance for the Committee's attention. The statement on internal controls and the management of risk, which is included in the annual report, is approved by the Committee.

The 1998 Public Interest Disclosure Act ("the Act") aims to promote greater openness in the workplace and ensures "whistle blowers" are protected. The Company maintains a policy in accordance with the Act which allows employees to raise concerns on a confidential basis if they have reasonable grounds in believing that there is serious malpractice within the Company. The policy is designed to deal with concerns, which must be raised without malice and in good faith, in relation to specific issues which are in the public interest and which fall outside the scope of other Company policies and procedures. There is a specific complaints procedure laid down and action will be taken in those cases where the complaint is shown to be justified. The individual making the disclosure will be informed of what action is to be taken and a formal written record will be kept of each stage of the procedure.

The external auditors are required to give the Committee information about policies and processes for maintaining their independence and compliance regarding the rotation of audit partners and staff. The Committee considers all relationships between the external auditors and the Company to ensure that they do not compromise the auditors' judgement or independence particularly with the provision of non-audit services.

The Remuneration Committee
The Committee, which is chaired by Keith Willis, comprises two non-executive directors, one of whom is independent. It has written terms of reference and is responsible for advising the Board on the terms of service, including remuneration, of the executive Directors and invites participation in the Company's long term incentive schemes. Further details are given in the Directors' Remuneration Report.

Communication with investors
The executive Directors are the Company's principal spokesmen with investors, fund managers, the press and other interested parties and the Company undertakes a formal programme of institutional presentations on the announcement of its full year and interim results. Investors will be encouraged to participate at the forthcoming Annual General Meeting, and all the Directors, including the Chairmen of the Audit and Remuneration Committees will be available to answer questions.

Internal controls
The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group highlights potential financial and non-financial risks which may impact on the business as part of the monthly management

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Possible	Attended	Possible	Attended	Possible	Attended
Non-Executive Directors						
CI Cooke	6	6	1	1	1	1
KT Willis	6	6	1	1	1	1
BW Fielder	6	6	1	1	1	1
Executive Directors						
MR Varley	6	5	-	-	-	-
DR Smith	6	6	-	-	-	-
VM Blumfield	2	2	-	-	-	-

Corporate Governance Report (continued)

reporting procedures. The Board receives these monthly management reports and monitors the position at Board meetings.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group and that these processes are consistent with the guidance for directors on internal control issued by the Turnbull Committee.

The Group's internal financial control and monitoring procedures include:

- clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;
- the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;
- detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budget;
- reporting on any non-compliance with internal financial controls and procedures; and
- review of reports issued by the external auditors.

The Company does not have an Internal Audit function as the Board presently considers that the size and nature of the business does not require it.

The Audit Committee on behalf of the Board reviews reports from the external auditors together with management's response regarding proposed actions.

In this manner the Board have reviewed the effectiveness of the system of internal controls for the period covered by the accounts. The Board considers that this system of internal controls has been in place throughout the year.

BW Fielder
Chairman of the Audit Committee
24 March 2011

Statement Of Directors' Responsibilities In Respect Of The Annual Report And The Financial Statements

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).

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Altitude Group plc

We have audited the financial statements of Altitude Group PLC for the year ended 31 December 2010, set out on pages 17 to 40-. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Jeremy Gledhill,
Senior Statutory Auditor

for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
1 the Embankment
Neville Street

Consolidated Income Statement

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Revenue			
- continuing		**18,044**	15,329
Cost of sales		**(11,371)**	(9,026)
Gross profit		**6,673**	6,303
Administrative costs		**(6,162)**	(6,918)
Operating profit before amortisation of intangible customer related assets, non-recurring administrative expenses and share based payment charges		**808**	277
Amortisation of intangible customer related assets	13	**(36)**	(64)
Non-recurring administrative expenses	4	**(200)**	(783)
Share based payment charges	6	**(61)**	(45)
Operating profit / (loss)	7	**511**	(615)
Finance income	8	**-**	1
Finance expenses	9	**(6)**	(10)
Profit / (Loss) before taxation		**505**	(624)
Taxation	10	**-**	86
Profit / (loss) attributable to the equity shareholders of the Company		**505**	538
Earnings/(loss) per ordinary share attributable to the equity shareholders of the Company :	11		
- Basic		**1.32p**	(1.41)p
- Diluted		**1.31p**	(1.41)p

Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000
At 1 January 2009	153	5,293	(536)
Result for the period	-	-	(538)
Share based payment charges	-	-	45
At 31 December 2009	153	5,293	(1,029)
Result for the period	-	-	505
Share based payment charges	-	-	61
At 31 December 2010	153	5,293	(463)

Consolidated Balance Sheet

as at 31 December 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Property, plant & equipment	12	**253**	448
Customer related intangible assets	13	**128**	110
Goodwill	13	**2,550**	2,621
		2,931	3,179
Current assets			
Inventories	14	**1,284**	1,337
Trade and other receivables	15	**3,110**	2,913
Cash and cash equivalents	16	**1,533**	773
		5,927	5,023
Total assets		**8,858**	8,202
Current liabilities			
Trade and other payables	17	**(3,875)**	(3,475)
		(3,875)	(3,475)
Non-current liabilities			
Trade and other payables	17	**-**	(13)
Deferred consideration	13	**-**	(297)
		-	(310)
Total liabilities		**(3875)**	(3,785)
Net assets		**4,983**	4,417
Equity attributable to equity holders of the Company			
Called up share capital	19	**153**	153
Share premium account	19	**5,293**	5,293
Retained earnings	19	**(463)**	(1,029)
Total equity		**4.983**	4,417

The financial statements on pages 17 to 40 were approved by the Board of Directors on 24 March 2011 and signed on its behalf by:

Colin Cooke
Chairman

Martin Varley
Chief Executive Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	2010	2009
	£000	£000
Operating activities		
Profit /(loss) for the period	**505**	(538)
Amortisation of intangible assets	**36**	64
Depreciation	**287**	320
(Profit)/loss on disposal of fixed assets	**(7)**	4
Net finance expense	**6**	9
Income tax credit	**-**	(86)
Share based payment charges	**61**	45
Operating cash inflow before changes in working capital	**888**	(182)
Movement in inventories	**128**	488
Movement in trade and other receivables	**(198)**	1,052
Movement in trade and other payables	**251**	(928)
Operating cash inflow from operations	**1,069**	430
Interest received	**-**	1
Interest paid	**(6)**	(10)
Income tax received	**-**	7
Net cash flow from operating activities	**1,063**	428
Investing activities		
Purchase of plant and equipment	**(92)**	(59)
Disposal of plant and equipment	**7**	8
Payment of deferred consideration	**(50)**	-
Acquisition of subsidiaries	**(129)**	-
Net cash flow from investing activities	**(264)**	(405)
Financing activities		
Net payments on hire purchase contracts	**(39)**	(35)
Net cash flow from financing activities	**(39)**	(35)
Net increase in cash and cash equivalents	**760**	342
Cash and cash equivalents at the beginning of the year	**773**	431
Cash and cash equivalents at the end of the year	**1,533**	773

Notes to the Consolidated Financial Statements

1 Accounting policies

Significant accounting policies

Altitude Group plc (the 'Company') is a company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The following paragraphs summarise the significant accounting policies of the Group, which have been applied consistently in dealing with items which are considered material in relation to the Group's consolidated financial statements and to all the years presented, unless otherwise stated.

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements. Other new standards and interpretations have no significant impact on the Group.

- IFRS 2 Group Cash-settled Share-based Payment Transactions. The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
- IFRS 3 (revised) Business Combinations requires some significant changes to the way business combinations are accounted for. All costs associated with business combinations are expensed directly to the Income Statement. Additionally any changes to contingent consideration classified as debt must now be dealt with through the Income Statement subsequent to acquisition.
- Improvements to IFRSs: in April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective from 1 January 2010, did not have any impact on the reporting of the financial position or performance of the Group.

Basis of preparation

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law. The Company has elected to prepare its parent Company financial statements in accordance with UK accounting standards and applicable law ('UK GAAP'). These parent Company statements appear after the Notes to the Consolidated Financial Statements.

The Accounts have been prepared under the historical cost convention.

The Consolidated Financial Statements are presented in sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group has not applied the following new and revised IFRSs and IFRICs that are EU endorsed but are not yet effective:

- IAS 24 (revised in 2009) – Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011.
- Amendments to IAS 32 – Classification of Rights Issues. Effective for annual periods beginning on or after 1 February 2010.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010.

The Group is currently considering the implications of these standards and interpretations. They are not expected to have a material impact on the Group's financial statements.

The Directors monitor accounting standards developments and consider the most appropriate time to adopt them in the Group Accounts. The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group when the relevant standards and interpretations come into affect for periods commencing on or after 1 January 2010.

The following principal accounting policies have been applied consistently to all periods presented in these Group financial statements:

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are recognised in the Consolidated Income Statement.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment charges.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value, which is based on up to date prices, of property, plant and equipment over their estimated useful lives as follows:

Leasehold improvements	– Over remaining life of lease
Plant and machinery	– 5 to 10 years
Fixtures and fittings	– 3 to 10 years
Motor vehicles	– 4 years

Intangible assets – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Acquired intangible assets – Business combinations

Intangible assets that are acquired as a result of a business combination and that can be separately measured at fair value on a reliable basis are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the Consolidated Income Statement over their expected useful economic lives as follows :

Customer relationships	– 3-5 years
Unfulfilled sales orders	– 1 month

Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable.

Impairment

The carrying amount of the Group's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Income Statement.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets of the unit (group of units) on a pro-rata basis.

Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory. Cost is determined using the first in, first out ("FIFO") method. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables
Trade receivables are recognised and carried at original invoice amount less allowance for any uncollectible amounts. Where receivables are considered to be irrecoverable an impairment charge is included in the Consolidated Income Statement.

Classification of financial instruments issued by the Group
Following the adoption of IAS32 'Financial instruments: presentation', financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

Financial assets
Financial assets are comprised of loans and trade receivables which are carried at fair value on initial recognition less provision for impairment.

Financial liabilities
Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

Revenue recognition
Revenue represents the amounts receivable, excluding sales related taxes, for goods and services supplied during the period to external customers shown net of VAT, returns, rebates and discounts.

The group has a number of different revenue streams. Revenue is recognised on the sale of goods when it is judged that the risks and rewards of ownership pass to the customer, this is usually when goods are delivered and title passes to the customer. Revenue from trade exhibitions, catalogues and other services is recognised when the company has delivered its obligations to its customers and this is normally when an exhibition takes place, or the catalogue is delivered, or when that service has been delivered to the customer. Revenue in respect of software product licences and associated maintenance and support services are recognised evenly over the period to which they relate.

Operating segments
The origin and destination of substantially all revenue arises in the UK but the Group is organised into two main business segments :

- sale of promotional products, business gifts and related marketing services ("Promotional Marketing"); and,
- provision of information and exhibitions to the wider industry ("Technology and Information").

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker ("CODM").

1 Accounting policies (continued)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

IFRS 8 requires consideration of the CODM within the Group. In line with the group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Chief Executive Officer, who reviews internal monthly management reports, budget and forecast information as part of this. Accordingly the Chief Operating Officer is deemed to be the CODM.

IFRS 8 has been applied to aggregate operating segments on the grounds of similar economic characteristics. This position will be monitored as the Group develops.

Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are amortised over their useful economic life. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leases
Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating lease rentals are charged to the Consolidated Income Statement on a straight line basis over the term of the lease.

Leases where the Group retains substantially all of the risks and rewards of ownership are classified as finance leases or hire purchase contracts. Assets held under finance leases or hire purchase contracts are capitalised and depreciated over their useful economic lives. The capital element of the future obligations under finance leases and hire purchase contracts are included as liabilities in the Consolidated Balance Sheet. The interest elements of the rental obligations are charged to the Consolidated Income Statement over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital outstanding.

Non-recurring items
Non-recurring items are material items in the Consolidated Income Statement which derive from events or transactions which fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate the Group has highlighted as needing to be disclosed by virtue of their size or incidence and are relevant to the understanding of the accounts.

Post retirement benefits
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Consolidated Income Statement represents the contributions payable to the scheme in respect of the accounting period.

Share based payments
The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax currently payable based on taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

Deferred income taxes are calculated using the balance sheet method. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Income Statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Key judgements and estimates

The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements are:

Intangible fixed assets (other than goodwill)

Customer relationships – at the time of each of the business combinations of Distinctive Ideas Limited, Ross Promotional Products Limited, Envoy Catalogue, Silent Kite and Versatilia, the acquired businesses each had a portfolio of customers and there is evidence that these customers continued and still do continue to repeat purchase. The Directors consider that these customers were of value to the Group at the date of each acquisition, and hence were an intangible asset. The value of those customer relationships was estimated at the time of acquisition and the average length of a customer relationship was estimated to be three or five years. As such customer related intangibles were recognised at the date of each acquisition and is being amortised over a three to five year period from the date of each acquisition. Further, this type of customer related intangible asset has an associated deferred tax liability which is being released to the profit and loss account over the same three or five year period.

Inventory valuation

The Directors have reviewed the carrying value of inventory and believe this is appropriate in the context of current trading levels and strategic direction of the Group.

2 Segmental information

The segmental results, primarily all of which relates to operations in the UK are as follows :

	2010 £000	2009 £000
Turnover		
Promotional Marketing	**15,640**	13,056
Technology & Information	**2,934**	2,814
Inter-group trading	(**530**)	(541)
	18,044	15,329
Operating profit before amortisation of customer related intangibles, non-recurring items and share based payments		
Promotional Marketing	**876**	412
Technology & Information	**693**	475
Central operations	**(761)**	(610)
	808	277
Operating profit/(loss)		
Promotional Marketing	**640**	(140)
Technology & Information	**683**	282
Central operations	**(812)**	(757)
	511	(615)
Depreciation		
Promotional Marketing	**233**	255
Technology & Information	**53**	61
Central operations	**1**	4
	287	320
Amortisation		
Promotional Marketing	**30**	64
Technology & Information	**6**	-
Central operations	**-**	-
	36	64

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows :

	2010	2009
	£000	£000
Assets		
Promotional Marketing	**6,885**	6,348
Technology & Information	**1,418**	1,522
Central operations	**555**	333
	8,858	8,203
Liabilities		
Promotional Marketing	**2,217**	1,973
Technology & Information	**1,520**	1,367
Central operations	**138**	445
	3,875	3,785
Capital expenditure		
Promotional Marketing	**47**	51
Technology & Information	**42**	8
Central operations	**3**	-
	92	59

3 Acquisitions

On 18 February 2010 the group acquired stock and the trading name of Non Stop Promotions and Marketing from the Administrators of that company and on 31 March 2010, the Group acquired the business assets of Versatilia for a consideration of £54,000. The fair values of the acquisitions can be summarised as follows:

Analysis of fair value of acquisitions

	Non Stop Promotions	Versatilia	Total
	£000	£000	£000
Intangible assets	-	54	54
Stock	75	-	75
Net identified assets and liabilities	75	54	129
Goodwill on acquisition	-	-	-
	75	54	129
Satisfied by :			
Cash payments	75	54	129
	75	54	129

The profit effect of these acquisitions was immaterial to the results of the Group.

4 Non-recurring administrative expenses

	Note	2010 £000	2009 £000
Damaged stock	a	**200**	-
Termination payments	b	**-**	80
Non-Recurring Salary costs	c	**-**	424
Closure of Divisions	d	**-**	217
Other	e	**-**	62
		200	783

a. Costs of a significant shipment of stock for a specific contract that was damaged in transit and was unable to be sold.

b. Termination payments relate to compensation payments for loss of office for employees who left the business in 2009.

c. Relate to non-recurring salary costs of people who left the business in 2009, and therefore will no longer be incurred.

d. Costs in relation to closure of divisions relate principally to salary and other overhead costs which, following the restructure programme, will no longer be incurred.

e. Other costs relate primarily to professional fees in the resolution of one-off employment related matters during 2009.

5 Employees

	2010 £000	2009 £000
Staff costs :		
- Wages and salaries	**3,318**	4,050
- Social security costs	**324**	376
- Other pension costs	**123**	155
- Share based payments	**61**	45
	3,826	4,626

Average number of employees (including directors) during the year		
- Promotional Marketing	**103**	112
- information & Exhibitions	**24**	29
	127	141

The compensation of key management personnel is detailed within the Directors' Remuneration Report on pages 9 to 11.

6 Share based payments

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a Long Term Incentive plan (LTIP). Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme and the LTIP are set out on page 10.

Options granted under the EMI scheme are set out below.

Grant date	Employees entitled	Number of options	Exercise price (p)	Expiry date
26 July 2007	12	740,000	0.4	25 July 2017
10 July 2008	12	234,000	0.4	9 July 2018
9 July 2010	1	555,556	9.0	8 July 2018

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2010 (p)	Number of options 2010 (number)	Weighted average exercise price 2009 (p)	Number of options 2009 (number)
Outstanding at start of year	0.4	476,000	0.4	754,000
Granted during the year	9.0	555,556	-	-
Lapsed during the year	0.4	(410,000)	0.4	(278,000)
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at end of the year	8.1	621,556	0.4	476,000
Exercisable at end of the year	8.1	-	0.4	-

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted and those to be granted as a result of the LTIP. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted during 2010 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year). No options were granted in 2009.

	2010
Fair value at measurement date (pence)	**6.0p**
Share price at grant date (pence)	**9.0p**
Exercise price (pence)	**9.0p**
Expected volatility (%)	**65.3%**
Average option life (year)	**8.0**
Expected dividend (%)	**-**
Risk free interest rate (%)	**5%**

The expected volatility is based on the historic volatility of the company's share price.

Charge to the Consolidated Income Statement

The charge to the income statement comprises:

	2010 £000	2009 £000
Share based payment charges	**61**	45

7 Operating profit/(loss)

	2010 £000	2009 £000
Operating profit/(loss) is stated after charging / (crediting):		
Depreciation of owned property, plant and equipment	**267**	295
Depreciation of property, plant and equipment held under hire purchase contracts	**20**	25
(Profit)/loss on disposal of fixed assets	**(7)**	4
Research and development expenditure expensed as incurred	**147**	188
Operating lease rentals :		
- Land and buildings	**323**	311
- Other	**43**	70
Loss /(profit) on currency translation	**19**	(7)

	2010 £000	2009 £000
Auditors' remuneration:		
Audit of these financial statements	**12**	12
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**27**	27
- Other services relating to taxation	**39**	16

8 Finance income

	2010 £000	2009 £000
Bank interest receivable	**-**	1

9 Finance expenses

	2010	2009
	£000	£000
Bank interest expense	**2**	5
Interest expense on hire purchase contracts	**4**	5
	6	10

10 Taxation

Recognised in the income statement

	2010	2009
	£000	£000
Current tax expense		
Current year	**-**	(8)
Deferred tax origination and reversal of timing differences	**-**	(78)
Total tax in income statement	**-**	(86)

Reconciliation of effective tax rate

	2010	2009
	£000	£000
Profit/(loss) before tax for the period	**505**	(624)
Tax using the UK corporation tax rate of 28% (2008: 28%)	**141**	(175)
Non-deductible expenses	**27**	19
(Utilisation of)/increase in losses	**(168)**	77
Adjustment in respect of previous years	-	(7)
Total tax credit	**-**	(86)

11 Basic and diluted earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit or loss for the period after taxation and the weighted average number of equity voting shares in issue as follows.

	2010	2009
Earnings (£000)	**505**	(538)
Weighted average number of shares (number '000)	**38,203**	38,203
Fully diluted average number of shares (number '000)	**38,573**	38,679
Basic earnings/loss per ordinary share (pence)	**1.32p**	(1.41)p
Diluted earnings/loss per ordinary share (pence)	**1.31p**	(1.41)p

12 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2009	166	677	765	64	1,672
Additions -	-		59	-	59
Disposals	-	-	(1)	(36)	(37)
At 31 December 2009	166	677	823	28	1,694
Additions	-	25	60	7	92
Disposals	-	-	(24)	-	(24)
At 31 December 2010	166	702	859	35	1,762
Depreciation					
At 31 January 2009	50	438	422	41	951
Charge for the year	17	97	201	5	320
On disposals	-	-	-	(25)	(25)
At 31 December 2009	67	535	623	21	1,246
Charge for the year	41	80	163	3	287
On disposals	-	-	(24)	-	(24)
At 31 December 2010	108	615	762	24	1,509
Net book value					
At 1 January 2009	116	239	343	23	721
At 31 December 2009	99	142	200	7	448
At 31 December 2010	58	87	97	11	253

Included in the net book value of plant and machinery is £39,000 (2009 : £59,000) relating to assets under hire purchase contracts. The depreciation charged on these assets during the year ended 31 December 2010 was £20,000 (2009 : £25,000).

13 Intangible assets

	Goodwill £000	Customer related intangibles £000	Total £000
Cost			
At 1 January 2009	3,220	433	3,653
At 31 December 2009	3,220	433	3,653
Acquisition through business combinations	-	54	54
Net decrease in deferred consideration(71)		-	(71)
At 31 December 2010	3,149	487	3,636
Amortisation and impairment			
At 1 January 2009	599	259	858
Amortisation for the year	-	64	64
At 31 December 2009	599	323	922
Amortisation for the year	-	36	36
At 31 December 2010	599	359	958
Carrying amounts			
At 1 January 2009	2,621	174	2,795
At 31 December 2009	2,621	110	2,731
At 31 December 2010	2,550	128	2,678

On 3 July 2006 the Group acquired 80% of the issued share capital of Promoserve Business Systems (formerly Industry Software Limited) for an initial consideration of £171,000. A value of £297,000 was recognised in the balance sheet at 31 December 2009 as the present value of deferred consideration. During 2010 the Group agreed to acquire the remaining shares in Promoserve for £226,000 of which £176,000 remained outstanding at the year end and goodwill has been reduced by £71,000 in accordance with IFRS 3.

Amortisation charges are included within administrative costs

Allocation to cash generating units

The goodwill and customer related intangibles can be allocated to cash generating units as follows :

	2010	2009
	£000	£000
Goodwill		
Dowlis Corporate Solutions	**1,520**	1,520
Ross Promotional Products	**488**	488
Distinctive Ideas	**94**	94
Envoy Catalogue	**194**	194
Promoserve Business Systems	**79**	150
Silent Kite	**175**	175
Carrying amounts as at 31 December	**2,550**	2,621

Customer related intangibles		
Versatilia	**48**	-
Silent Kite	**80**	110
Carrying amounts as at 31 December	**128**	110

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value-in-use calculations. Values have been estimated using cash flow projections based on detailed budgets and three year forecasts, followed by an extrapolation of expected cash flows at a constant growth rate of 3% (2009: 3%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. The discount rate applied was 7.5% (2009: 7.5%), which the directors deem to be a market adjusted pre tax weighted average cost of capital. These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. Based on this testing the Directors do not consider Goodwill or Intangible Assets to be impaired.

Amortisation and impairment

Goodwill acquired in a business combination is allocated to cash-generating units and will be tested for impairment on an annual basis, or more frequently if there are indications that goodwill might be impaired, by comparing the carrying amount against the discounted cash flow projections (at current weighted average cost of capital) of the cash generating units.

Customer related intangibles arising on business combinations are amortised over their useful economic life, as well as being reviewed for impairment on an annual basis, or more frequently if there are indications that the carrying value may be impaired.

A list of significant investments in subsidiaries, including name, country of incorporation and proportion of ownership interest is given in Note 30 to the Company's separate financial statements. All of these subsidiaries are included in the consolidated results.

14 Inventories

	2010	2009
	£000	£000
Finished product	**1,219**	1,093
Work in progress	**65**	244
	1,284	1,337

Inventories are stated net of an impairment provision of £218,000 (2009: £152,000), the increase of which has been charged within 'cost of sales' the Consolidated Income Statement.

The cost of inventories charged to cost of sales was £10,112,000 (2009 : £8,622,000).

15 Trade and other receivables

	2010	2009
	£000	£000
Trade receivables (net of impairment of £34,000 (2009: £181,000))	**2,830**	2,662
Other receivables	**50**	82
Prepayments and accrued income	**230**	169
	3,110	2,913

Trade and other receivables denominated in currencies other than sterling comprise £71,000 (2009: £93,000) of trade receivables denominated in US dollars and £95,000 (2009: £99,000) denominated in Euros. The fair values of trade and other receivables are the same as their book values.

Trade receivables that are past due are considered individually for impairment. The Group uses a monthly ageing as an indicator for impairment. The summarised ageing analysis of trade receivables past due but not impaired is as follows:

	2010	2009
	£000	£000
Not Overdue	**1,231**	1,268
Under 30 days overdue	**933**	770
Over 30 days but under 60 days overdue	**632**	466
Over 60 days overdue	**34**	158
	2,830	2,662

The other classes within trade and other receivables do not contain impaired assets.

16 Cash and cash equivalents

	2010	2009
	£000	£000
Cash and cash equivalents	**2,151**	2,579
Bank overdrafts	**(618)**	(1,806)
	1,533	773

Bank overdrafts are secured by an Inter Company Composite Guarantee with Accession by and between the Company and its subsidiaries (excluding Ross Promotional Products Limited) supported by Debentures by the Company and its subsidiaries (excluding Ross Promotional Products Limited) and a Bond and floating charge by Ross Promotional Products Limited.

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £60,000 (2009: £21,000) denominated in US dollars and £59,000 (2009 : £22,000) denominated in Euros.

17 Trade and other payables

	2010	2009
	£000	£000
Current		
Trade payables	**1,494**	1,484
Hire purchase agreements	**8**	34
Other taxes and social security	279	234
Other creditors	**16**	105
Deferred consideration (see note 13)	**176**	-
Accruals and deferred income	1,902	1,618
	3,875	3,475
Non-current		
Hire purchase agreements	**-**	13

Trade and other payables denominated in currencies other than sterling comprise £20,000 (2009: £140,000) of trade payables denominated in US dollars and £38,000 (2009 : £6,000) of trade payables denominated in Euros.

18 Deferred tax liabilities

Deferred tax liabilities are attributable to the following and are disclosed as non-current liabilities in the balance sheet:

	2010	2009
	£000	£000
Customer related intangibles	**36**	31
Accelerated capital allowances	**(36)**	6
Losses	**-**	(37)
	-	-

Movement in deferred tax year ended 31 December 2010

	As at 1 January 2010	**Income statement**	**As at 31 December 2010**
	£000	**£000**	**£000**
Customer related intangibles	**31**	(18)	**31**
Accelerated capital allowances	**6**	(23)	**6**
Losses	**(37)**	(37)	**(37)**
	78	(78)	**-**

19 Share capital and reserves

	2010	2009
	£000	£000
Authorised :		
- 100,000,000 Ordinary shares of 0.4p each	**400**	400

	2010	2009
	£000	£000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0.4p each (2007: 38,203,480)	**153**	153

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During 2010, the Group's strategy, which was unchanged from 2009 was to keep debt to a minimum. Net cash at 31 December 2010 was £1,530,000 (2009: net cash £773,000).

Share option schemes

Executive share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme), an unapproved executive incentive plan (Unapproved scheme) and a Long Term Incentive plan (LTIP). Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme, the Unapproved scheme and the LTIP are set out on page 11. Under the EMI scheme, 555,556 (2009: nil) options in ordinary shares have been granted during the year and under the Unapproved scheme Nil (2009: nil) options over ordinary shares have been granted.

Arrangement with shareholders

In addition, an arrangement exists whereby certain employees have an option to acquire 522,500 (2009 : 522,500) shares from KT Willis at a price of 3.1p per share. These options are not performance related and are exercisable at any time between 1 September 2006 and 31 October 2013.

	Share capital	Share premium	Retained earnings
	£000	£000	£000
At 31 December 2008	153	5,293	(536)
Result for the period	-	-	(538)
Share based payment charges	-	-	45
At 31 December 2009	153	5,293	(1,029)
Result for the period	-	-	(505)
Share based payment charge	-	-	61
At 31 December 2010	**153**	**5,293**	**(463)**

20 Financial instruments disclosure

Financial instruments policy

Treasury and financial risk policies are set by the Board and have remained unchanged from the pervious period. All instruments utilised by the Group are for financing purposes. The day-to-day financial management and treasury function is controlled centrally for all operations. During the year the Group had no derivative transactions.

Financial assets and liabilities

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations. In the view of the Directors the fair value of financial assets and financial liabilities is not materially different to their carrying amounts.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The Group continues to manage the cash position in a manner designed to maximise interest income, while at the same time minimising any risk to these funds. Surplus cash funds are deposited with commercial banks that meet credit criteria approved by the Board, for periods between one and six months.

Currency risk

The Group is exposed to fluctuations in exchange rates as some of its future revenues will be denominated in foreign currencies, comprising US dollars and Euros. The Group seeks to remove this risk by invoicing in Sterling. Where this is not possible, the Group utilises US dollars held within its cash balances and also may hedge such transactions through foreign exchange forward contracts. The Group has not hedged such transactions through forward contracts during the year.

Interest rate and currency profile

Financial assets

	2010	2009
	£000	£000
Loans and receivables:		
Trade receivables	**2,830**	2,662
Other receivables and accrued income	**280**	251
Cash at bank	**2,151**	2,579
	5,261	5,492

The Group's banking facilities allow for the offset of the bank overdraft below against the cash at bank above. The net amount of the cash at bank and bank overdraft is put on overnight deposit. The overnight deposit rate at 31 December 2010 was 0.3%.

Financial liabilities

	2010	2009
	£000	£000
Other financial liabilities:		
Trade payables	**1,494**	1,484
Other short term liabilities	**2,197**	1,957
Bank overdraft – see above	**618**	1,806
Hire purchase agreements – 7.5% average rate	**8**	47
Contingent consideration – interest free	**176**	297
	4,493	5,591

All of the financial assets and liabilities detailed above are recorded at their fair value with changes in those values being taken though the Consolidated Income Statement.

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £60,000 (2009: £21,000) which is denominated in US dollars and of £59,000 (2009: £22,000) which is denominated in Euros; of trade receivables of £71,000 (2009: £93,000) which is denominated in US dollars and of £95,000 (2009: £99,000) which is denominated in Euros; and of other financial liabilities of £20,000 (2009: £140,000) which is denominated in US dollars and of £38,000 (2009: £6,000) which is denominated in Euros.

Maturity profile of financial liabilities

	2010 £000	2009 £000
In one year or on demand	**4,493**	5,079
In one to two years	**-**	13
In two to five years	**-**	297
	4,493	5,389

The financial liabilities due for repayment within one year relate to bank overdrafts and hire purchase contracts. The financial liability due between one and two years relates to hire purchase contracts.

Fair value of financial instruments

At 31 December 2010 the difference between the book value and the fair value of the Group's financial assets and liabilities was £Nil (2009: £Nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2010.

Borrowing facilities

At 31 December the Group had the following undrawn committed borrowing facilities:

	2010 £000	2009 £000
Undrawn sterling facilities	**850**	850

21 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2010 or 31 December 2009.

(b) Operating leases commitments

Total operating lease commitments at the balance sheet date (analysed between those years in which the commitment expires) are as follows:

		2010			**2009**
	Land and buildings	**Other**		**Land and buildings**	**Other**
	£000	**£000**		**£000**	**£000**
In respect of leases expiring:					
- In one year		**-**	**24**	-	4
- In two and five years		**381**	**5**	153	72
- In more than five years		**659**	**-**	1,153	-
		1,040	**29**	1,306	76

22 Pensions

The Group operates a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Group to the scheme and other personal pension plans and amounted to £123,000 (2009: £155,000).

23 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £205,000 (2009: £1,037,000).

24 Accounting estimates and judgements

The Directors discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these polices and estimates. The accounting policies are set out in Note 1.

The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements are:

Intangible fixed assets (other than goodwill)

Customer relationships – at the time of each of the business combinations of Distinctive Ideas Limited, Ross Promotional Products Limited, Envoy Catalogue, Silent Kite and Versatilia the acquired businesses each had a portfolio of customers and there is evidence that these customers continued and still do continue to repeat purchase. The Directors consider that these customers were of value to the Group at the date of acquisition, and hence were an intangible asset. The value of those customer relationships was estimated at the time of each acquisition and the average length of a customer relationship was estimated to be three or five years. As such customer related intangibles were recognised at the date of each acquisition and are being amortised over a three or five year period from the date of each acquisition. Further, this type of customer related intangible asset has an associated deferred tax liability which is being released to the Consolidated Income Statement over the same three or five year period.

Inventory valuation

The Directors have reviewed the carrying value of inventory and believe this is appropriate in the context of current trading levels and strategic direction of the Group.

25 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

During the year £14,000 (2009: £13,000) was invoiced to Ice Elegant Gifts Limited, a Company controlled by Mrs Varley in respect of property rented to and in respect of services provided to Ice London Limited. At 31 December 2010, £6,000 was outstanding (2009: £14,000).

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is provided in the audited part of the Directors' Remuneration Report on pages 9 to 11. In addition, the Group recognised a share-based payment charge under IFRS2 'Share-based payment' of £61,000 (2009: £45,000).

26 Post balance sheet events

On 28 February 2011 the Group raised £916,800 before expenses from a subscription by new and existing shareholders for 3,820,000 new ordinary shares of 0.4pence at 24pence per share.

On 7 March 2011 the Group entered into an agreement to acquire the business and assets of Technologo, a leading supplier of virtual sample technology solutions to the promotional product industry for total consideration of $1.9m.

Company balance sheet

At 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible fixed assets	30	**3**	3
Investments	31	**2,266**	2,337
		2,269	2,340
Current assets			
Debtors	32	**3,873**	2,143
Cash at bank and in hand		**-**	-
		3,873	2,143
Creditors – amounts falling due within one year	33	**(3,082)**	(1,135)
Net current assets		**791**	1,008
Total assets less current liabilities		**3,060**	3,348
Creditors – amounts falling due after more than one year	34	**-**	(297)
Net assets		**3,060**	3,051
Capital and reserves			
Called up share capital	35	**153**	153
Share premium account	36	**5,293**	5,293
Profit and loss account	36	**(2,386)**	(2,395)
Shareholders' funds	39	**3,060**	3,051

The balance sheet was approved by the Board of Directors on 24 March 2011 and signed on its behalf by:

Colin Cooke
Chairman

Martin Varley
Director

Company Reconciliation of Movements in Shareholder's Funds

For the year ended 31 December 2010

	2010 £000	2009 £000
(Loss) for the financial year	**(52)**	(8)
Charge in relation to Share based payment	**61**	45
Net addition to shareholders' funds	**9**	37
Opening Shareholder's funds	**3,051**	3,014
Closing Shareholder's funds	**3,060**	3,051

Notes to the company balance sheet

27 Company accounting policies

Basis of preparation

As used in the financial statements and related notes, the term 'Company' refers to Altitude Group plc. The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by section 408 of the Companies Act 2006.

Under FRS 1 the Company is exempt from the requirement to present its own cash flow statement.

Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at close to their carrying values or traded in an active market. Liquid resources comprise term deposits of more than seven days.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except otherwise required by FRS19.

FRS20 share based payments

The company has adopted FRS20 and the accounting policies followed are, in all material regards, the same as the Group's policy under IFRS2 'Share-based payment'. The policy is shown in the Group accounting policies at Note 1.

28 Operating costs

The audit fee for the Company was £12,000 (2009: £12,000). Other fees payable to the auditors and their associates for corporation tax services were £2,000, (2009: £2,000).

29 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed in the Directors' Remuneration Report on pages 9 to 11.

30 Tangible fixed assets

	Fixtures and fittings £000
Cost	
At 1 January 2010	6
Additions	2
At 31 December 2010	8
Depreciation	
At 1 January 2010	3
Charge for the year	2
At 31 December 2010	5
Net book value	
At 31 December 2010	3
At 1 January 2010	3

31 Investments

	Shares in subsidiary undertakings
	£000
Cost	
At 1 January 2010	2,655
Amendment to deferred consideration	(71)
At 31 December 2010	2,584
Impairment	
At 1 January 2010 and at 31 December 2010	318
Net book value	
At 31 December 2010	2,266
At 1 January 2010 and at 31 December 2010	2,337

The companies in which Altitude Group plc's interest is more than 20% at the year end are as follows :

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Holding
Dowlis Corporate Solutions (UK) Limited	England and Wales	Sale of promotional goods	Ordinary	100%
Adproducts.com Limited[1]	England and Wales	Sale of promotional goods and marketing services	Ordinary	100%
Trade Only Limited[1]	England and Wales	Sale of promotional goods and marketing services	Ordinary	100%
Ross Promotional Products Limited[1]	Scotland	Sale of promotional goods	Ordinary	100%
Promoserve Business Systems Limited	England and Wales	Sale of software and marketing services	Ordinary	80%
Promotional Gifts Limited[1]	England and Wales	Sale of promotional goods	Ordinary	100%
The Bentley Collection Limited	England and Wales	Sale of promotional goods	Ordinary	100%

The above list includes only trading companies which are all included within the consolidated financial statements of the Group. Dormant companies have not been listed as this would lead to a statement of excessive length.

Note 1 – held by a subsidiary undertaking

32 Debtors

	2010	2009
	£000	£000
Other debtors	**15**	21
Amounts owed by subsidiary undertakings	**3,858**	2,122
	3,873	2,143

33 Creditors: Amounts falling due within one year

	2010	2009
	£000	£000
Bank overdrafts	**415**	769
Trade creditors	**24**	29
Accruals and deferred income	**167**	103
Deferred consideration (note 13)	**176**	-
Amounts owed to subsidiary companies	**2,300**	234
	3,082	1,135

34 Creditors: Amounts falling due after more than one year

	2010	2009
	£000	£000
Deferred consideration (note 13)	**-**	297

35 Share capital

	2010	2009
	£000	£000
Authorised :		
- 100,000,000 Ordinary shares of 0.4p each (2008: 100,000,000)	**400**	400

	2010	2009
	£000	£000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0.4p each (2008: 38,203,480)	**153**	153

36 Reserves

	Share premium account	Profit and loss account
	£000	£000
At 1 January 2010	5,293	(2,395)
Loss for the period	-	(52)
Share based payment charges (see Note 6)	-	61
At 31 December 2010	5,293	(2,386)

37 Commitments

(a) Capital commitments

The Company had no capital commitments existing at 31 December 2010 or 31 December 2009.

(b) Operating leases commitments

The Company had no commitments in respect of land and buildings or other contracts under non-cancellable operating leases.

38 Contingent liabilities

The Company has guaranteed the bank overdrafts over certain of its subsidiary companies at 31 December 2010 of £205,000 (2008: £1,035,000).

39 Reconciliation of movement in shareholders' funds

	2010	2009
	£000	£000
Loss attributable to ordinary shareholders	**(52)**	(8)
Other recognised gains :		
- Share based payment	**61**	45
	9	37
Opening shareholder's funds	**3,051**	3,014
Closing shareholders' funds	**3,060**	3,051

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