Altitude Group plc

Annual Report
2011

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Annual Report

31 December 2011
Registered number 05193579

Contents

Directors and Advisers

Directors

Colin Cooke (Non-Executive Chairman)[1,2]
Colin is the past Chairman of Fenner plc. He joined the Board as Non-Executive Chairman in 2005. Colin has 28 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. Colin is Chairman of the Remuneration 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 25 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market.

David Dannhauser
(Non-Executive Director)[1,2]
David joined the Board as a Non-Executive Director on 11 May 2011. He has 25 years of experience as a public company director, most recently as Group Finance Director of Eleco Plc for 16 years. He is a Chartered Accountant and a Fellow of the Institute of Directors. David is Chairman of the Audit Committee.

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
Brunel House
17-27 Station Road
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Berkshire
RG1 1LG

Solicitors
DWF LLP.
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

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

Registered office
Unit 4
Rhodes Business Park
Silburn Way
Middleton
Manchester
M24 4NE
www.altitudeplc.com

Chairman's Statement

Group Overview
The Group made excellent progress towards its strategic goals in 2011 of focusing on the Technology and Information Division.
It completed the disposal of the Promotional Marketing Division in July 2011, established a corporate presence in the USA market with Trade Only Inc. and has made progress in establishing a solid platform in the USA market.

Now comprising one core business, the Group is better placed to grow revenues and profitability from our Trade Only branded solutions that provide a valuable information service between suppliers of promotional merchandise and independent distributors and a technology platform on which the parties in the supply chain may transact their business.

Offered as Software as a Service model ("SaaS") the Trade Only technology enables small business customers to access software tools without the need for them to have substantial technical knowledge or expensive hardware resources in-house. Trade Only benefits from recurring license fees that create good revenue predictability for the Group.

Performance Review
The Group operating loss before non-recurring items, amortisation of intangible assets and share based payment charges was £0.15m (2010: £0.07m) on revenues increased by 21% to £3.54m (2010: £2.93m). The operating loss of £0.82m (2010: £0.13m) reflects the anticipated significant set-up costs incurred in establishing the USA operations, as well as other non-recurring legal and employee expenses, and also a significant increase in expensed software development expenditure, where £0.43m has been expensed in 2011 (2010 £0.15m).

The Group balance sheet remains strong and was debt free at 31 December 2011 with a net cash balance of £0.29m (2010 £1.53m). The reduction during the year principally reflects the £1.1m invested in the expansion of the Technology and Information opportunities net of the £0.9m raised by way of a share placing in February 2011. The £0.9m net proceeds realised on disposal of the Promotional Marketing Division had largely been offset by its operating cash outflow in the first half of the year. A £4m loan note remained owing at the year-end under the terms of disposal of the Promotional Marketing Division, due for repayment in 2016, although I am pleased to report that £0.25m has been repaid early in April 2012.

Technology and Information
Overall in 2011, the division made an operating profit before non-recurring items, amortisation of intangible assets and share based payment charges of £0.56m (2010: £0.69m). This result included an increase of £0.28m in software development expenditure over the prior year to £0.43m.

With a clear focus on becoming a leading provider of Cloud-based business management software solutions and information services to small business globally, the Company has invested heavily in software development to deliver optimum functionality and user experience. This resulted in Trade Only being selected in January 2012 by EmbroidMe, the world's leading franchise for embroidered garments and promotional products, to provide our fully integrated point of sale ("POS"), web store, customer relationship manager ("CRM") and order management solution to each of several hundred EmbroidMe franchise stores across the USA, Canada, EMEA and Australia. The launch took place at the UFG World Expo in Las Vegas, Nevada on the 16 April 2012 where Trade Only was a joint sponsor alongside Hewlett Packard.

The similarity in channel marketing between the print and the promotional product sectors encouraged us to integrate with providers of print services that allow online design and ordering. This initiative brings the two markets together for the first time, delivering what we believe to be the first Cloud-based resource that combines print and promotional products in a single shopping solution.

By integrating a print solution into our existing Trade Only VISION® web store and order management solution, it will allow promotional product distributors easy access to the $40 billion market for on-demand print without the need for additional software or resources.

The print module will be offered as a simple add-on to the existing Trade Only VISION system to promotional resellers, as well as a complete solution for print resellers requiring market-leading functionality.
We are on target to launch this additional service during this year.

Corporate Activity
In March 2011, the Group acquired the business and intellectual property of Technologo, a virtual sampling technology and in May 2011 it acquired The Logo Network, a provider of marketing programs and marketing websites to the promotional products distributors. These revenue-generating businesses and their technology were integrated into our North American businesses of Trade Only Inc. and Trade Only Technology Services, respectively incorporated in California and Canada respectively. In July 2011, the subsidiaries comprising the Promotional Marketing Division were disposed of to its management.

Following an active 2011, we are primarily focusing our attention on organically growing our businesses in the UK and North America and extracting maximum value from our recent investments. However, we will continue to explore all opportunities that may arise, which may improve shareholder returns.

Chairman's Statement (continued)

Strategy

The Board takes the following points into consideration when setting targets for the senior management team:-

i) The growth potential globally for the Technology and Information Division is substantial.

ii) The Board believes that Trade Only offers an unrivalled set of technology tools for the promotional products, print and other similar industries.

iii) Continued investment in the expansion of our USA footprint, is key to the creation of meaningful shareholder returns in the medium term.

iv) The Group will continue to investigate potential transactions and structures that would improve shareholder returns over the medium term.

v) We remain focused on being a debt free company.

Focus

Our focus has primarily been on the promotional product sector and we continue to make excellent progress with new customers for our Trade Only VISION solution being added every day. We are confident that the superior user experience and fully integrated 'Cloud' delivered solution that are benefits of our technology will continue to encourage migration from legacy providers.

We will launch our print solution offering to a beta group later this year. The web to print market is estimated at $40 billion in the USA alone, and our opportunity is to provide an integrated web store and order management solution for the resellers wishing to access this market. Our revenue will come from two sources, the technology fees paid by subscribers for the advanced solution and from a commission on throughput for the smaller customers that prefer a variable rather than fixed cost.

Our plans for the non-industry specific integrated web store through to CRM package are progressing well. This solution aimed at the SME market in the USA and UK will be launched during towards the end of the year. We believe that the level of functionality targeted to be offered is substantially superior to any other SaaS solution of a similar price. Our marketing and launch plans are being developed and partnership opportunities being explored.

People

The team have responded incredibly well to the additional demands placed on them as a result of our fast paced expansion into additional markets in the USA. Many have only been with Trade Only for a few short months making their efforts even more appreciated.

We have added senior level resource in the California office including our new local CFO, Thomas Burkholder CPA and I am delighted to welcome him and all of our new team members and to thank them all for their continued hard work, innovation and dedication.

Outlook

We enjoyed another strong performance from our cash generative UK Exhibition and Information business and as a result an 18% increase in visitor numbers for the 2012 Trade Only National Show. We are delighted to have already pre-sold 80% of the space for the 2013 event taking place on 23 and 24 January 2013, giving us excellent visibility to the start of 2013.

Turning to the primary growth strategy, we believe that the market opportunity for integrated SaaS business management systems is substantial. Whilst the initial focus has been on the niches that include promotional products, print and corporate clothing, our longer-term plan is clearly directed towards the estimated 21m and 4.5m small businesses in the USA and UK respectively.

Overall I am pleased with the progress made in the last 18 months. 2012 will be a year of further investment in developing our USA operations and progressing longer-term revenue opportunities, the impact of which will become more evident from 2013. We have a clear strategy, a growing customer base, no net debt and increasing visibility of recurring revenues and I look forward with confidence.

Colin Cooke
Chairman
14 May 2012

Operating and Financial Review

2011 saw significant developments as the Group pursued a strategy of focusing on the Technology and Information Division. It completed the disposal of the Promotional Marketing Division in July 2011, established a corporate presence in the USA market with Trade Only Inc. and has made progress in establishing a solid platform in the USA market.

Through its one core business, the Group is now better placed to grow revenues and profitability from its Trade Only branded solutions that provide a valuable information service between suppliers of promotional merchandise and independent distributors and a technology platform on which the parties in the supply chain may transact their business.

Offered as Software as a Service model ("SaaS"), the Trade Only technology enables small business customers to access software tools without the need for them to have substantial technical knowledge or expensive hardware resources in-house. Trade Only benefits from recurring license fees that create good revenue predictability.

The technology has wider application than just for the promotional merchandising industry. Revenue opportunities within the web to print sector have been identified and application within the wide SME community are being examined.

Technology and Information

	2011 £m	2010 £m	% change
Sales	3.54	2.93	21%
Gross margin	74.4%	67.9%	10%
Operating profit before non-recurring items, amortisation of intangible assets and share based payment charges	0.56	0.69	(20%)
Operating (loss)/profit after non-recurring items, amortisation of intangible assets and share based payment charges	(0.01)	0.68	
Software development expenditure	0.43	0.15	193%

The UK Exhibition business made great progress again in 2011. Record visitor numbers for the 5th consecutive year at the January 2012 Trade Only National Show was followed by early rebooking for the 2013 event and 83% of the available area has now been pre-sold.

Within the UK 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 of the 2011 edition improved over 2010 for the market leading 'Spectrum' catalogue and we anticipate an increase again in 2012. The Envoy catalogue also showed good results in 2011. Pre-orders are showing good results from the soon to be published 2012 '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.

In the UK, PromoServe performed well following on from the progress made during 2010. Some 2,500 industry customers make use of at least some of the technology range the Group offers.

During the year, Trade Only Inc. was established in California, USA and Trade Only Technical Services Inc. was established in Toronto, the latter to continue the Technologo business acquired in March 2011, which provides virtual sample technology. In May 2011, The Logo Network, a provider of marketing programs and websites to promotional products distributors, was acquired and combined into Trade Only Inc. The two acquisitions helped to establish our presence in the USA market. Significant investment was made during the year in developing the Trade Only VISION® SaaS business management software solution, which has strong links to our PromoServe enterprise software offering.

While market awareness increased during 2011, the product had its mainstream launch at the PPAI Expo Las Vegas in January 2012. Following this, Trade Only was selected in January 2012 by EmbroidMe, the world's leading franchise for embroidered garments and promotional products, to provide our fully integrated point of sale ("POS"), web store, customer relationship manager

("CRM") and order management solution to each of several hundred EmbroidMe franchise stores across the USA, and Canada, with further opportunities in EMEA and Australia to follow. The launch to EmbroidMe franchisees took place at the UFG World Expo in Las Vegas, Nevada on the 16 April 2012 and was well received. Training of their teams has now commenced and we will have first franchisees 'live' before the half-year as planned.

To date, the main focus of our resources and the senior management has been on the promotional product sector, where industry estimates identify some 29,000 distributors 96% of which have sales less than $2.5m annually, and we continue to make excellent progress with new customers for our Trade Only VISION solution being added daily. We are confident that the superior user experience and fully integrated 'Cloud' delivered solution that are benefits of our technology will continue to encourage migration from legacy providers. We are well placed to enjoy growth in subscriber numbers as we roll out our value driven services without the addition of further substantial fixed cost to achieve this.

The similarity in channel marketing between the print and the promotional product sectors encouraged us to integrate with providers of print services that allow online design and ordering, bringing the potential for additional revenue streams such as order throughput rebates. This initiative brings the two markets together for the first time, delivering what we believe will be the first Cloud-based resource that combines print and promotional products in a single shopping solution. By integrating a print solution into our existing Trade Only VISION web store and order management solution, it will allow promotional product distributors easy access to the estimated $40 billion market for on-demand print without the need for additional software or resources.

The print module will be offered as a simple add-on to the existing Trade Only VISION system to promotional resellers, as well as a complete solution for print resellers requiring market-leading functionality. We are working closely with our partners in this area to optimise the integration and user experience for launch during this year.

The senior management team to take the business forward was put in place progressively through the year and was completed by the appointment in April 2012 of Tom Burkholder as the CFO of the North America operations. The clearly defined and measureable plan is for the team to concentrate on growing the revenue base during this year.

Our longer-term plans for the non-industry specific integrated web store through to CRM solution are progressing well, on time and within budget. This solution aimed at the SMB/SME market in the USA and UK respectively will be launched towards the end of the year under the brand Customer Focus and with the domain www.customerfocus.com, We believe that the level of functionality targeted to be offered is substantially superior to any other SaaS solution of a similar price. Our marketing and launch plans are being developed and partnership opportunities being explored. We are also considering how we explore developing a fully transactional marketplace for small businesses that could be seen as a step up for those trading primarily on Amazon and eBay type platforms.

With a target market of in excess of 29 million small business, clubs and associations in North America, it is clear that there is a substantial potential market for our Customer Focus solution. One route to market is by partnering with companies that have a substantial existing customer base and we continue to engage is dialogue with brands and businesses that can assist our growth to be quicker.

Our desire to deliver the optimal customer and user experience led to some delays in the launch of the promotional solution earlier this year. This had a knock on effect but this has now been addressed with the addition of further software engineering resources. These increased resources helped us to remain on plan for delivery of Version 2.0 of the Trade Only VISION solution by the half year for the promotional products solutions as well as to progress the general small business solution to its launch in due course.

Financial review

Results for the year and key performance indicators

Group revenues from the continuing Technology and Information businesses increased by 21% to £3.54m (2010: £2.93m). Gross profits increased by 36% to £2.63m (2010: £1.93m), as gross margins improved to 74.4% from 67.9% in 2010.

The operating loss before amortisation ("LBITA") before non-recurring administrative expenses and share based payment charges was £0.15m (2010: £0.07m). Software development expenditure increased to £0.43m compared with £0.15m in 2010.

Net finance income of £0.15m (2010: £Nil) was principally the result of the interest received on the £4m loan notes receivable outstanding from the sale of the Promotional Marketing Division.

The profit on disposal of the Promotional Marketing Division including its profits generated in the year up to the point of disposal was £314,000.

The principal risks and uncertainties in the business that might bear on its future development and performance are:

- a significant deterioration in economic conditions, particularly in USA affecting SME's, the principal target customers for the Group's technology products.
- significant delays and or cost overruns in developing and delivering products to meet customer requirements in the targeted market sectors.
- predatory pricing or other actions by established competitors in our market sectors.
- a significant, adverse movement in the short-term in the US $ exchange rate.

Corporate activity

In March 2011 the Group acquired the trade and certain assets Technologo for £1.16m and in May 2011 the trade and certain assets of The Logo Network for £0.46m. The businesses were integrated into our North American operations. A total of £1.62m of intangible assets were acquired comprising £0.73m ascribed to customer relationships, £0.60m intellectual property in software technology and £0.29m goodwill.

In July 2011, the Group disposed of the subsidiaries comprising its entire Promotional Marketing Division for a total consideration of £4.63m, of which £4.0m comprised a loan note repayable by 2016 and carrying an 8% coupon.

Taxation

There was a small repayment of corporation tax in the year and the tax credit principally reflects recognition of a deferred tax asset of £96,000 in respect of overseas tax losses carried forward.

Earnings per share

Basic loss per share was 0.58p (2010: earnings per share 1.32p).

Cash flow

The Group has reported a net cash outflow from operations, including that from the disposed of Promotional Marketing Division ("PMD"), of £0.98m (2010: inflow £1.07m), which compares with equivalent pre-tax loss of £0.35m. The principal contributor to the difference was an increase of £0.91m in stocks and debtors of PMD in the period to its disposal.

Free cash flow in the year was an outflow of £1.30m (2010: inflow £0.98m)

A net £0.93m was generated on the sale of PMD, arising from consideration paid and intercompany indebtedness settled less cash at bank, while £1.80m was spent on acquisitions and the settlement of deferred consideration from a previous acquisition and £0.32m spent on the separate purchase of tangible and intangible assets. £0.94m was raised via a share placing in February 2011.

Overall, there was a net decrease in cash of £1.24m in the year resulting in net cash balances at the year-end of £0.29m. Since the year-end in April 2012, £0.25m repayment of the £4m loan note has been received.

Treasury

The Group continues to manage the cash position in a manner designed to meet the operational needs of the businesses. Only modest cash balances are held not in Sterling to minimise the exchange rate risk on these funds. There is no policy to hedge the Group's currency exposures arising from the profit translation or the effect of exchange rate movements on the Group's overseas net assets.

Martin Varley
Chief Executive Officer
14 May 2012

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

Principal activities and review
The Group operates in the UK and North American 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 and 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 12 to 34.

Dividend policy
The payment of dividends will be subject to availability of distributable reserves and having regard to the importance of retaining 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 2011 are set out on page 2. All the Directors except David Dannhauser, who was appointed on 11 May 2011, held office throughout the year. Viv Blumfield resigned on 29 June 2011 and David Smith resigned on 31 October 2011.

Colin Cooke retires by rotation at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election. David Dannhauser, will retire at the Annual General Meeting in accordance with the Articles of Association of the Company and, being eligible, will seek election.

Directors' remuneration and interests
The remuneration of each of the Directors of the Company for the year ended 31 December 2011 and their interests in shares and share options is set out in note 7 on page 22.

Policy on remuneration of Executive Directors and senior executives
The policy of the Remuneration Committee is to provide competitive, market-based packages which encourage and reward performance and in a manner consistent with the long-term interests of the Company and shareholders. Remuneration packages may comprise a basic salary together with benefits-in-kind (such as car allowance and medical insurance), a non-pensionable annual performance bonus, pension benefits based solely on basic salary and, where appropriate, participation in a share incentive plan.

Martin Varley has a service agreement with the Company dated 21 October 2008, which is subject to a 12 months rolling notice period.

Substantial shareholders
The Company is informed that, at 3 April 2011, shareholders holding more than 3% of the Company's issued share capital were as follows:

Substantial shareholders	Number of Shares	% of Issued Share Capital
MR Varley	10,937,559	25.58%
KT Willis	9,940,275	23.25%
Killik and Co LLP	3,111,000	7.28%
Hansa Capital Partners LLP	2,750,000	6.43%
Charles Stanley & Co	2,068,000	4.84%
Octopus Asset Management	1,944,444	4.55%
Six Sis AG	1,716,000	4.01%
Cavendish Asset Management	1,554,506	3.64%

The middle market price of the Company's ordinary shares on 31 December 2011 was 30.0p and the range from 1 January 2010 was 23.0p to 34.75p with an average price of 26.8p.

Corporate Governance
Although companies listed on AIM are not required to comply with the Combined Code on Corporate Governance, the Board is committed to high standards of corporate governance as appropriate to the Company's size and activities.

The Board, which is headed by the Chairman who is non-executive, comprised one other non-executive and one executive member as at 31 December 2011 and at the date of this report. The Board met regularly throughout the year with ad hoc meetings also being held. In the furtherance of their duties on behalf of the Company, the Directors have access to independent professional advice at the expense of the Company.

The Board has established the following committees:

Audit Committee
The Audit Committee, which consists of the two non-executive Directors and is chaired by David Dannhauser, has specific terms of reference and meets with the auditors at least twice a year. The Committee reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies are adopted and internal financial controls and compliance procedures are in place.

Remuneration Committee
The Remuneration Committee, which consists of the two non-executive Directors and is chaired by Colin Cooke is responsible for determining the remuneration arrangements of the Executive Directors, for advising the Board on the remuneration policy for senior executives and invites participation in the Company's long-term incentive shares schemes.

Control environment
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 Directors have established an organisational structure with clear lines of responsibility and delegated authority.

The systems include:

the appropriate delegation of authority to operational management;

the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;

financial reporting, within an established financial planning and accounting framework, including the approval by the Board of the annual budget and regular review by the Board of actual results compared with budgets and forecasts;

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

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and 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. They are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK GAAP).

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 IFRS, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable UK GAAP 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 to safeguarding the assets of the Group and hence for taking such steps as are reasonably open to them 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.

Directors' Report (continued)

Disclosure of information to auditor
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 auditor is unaware; and each Director has taken all the steps that he might reasonably have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern
The Group 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 2012 and outline projections for the subsequent period, 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.

Research and development
The Group expended £431,000 during the year (2010: £147,000) on research and development.

Donations
Charitable donations in the year were £1,200 (2010: £90) provided to local charities. There were no political donations.

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

The Company's policy is to full and fair consideration to applications for employment from disabled persons and to provide training and advancement to disabled employees whenever appropriate. Where existing employees become disabled, suitable continuing employment would, if possible, be found.

Every effort is made to ensure good communication and for managers and supervisors to ensure that employees are made aware of developments within the Group and to encourage employees to present their views and suggestions.

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 22 to the Consolidated Financial Statements.

Directors' indemnities
Qualifying third party indemnity provisions (as defined in section 234(2) of the Companies Act 2006) are in force for the benefit of the Directors.

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 2011 and the amount owed to its trade creditors at 31 December 2011, was 36 days (2010: 41 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 and to ensure compliance with statutory requirements..

Re-appointment of auditor
A resolution to reappoint KPMG Audit Plc as auditor 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 on 12 June 2012 at Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR and your attention is drawn to the notice of meeting set out on page 42.

By Order of the Board

David Dannhauser
Company Secretary
14 May 2012

Independent Auditor's Report to the Members of Altitude Group plc

We have audited the financial statements of Altitude Group plc for the year ended 31 December 2011, set out on pages 12 to 41. 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 9, 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 2011 and of the Group's loss 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
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14 May 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Note	**2011** **£000**	2010 £000 *Restated*
Revenue			
- continuing		**3,539**	2,934
Cost of sales		**(905)**	(941)
Gross profit		**2,634**	1,993
Administrative costs		**(3,457)**	(2,122)
Operating loss before amortisation of intangible assets, non-recurring administrative expenses and share based payment charges		**(145)**	(68)
Amortisation of intangible assets		**(249)**	(6)
Non-recurring administrative expenses	6	**(428)**	-
Share based payment charges		**(1)**	(55)
Operating loss		**(823)**	(129)
Finance income	10	**152**	-
Finance expenses	10	**(1)**	-
Loss before taxation		**(672)**	(129)
Taxation	11	**116**	-
Loss from continuing operations		**(556)**	(129)
Profit from discontinued operations	5	**314**	634
(Loss)/profit attributable to the equity shareholders of the Company		**(242)**	505
Loss/(earnings) per ordinary share attributable to the equity shareholders of the Company:			
- Basic	12	**(0.58)p**	1.32p
- Diluted	12	**(0.58)p**	1.31p

Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital **£000**	**Share premium** **£000**	**Retained earnings** **£000**
At 1 January 2010	153	5,293	(1,029)
Result for the period	-	-	505
Share based payment charges	-	-	61
At 31 December 2010	153	5,293	(463)
New shares issued	18	921	-
Result for the period	-	-	(242)
Foreign exchange difference	-	-	(15)
Share based payment charges	-	-	12
At 31 December 2011	**171**	**6,214**	**(708)**

Consolidated Balance Sheet

as at 31 December 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant & equipment	13	**136**	253
Intangible assets	14	**1,332**	128
Goodwill	14	**564**	2,550
Long-term receivable	15	**4,000**	-
Deferred tax	20	**90**	-
		6,122	2,931
Current assets			
Inventories	16	-	1,284
Trade and other receivables	17	**1,125**	3,110
Cash and cash equivalents	18	**294**	1,533
		1,419	5,927
Total assets		**7,541**	8,858
Current liabilities			
Trade and other payables	19	**(1,864)**	(3,875)
Total liabilities		**(1,864)**	(3,875)
Net assets		**5,677**	4,983
Equity attributable to equity holders of the Company			
Called up share capital	21	**171**	153
Share premium account	21	**6,214**	5,293
Retained earnings	21	**(708)**	(463)
Total equity		**5,677**	4,983

The financial statements on pages 12 to 34 were approved by the Board of Directors on 14 May 2012 and signed on its behalf by:

Martin Varley
Chief Executive Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	2011 £000	2010 £000
Operating activities		
(Loss)/profit for the period	**(242)**	505
Amortisation of intangible assets	**273**	36
Depreciation	**41**	287
Profit on disposal of tangible fixed assets	**-**	(7)
Loss on disposal of discontinued operations	**10**	-
Net finance (credit)/charge	**(147)**	6
Net foreign exchange losses	**2**	-
Corporation tax credit	**(116)**	-
Share based payment charges	**11**	61
Operating cash (outflow)/inflow before changes in working capital	**(168)**	888
Movement in inventories	**(570)**	128
Movement in trade and other receivables	**(679)**	(198)
Movement in trade and other payables	**276**	251
Operating cash (outflow)/inflow from operations	**(1,141)**	1,069
Interest received	**152**	-
Interest paid	**(5)**	(6)
Income tax received	**14**	-
Net cash flow from operating activities	**(980)**	1,063
Investing activities		
Purchase of plant and equipment	**(115)**	(92)
Purchase of intangible assets	**(203)**	-
Acquisition of subsidiary and business undertakings	**(1,622)**	(129)
Disposal of plant and equipment	**-**	7
Payment of deferred consideration	**(176)**	(50)
Disposal of subsidiary undertakings	**928**	-
Net cash flow from investing activities	**(1,188)**	(264)
Financing activities		
Issue of new ordinary shares	**939**	-
Repayment of obligations under finance leases	**(9)**	(39)
Net cash flow from financing activities	**930**	(39)
Net increase in cash and cash equivalents	**(1,238)**	760
Cash and cash equivalents at the beginning of the year	**1,533**	773
Effect of exchange rate fluctuations on cash held	**(1)**	-
Cash and cash equivalents at the end of the year	**294**	1,533

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 2011 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.

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 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 2012.

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

Going concern

The financial statements have been prepared on a going concern basis. The current economic conditions create uncertainty particularly over the level of demand for products and over the availability of finance which the Directors are mindful of.

The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and the Directors have considered this when preparing these financial statements. These have been prepared on a going concern basis, notwithstanding the loss for the period ended 31 December 2011. The Directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate, and that the carrying value of intangibles remains supported by future cash flows. The key conclusions are summarised below

- The Directors have prepared sensitised cash flow forecasts extending to June 2013. These show that the Group has sufficient funds available to meet its trading requirements.
- The Group's year to date financial performance is materially in line with this budget cumulatively.
- The Group does not have external borrowings or any covenants based on financial performance.
- The Directors have considered the position of the individual trading companies in the Group to ensure that these companies are also in a position to continue to meet their obligations as they fall due.
- The markets in which the business operates are not considered to be at significant risk due to the ongoing global economic recession.
- There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.

Following this assessment, the Directors have reasonable expectation that the Group has adequate resources to continue for the foreseeable future and that carrying values of intangible assets are supported. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

1 Accounting policies (continued)

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:

Intellectual property	– Up to 5 years
Customer relationships	– 3-5 years

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.

1 Accounting policies (continued)

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 provided 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

Following the disposal of the Promotional Marketing business, the Group is organised into one main business segment:

provision of enterprise management software and the provision of information and exhibitions to the promotional products industry ("Technology and Information").

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors.

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 Chief Executive Officer, who is regarded as the Chief Operating Decision Maker ("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 has been applied to aggregate operating segments on the grounds of similar economic characteristics. This position will be monitored as the Group develops.

1 Accounting policies (continued)

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 at the time of expenditure 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;

the way 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.

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.

1 Accounting policies (continued)

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 Envoy Catalogue, Versatilia, Technologo and The Logo Network 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 between three and five years. As such, customer related intangibles were recognised at the date of each acquisition and are 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 to five year period.

Intellectual property – at the time of the business combinations of Technologo the acquired business had intellectual property in proprietary software. The Directors consider that this intellectual property was of value to the Group at the date of acquisition, and hence was an intangible asset. The value of this intellectual property was estimated at the time of acquisition and was estimated to have a useful life of at least five years. As such, intellectual property intangibles were recognised at the date of acquisition and are being amortised over a five year period from the date of acquisition. Further, this type of intellectual property intangible asset has an associated deferred tax liability which is being released to the profit

2 Segmental information

The segmental results are as follows:

	2011 £000	2010 £000
Turnover		
Promotional Marketing	-	15,640
Technology & Information	**3,539**	2,934
Inter-group trading	-	(530)
	3,539	18,044
Operating profit before amortisation of intangible assets, non-recurring items and share based payments		
Promotional Marketing	-	876
Technology & Information	**555**	693
Central operations	**(700)**	(761)
	(145)	808
Operating (loss)/profit		
Promotional Marketing	**-**	640
Technology & Information	**(8)**	683
Central operations	**(815)**	(812)
	(823)	511
Depreciation		
Promotional Marketing	**-**	233
Technology & Information	**33**	53
Central operations	**-**	1
	33	287
Amortisation		
Promotional Marketing	**-**	30
Technology & Information	**249**	6
Central operations	**-**	-
	249	36

2 Segmental information (continued)

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 2011 and capital expenditure for the year then ended are as follows:

	2011 **£000**	2010 £000
Assets		
Promotional Marketing	**-**	6,885
Technology & Information	**3,531**	1,418
Central operations	**4,010**	555
	7,541	8,858
Liabilities		
Promotional Marketing	**-**	2,217
Technology & Information	**1,725**	1,520
Central operations	**139**	138
	1,864	3,875
Capital expenditure		
Promotional Marketing	**-**	47
Technology & Information	**1,940**	42
Central operations	**-**	3
	1,940	92

3 Acquisitions

In April 2011 the Group completed, with effect from 1 March 2011, the acquisition of the business and assets of Technologo from Landmark Corporate Marketing Services Ltd for a cash consideration of US$1,880,000

In May 2011, the Group acquired the business assets of The Logo Network for a cash consideration of US$750,000.

The fair values of these acquisitions can be summarised as follows:

Analysis of fair value of acquisitions

	Technologo £000	The Logo Network £000	Total £000
Intangible assets	867	462	1,329
Net identified assets and liabilities	867	462	1,329
Goodwill on acquisition	293	-	293
	1,160	462	1,622
Satisfied by :			
Cash payments	1,160	462	1,622

4 Disposals

Following approval by shareholders at the General Meeting held on 12 July 2011, the Group completed the disposal of its Promotional Marketing Division to Stridage Limited.

Consideration receivable under the Sale and Purchase Agreement is £4.72 million, as follows:

- Cash received on completion of £635,000; and
- The issue of secured 2016 Loan Notes, of £4,000,000 (annual interest of the higher of 8 per cent. and two per cent. above Base Rate, payable monthly).

Additionally, repayment of amounts due to the Company in aggregate of £1,547,000 was made on completion.

The profit from discontinued operations is stated after disposal expenses of £262,000 and takes account of an operating profit of the disposed operations in the period to completion of £324,000, details of which are set out in note 5.

5 Results of discontinued operation

for the period until disposal

	2011 £000	2010 £000
Revenue	**6,649**	15,110
Cost of sales	**(4,620)**	(10,429)
Gross profit	**2,029**	4,681
Administrative costs	**(1,701)**	(4,041)
Operating profit	**328**	640
Finance income	**-**	-
Finance expenses	**(4)**	(6)
Profit before taxation	**324**	634
Taxation	**-**	-
Profit from operating activities net of tax	**324**	634
Loss on sale of discontinued operation	**(10)**	-
Profit for the year	**314**	634
Earnings per ordinary share attributable to the equity shareholders of the Company :		
- Basic	**0.76p**	1.66p
- Diluted	**0.76p**	1.64p

	2011 £000	2010 £000
Cash flows from/(used in) discontinued operations		
Net cash used (in)/from operating activities	**(279)**	533
Net cash used in investing activities	**-**	(122)
Net cash used in financing activities	**(9)**	(33)
	(288)	378

	2011 £000
Effect of disposal on the financial position of the Group	
Property, plant and equipment	(199)
Intangible assets	(2,334)
Inventories	(1,860)
Trade and other receivables	(2,980)
Cash and cash equivalents	(992)
Trade and other payables	2,379
Net assets	(5,986)
Consideration received, satisfied in cash	2,182
Disposal expenses	(262)
Cash and cash equivalents disposed of	(992)
Net cash inflow	928

6 Non-recurring administrative expenses

	Note	**2011 £000 (continuing)**	**2011 £000 (discontinued)**	2010 £000 (continuing)	2010 £000 (discontinued)
Damaged stock		-	**-**	-	200
Legal costs re licensing dispute	a	**162**	**-**	-	-
Acquisition legal expenses		**25**	**-**	-	-
USA business set-up costs		**126**	**-**	-	-
Employment termination costs	b	**36**	**-**	-	-
Non-recurring employment costs	c	**79**	**-**	-	-
		428	**-**	-	200

Notes:

a. Costs related to successfully defending a claim by Advertising Specialty Institute. Inc. in respect of a licensing dispute arising from the Technologo acquisition.

b. Costs incurred in relation to termination of employment

c. Non-recurring remuneration costs of people who left the business in 2011, and therefore will no longer be incurred.

7 Employees

	2011 £000 (continuing)	**2011 £000 (discontinued)**	2010 £000 (continuing)	2010 £000 (discontinued)
Staff costs :				
- Wages and salaries	**1,504**	**1,017**	1,046	2,272
- Social security costs	**135**	**91**	102	222
- Other pension costs	**44**	**30**	32	91
- Share based payments	**11**	**1**	26	35
	1,694	**1,139**	1,206	2,620
Average number of employees (including directors) during the year				
- Promotional Marketing	**-**	**51**	-	103
- Technology & Information	**33**	**-**	24	-
	33	**51**	24	103

Directors' remuneration and interests

The emoluments of the Directors for the year, excluding share options, were

	Basic salary £000	Fees paid to 3rd parties for services £000	Bonus paid £000	Pension £000	Benefits in kind £000	**Total 2011 £000**	Total 2010 £000
Non-executive Directors							
Colin Cooke	-	25	-	-	-	**25**	30
David Dannhauser[1]	-	19	-	-	-	**19**	-
Keith Willis[4]	9	-	-	-	5	**14**	24
Barry Fielder[4]	8	3	-	-	-	**11**	20
Executive Directors							
Martin Varley	165	-	47	14	16	**242**	155
David Smith[2]	70	-	26	3	6	**105**	81
Viv Blumfield[3]	32	-	-	2	4	**38**	81
	284	47	73	19	31	**454**	391

1 – From date of appointment on 11 May 2011.
2 – Until date of resignation on 31 October 2011. David Smith also received £23,000 compensation on termination of his employment.
3 – Until date of resignation on 29 June 2011. Viv Blumfield also received £40,000 compensation on termination of her employment.
4 – Until date of resignation on 11 May 2011.

7 Employees (continued)

Directors' interests in shares

The beneficial interests of Directors in the ordinary shares of 0.4p each as at 31 December in each year were as follows:

	2011 Number of Shares	2010 Number of Shares
Non-executive Directors		
CI Cooke[1]	**96,000**	96,000
DS Dannhauser[2]	-	-
Executive Directors		
MR Varley	**10,937,559**	10,937,559

1 – CI Cooke holds 40% of the share capital of a Company which owned 552,000 shares at 31 December 2011 (2010: 552,000)
2 – On 11 May 2011, the date of appointment

There have been no changes in the above Directors' interests since the end of the year.

None of the Directors had any interest in the share capital of any subsidiary undertaking of the Company at any time during the year.

Directors' interests in share options in the Executive Share Option Schemes

David Smith exercised his interest in 555,556 options over the share capital of the Company following his resignation on 31 October 2011 at an exercise price of 9p per share. No other Director held during the year or has currently an interest in any option over the share capital of the Company.

Directors' interests in contracts

There are no contracts between the Company and its subsidiary undertakings and any of the Directors.

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

8 Share based payments

The Group operates an Inland Revenue approved enterprise management incentives and unapproved share option scheme (EMI scheme) and a savings related share option scheme (SAYE scheme). The schemes award share options to Executive Directors, senior executives and employees with a vesting period of three years and EMI options may be subject to performance conditions.

Options existing during the year granted under the EMI scheme are set out below.

Grant date	Employees entitled	Number of options	Exercise price (p)	Expiry date
10 July 2008	3	66,000	0.4	Lapsed during year
9 July 2010	1	555,556	9.0	Exercised during year
30 December 2011*	10	1,450,000	0.4	30 December 2016

* Exercisable provided average share price for the 30 days prior to exercise exceeds 27p.

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

	Weighted average exercise price 2011 (p)	Number of options 2011	Weighted average exercise price 2010 (p)	Number of options 2010
Outstanding at start of year	8.1	621,556	0.4	476,000
Granted during the year	0.4	1,450,000	9.0	555,556
Lapsed during the year	0.4	(66,000)	0.4	(410,000)
Forfeited during the year	-	-	-	-
Exercised during the year	9.0	(555,556)	-	-
Outstanding at end of the year	0.4	1,450,000	8.1	621,556
Exercisable at end of the year	-	-	-	-

8 Share based payments (continued)

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. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted during 2011 and 2010 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

	2011	2010
Fair value at measurement date (pence)	**29.7p**	6.0p
Share price at grant date (pence)	**30.0p**	9.0p
Exercise price (pence)	**0.4p**	9.0p
Expected volatility (%)	**40.7%**	65.3%
Average option life (year)	**5.0**	8.0
Expected dividend (%)	**-**	-
Risk free interest rate (%)	**3%**	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:

	2011	2010
	£000	£000
Share based payment charges	**12**	61

Options existing during the year granted under the SAYE scheme are set out below.

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

	Weighted average exercise price 2011 (p)	**Number of options 2011**	**Weighted average exercise price 2010 (p)**	**Number of options 2010**
Outstanding at start of year	**15.0**	**398,513**	15.0	398,513
Granted during the year	-	-	-	-
Lapsed during the year	**15.0**	**(58,104)**	-	-
Forfeited during the year	**-**	-	-	-
Exercised during the year	**15.0**	**(170,829)**	-	-
Outstanding at end of the year	**15.0**	**169,580**	15.0	398,513
Exercisable at end of the year	-	-	-	-

9 Operating (loss)/profit

	2011 £000 (continuing)	2011 £000 (discontinued)	2010 £000 (continuing)	2010 £000 (discontinued)
Operating (loss)/profit is stated after charging / (crediting) :				
Depreciation of owned property, plant and equipment	**33**	**8**	54	213
Depreciation of property, plant and equipment held under hire purchase contracts	-	**-**	-	20
Amortisation of intangible assets	**249**	**24**	6	30
Profit on disposal of fixed assets	-	**-**	(7)	-
Research and development expenditure expensed as incurred	**431**	**-**	147	-
Operating lease rentals :				
- Land and buildings	**131**	**63**	131	192
- Other	**12**	**14**	-	43
Loss/(profit) on currency translation	**2**	**(7)**	-	19
Auditors' remuneration:				
Audit of the Company's annual financial statements	**12**	**-**	12	-
Amounts receivable by auditors and their associates in respect of:				
- Audit of financial statements of subsidiaries pursuant to legislation	**32**	**-**	10	17
- Other services relating to taxation	**14**	**-**	12	27

10 Finance income/(expense)

Finance income	2011 £000 (continuing)	2011 £000 (discontinued)	2010 £000 (continuing)	2010 £000 (discontinued)
Other interest receivable	**152**	**-**	-	-

Finance expense	2011 £000 (continuing)	2011 £000 (discontinued)	2010 £000 (continuing)	2010 £000 (discontinued)
Bank interest expense	**1**	**4**	-	2
Interest expense on hire purchase contracts	**-**	**-**	-	4
	1	**4**	-	6

11 Taxation

Recognised in the income statement

	2011 **£000**	2010 £000
Current tax credit		
Current year	**(15)**	-
Deferred tax origination and reversal of timing differences	**(101)**	-
Total tax in income statement	**(116)**	-

Reconciliation of effective tax rate

	2011 **£000**	2010 £000
(Loss)/profit before tax for the period	**(358)**	505
Tax using the UK corporation tax rate of 26.5% (2010: 28%)	**(87)**	141
Non-deductible expenses	**30**	27
Utilisation of losses	**(11)**	(168)
Tax rate differences	**6**	-
Profits in disposed of entities not taxable	**(83)**	-
Adjustment in respect of previous years	**(15)**	-
Other differences	**44**	-
Total tax credit	**(116)**	-

12 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.

	2011	2010
(Loss)/earnings (£000)	**(242)**	505
Weighted average number of shares (number '000)	**41,563**	38,203
Fully diluted average number of shares (number '000)	**41,571**	38,573
Basic (loss)/earnings per ordinary share (pence)	**(0.58)p**	1.32p
Diluted (loss)/earnings per ordinary share (pence)	**(0.58)p**	1.31p

13 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2010	166	677	823	28	1,694
Additions	-	25	60	7	92
Disposals	-	-	(24)	-	(24)
At 31 December 2010	166	702	859	35	1,762
Additions	-	-	115	-	115
Subsidiaries disposed	(166)	(702)	(556)	(35)	(1,459)
At 31 December 2011	-	-	418	-	418
Depreciation					
At 1 January 2010	67	535	623	21	1,246
Charge for the year	41	80	163	3	287
Disposals	-	-	(24)	-	(24)
At 31 December 2010	108	615	762	24	1,509
Charge for the year	-	-	33	-	33
Subsidiaries disposed	(108)	(615)	(513)	(24)	(1,260)
At 31 December 2011	-	-	282	-	282
Net book value					
At 1 January 2010	99	142	200	7	448
At 31 December 2010	58	87	97	11	253
At 31 December 2011	**-**	**-**	**136**	**-**	**136**

Included in the net book value of plant and machinery is £nil (2010: £39,000) relating to assets under hire purchase contracts. The depreciation charged on these assets during the year ended 31 December 2011 was £nil (2010: £20,000).

14 Intangible assets

	Goodwill £000	Customer related intangibles £000	Intellectual Property £000	Total £000
Cost				
At 1 January 2010	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
Additions	-	-	203	203
Acquisition through business combinations	293	725	604	1,622
Eliminated on disposal of subsidiaries	(2,524)	(432)	-	(2,956)
At 31 December 2011	918	780	807	2,505
Amortisation and impairment				
At 1 January 2010	599	323	-	922
Amortisation for the year	-	36	-	36
At 31 December 2010	599	359	-	958
Amortisation for the year	-	173	100	273
Eliminated on disposal of subsidiaries	(245)	(377)	-	(622)
At 31 December 2011	354	155	100	609
Carrying amounts				
At 1 January 2010	2,621	110	-	2,731
At 31 December 2010	2,550	128	-	2,678
At 31 December 2011	**564**	**625**	**707**	**1,896**

Amortisation charges are included within administrative costs

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

	2011 **£000**	2010 £000
Goodwill		
Envoy Catalogue	**192**	192
Promoserve Business Systems	**79**	79
Trade Only/Technologo	**293**	-
Dowlis Corporate Solutions	**-**	1,522
Ross Promotional Products	**-**	488
Distinctive Ideas	**-**	94
Silent Kite	**-**	175
Carrying amounts as at 31 December	**564**	2,550
Intellectual property		
Trade Only/Technologo	**707**	-
Carrying amounts as at 31 December	**707**	-
Customer related intangibles		
Versatilia	**37**	48
Technologo	**223**	-
The Logo Network	**365**	-
Silent Kite	**-**	80
Carrying amounts as at 31 December	**625**	128

14 Intangible assets (continued)

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value in use calculations derived from discounted cash flow projections based on budgets and strategic plans covering a three year period, followed by an extrapolation of expected cash flows at a constant growth rate of 3% (2010: 3%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. For those intangibles with a lesser business risk associated with them, the discount rate applied was 7.5% (2010: 7.5%), which the Directors deem to be a market adjusted pre-tax weighted average cost of capital. For those intangibles, acquired during the year, where the strategic plans have a greater associated business risk the discount rate applied was 15.0%. These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. The value in use calculations did not identify any impairment compared to the CGU carrying value.

The cumulative impairment charge recognised to date is £354,000 (2010: £354,000)

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.

15 Long-term receivable

	2011	2010
	£000	£000
2016 Loan note receivable	**4,000**	-

16 Inventories

	2011	2010
	£000	£000
Finished product	**-**	1,219
Work in progress	**-**	65
	-	1,284

Inventories are stated net of an impairment provision of £nil (2010: £218,000). The cost of inventories charged to cost of sales was £nil (2010: £10,112,000).

17 Trade and other receivables

	2011	2010
	£000	£000
Trade receivables (net of impairment of £7,000 (2010: £34,000))	**979**	2,830
Other receivables	**26**	50
Prepayments and accrued income	**120**	230
	1,125	3,110

Trade and other receivables denominated in currencies other than sterling comprise £235,000 (2010: £71,000) of trade receivables denominated in US dollars and £1,000 (2010: £95,000) 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:

	2011	2010
	£000	£000
Not Overdue	**175**	1,231
Under 30 days overdue	**508**	933
Over 30 days but under 60 days overdue	**86**	632
Over 60 days overdue	**210**	34
	979	2,830

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

18 Cash and cash equivalents

	2011 **£000**	2010 £000
Cash and cash equivalents	**294**	2,151
Bank overdrafts	**-**	(618)
	294	1,533

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £101,000 (2010: £60,000) denominated in US dollars, £24,000 (2010: £nil) denominated in Canadian dollars and £60,000 (2010: £59,000) denominated in Euros.

19 Trade and other payables

	2011 **£000**	2010 £000
Current		
Trade payables	**239**	1,494
Hire purchase agreements	**-**	8
Other taxes and social security	**79**	279
Other creditors	**-**	16
Deferred consideration	**-**	176
Accruals and deferred income	**1,546**	1,902
	1,864	3,875

Trade and other payables denominated in currencies other than sterling comprise £224,000 (2010: £20,000) of trade payables denominated in US dollars and £nil (2010: £38,000) of trade payables denominated in Euros.

20 Deferred tax (assets)/liabilities

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

	2011 **£000**	2010 £000
Customer related intangibles	**10**	36
Accelerated capital allowances	**(4)**	(36)
Losses	**(96)**	-
	(90)	-

Movement in deferred tax year ended 31 December 2011

	As at 1 January 2011 £000	Income statement £000	Eliminated on Disposal £000	**As at 31 December 2011 £000**
Customer related intangibles	**36**	(5)	(21)	**10**
Accelerated capital allowances	**(36)**	-	32	**(4)**
Losses	**-**	(96)	-	**(96)**
	-	(101)	11	**(90)**

21 Share capital and reserves

	2011	2010
	£000	£000
Authorised :		
- 100,000,000 Ordinary shares of 0.4p each	**400**	400

	2011	2010
	£000	£000
Allotted, called up and fully paid		
- 42,709,121 Ordinary shares of 0.4p each (2010: 38,203,480)	**171**	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 2011, the Group's strategy, which was unchanged from 2010, was to keep debt to a minimum. Net cash at 31 December 2011 was £294,000 (2010: net cash £1,533,000).

Share option schemes

Executive and employee share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a savings related share option scheme (SAYE scheme). Details are set out in note 8. The schemes award share options to Executive Directors, senior executives and employees with a vesting period of three years Under the EMI scheme, 1,450,000 (2010: 555,556) options in ordinary shares have been granted during the year and under the SAYE scheme nil (2010: Nil) options over ordinary shares have been granted during the year.

Arrangement with shareholders

In addition, an arrangement exists whereby certain employees have an option to acquire 522,500 (2010: 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 2009	153	5,293	(1,029)
Result for the period	-	-	505
Share based payment charges	-	-	61
At 31 December 2010	153	5,293	(463)
New shares issued	18	921	-
Result for the period	-	-	(242)
Foreign exchange difference	-	-	(15)
Share based payment charge	-	-	12
At 31 December 2011	**171**	**6,214**	**(708)**

22 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 ongoing 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

	2011	2010
	£000	£000
Loans and receivables :		
Trade receivables	**979**	2,830
Other receivables and accrued income	**145**	280
Cash at bank	**294**	2,151
Loan notes 2016	**4,000**	-
	5,418	5,261

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 2011 was 0.3%.

Interest on the 2016 loan notes is the higher of 8 per cent. and two per cent. above Base Rate, receivable monthly.

22 Financial instruments disclosure (continued)

Financial liabilities

	2011	2010
	£000	£000
Other financial liabilities :		
Trade payables	**239**	1,494
Other short term liabilities	**1,625**	2,197
Bank overdraft – see above	**-**	618
Hire purchase agreements	**-**	8
Contingent consideration	**-**	176
	1,864	4,493

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 £101,000 (2010: £60,000) which is denominated in US dollars, £24,000 (2010: £nil) which is denominated in Canadian Dollars and £60,000 (2010: £59,000) which is denominated in Euros; of trade receivables of £235,000 (2010: £71,000) which is denominated in US dollars and of £1,000 (2010: £95,000) which is denominated in Euros; and of other financial liabilities of £224,000 (2010: £20,000) which is denominated in US dollars and of £nil (2010: £38,000) which is denominated in Euros.

Maturity profile of financial liabilities

	2011	2010
	£000	£000
Due within one year or on demand	**1,864**	4,493
	1,864	4,493

Fair value of financial instruments

At 31 December 2011 the difference between the book value and the fair value of the Group's financial assets and liabilities was £nil (2010: £nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2011.

Borrowing facilities

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

	2011	2010
	£000	£000
Undrawn sterling facilities	**-**	850

23 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2011 or 31 December 2010.

(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:

	Land and buildings £000	**2011 Other £000**	Land and buildings £000	2010 Other £000
In respect of leases expiring				
- In one year	**-**	**1**	-	24
- In two and five years	**125**	**-**	381	5
- In more than five years	**-**	**-**	659	-
	125	**1**	1,040	29

24 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 £33,000 (2010: £123,000).

25 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £nil (2010: £205,000).

26 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.

Save in respect of their emoluments arrangements with the Company, which are detailed in note 7, the Directors had no material transactions with the Company during the year.

Company balance sheet

At 31 December 2011

	Note	2011 £000	2010 £000
Fixed assets			
Tangible fixed assets	29	**-**	3
Investments	30	**589**	2,266
		589	2,269
Current assets			
Debtors	31	**1,678**	3,873
Debtor due after more than one year	32	**4,000**	-
		5,678	3,873
Creditors – amounts falling due within one year	33	**(290)**	(3,082)
Net current assets		**5,388**	791
Net assets		**5,977**	3,060
Capital and reserves			
Called up share capital	34	**171**	153
Share premium account	35	**6,214**	5,293
Profit and loss account	35	**(408)**	(2,386)
Shareholders' funds		**5,977**	3,060

The balance sheet was approved by the Board of Directors on 14 May 2012 and signed on its behalf by:

Martin Varley – Chief Executive Officer

Company Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2011

	2011 £000	2010 £000
Profit/(loss) for the financial year	**1,966**	(52)
New shares issued	**939**	-
Charge in relation to share based payment	**12**	61
Net addition to shareholders' funds	**2,917**	9
Opening shareholders' funds	**3,060**	3,051
Closing shareholders' funds	**5,977**	3,060

Notes to the Company Balance Sheet

26 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.

27 Operating costs

The audit fee for the Company was £12,000 (2010: £12,000). Other fees payable to the auditors and their associates for corporation tax services were £2,000, (2010: £2,000).

28 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed note 7 on page 22.

29 Tangible fixed assets

	Fixtures and fittings £000
Cost	
At 1 January 2011	8
At 31 December 2011	8
Depreciation	
At 1 January 2011	5
Charge for the year	3
At 31 December 2011	8
Net book value	
At 31 December 2011	-
At 1 January 2011	3

30 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2011	2,584
Disposal of subsidiaries	(1,677)
At 31 December 2011	907
Impairment	
At 1 January 2011 and at 31 December 2011	318
Net book value	
At 31 December 2011	589
At 1 January 2011	2,266

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
Trade Only Limited[1]	England and Wales	Sale of software and marketing services	Ordinary	100%
Promoserve Business Systems Limited	England and Wales	Sale of software and marketing services	Ordinary	100%
Trade Only Incorporated	United States of America	Sale of software and marketing services	Ordinary	100%
Trade Only Technical Services Limited[1]	Canada	Sale of software and marketing services	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

31 Debtors

	2011	2010
	£000	£000
Other debtors	**9**	15
Amounts owed by subsidiary undertakings	**1,669**	3,858
	1,678	3,873

32 Debtors due after more than one year

	2011	2010
	£000	£000
2016 Loan note receivable	**4,000**	-

33 Creditors: Amounts falling due within one year

	2011	2010
	£000	£000
Bank overdrafts	**152**	415
Trade creditors	**26**	24
Other creditors	**1**	-
Accruals and deferred income	**111**	167
Deferred consideration	**-**	176
Amounts owed to subsidiary companies	**-**	2,300
	290	3,082

34 Share capital

	2011	2010
	£000	£000
Authorised :		
- 100,000,000 Ordinary shares of 0.4p each (2008: 100,000,000)	**400**	400

	2011	2010
	£000	£000
Allotted, called up and fully paid		
- 42,709,121 Ordinary shares of 0.4p each (2010: 38,203,480)	**171**	153

35 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2011	5,293	(2,386)
New shares issued	921	-
Profit for the period	-	1,966
Share based payment charges (see note 8)	-	12
At 31 December 2011	**6,214**	**(408)**

36 Commitments

(a) Capital commitments

The Company had no capital commitments existing at 31 December 2011 or 31 December 2010.

(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:

		2011		2010
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
In respect of leases expiring				
- In one year	**-**	**1**	-	-
- In two and five years	**-**	**-**	-	-
- In more than five years	**-**	**-**	-	-
	-	**1**	-	-

37 Contingent liabilities

The Company has guaranteed the bank overdrafts of certain of its subsidiary undertakings at 31 December 2011 of £nil (2010: £205,000).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Altitude Group Plc (the "Company") will be held at Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR on 12 June 2012 at 11:00am for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions number 1-5 will be proposed as Ordinary Resolutions and Resolutions 6 and 7 will be proposed as Special Resolutions.

ORDINARY BUSINESS

1. To receive the Company's annual accounts for the financial year ended 31 December 2011 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts.
2. To re-elect Colin Cooke, who retires by rotation, as a director of the Company.
3. To elect David Dannhauser, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
4. To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

5. Authority to allot shares

THAT, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 551 Companies Act 2006 (the "Act"):

(a) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as "Relevant Securities") up to an aggregate nominal value of £56,999.82 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the Articles of Association of the Company); and further

(b) to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £56,999.82 in connection with an offer of such securities by way of a rights issue,

PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2013, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities or equity securities (as the case may be) to be allotted after the expiry of such period and the Directors of the Company may allot Relevant Securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

"Rights issue" means an offer of equity securities to holders of ordinary shares in the capital of the Company on the register on a record date fixed by the Directors in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or any other matter.

6. Disapplication of pre-emption rights

THAT, subject to and conditional upon the passing of the resolution numbered 5 in the notice convening the meeting at which this resolution was proposed, the Directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash as if section 561 of the Act did not apply to any such allotment provided that this authority and power shall be limited to the allotment of equity securities:

(a) in connection with a rights issue (as defined in resolution 5 above); and

(b) otherwise than pursuant to sub-paragraph 6(a) above up to an aggregate nominal amount of £17,099.94,

and shall, unless previously renewed, varied or revoked by the Company in a general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2013, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

7. Purchase of the Company's own shares

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 639(4) of the Act) of ordinary shares of 0.4 pence each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit up to an aggregate nominal amount of £17,099.94 at a price per share (exclusive of expenses) of not less than 0.4 pence and not more than the higher of: (a) 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003,

provided that this authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2013, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is made pursuant to a contract concluded by the Company before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

BY ORDER OF THE BOARD
D.S. Dannhauser
Secretary
14 May 2012

REGISTERED OFFICE:
Altitude Group plc
Unit 4, Rhodes Business Park,
Silburn Way, Middleton,
Manchester M24 4NE.

NOTES:

1. A member of the Company entitled to attend and vote at the AGM convened by this notice may appoint one or more proxies (who need not be members of the Company) to exercise any of these rights on his behalf (although two proxies of the same individual member may not both count towards a quorum). If a member appoints more than one proxy, each proxy must exercise the rights attached to different shares. The appointment of a proxy will not preclude a member for attending and/or voting at the meeting should he subsequently decide to do so.
2. A proxy form is enclosed. To be effective, an instrument appointing a proxy must be returned so as to reach the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR at least 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR (whose CREST ID is 7RA11) by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any corporation which is a member of the Company may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A certified copy of the board resolution of the corporation appointing the relevant persons as the representatives must be deposited at the office of the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR, prior to the commencement of the meeting.
5. As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 6:00pm on 8 June 2012 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of Directors' service contracts and letters of appointment will be available for inspection at the Registered Office during normal business hours until the conclusion of the AGM and at the place of the AGM 15 minutes prior to and until its conclusion.

EXPLANATORY NOTES

Resolution 5 – Directors' power to allot Relevant Securities
Under section 551 of the Act, Relevant Securities may only be issued with the consent of the Company's members, unless the members pass a resolution generally authorising the directors to issue shares without further reference to the members. This resolution authorises the general issue of shares up to an aggregate nominal value of £56,031.30, which is equal to 1/3rd of the nominal value of the current ordinary share capital of the Company. Such authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2013.

Resolution 6 – Disapplication of pre-emption rights on equity issues for cash
Section 561 of the Act requires that a company issuing shares for cash (other than pursuant to an employee share scheme) must first offer them to existing members following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes in limited circumstances that statutory procedure as far as rights issues are concerned. It also enables the directors to allot shares up to an aggregate nominal value of £8,549.97, which is approximately 5% of the nominal value of the current issued ordinary share capital of the Company, subject to resolution 5 being passed. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2013.

Resolution 7 – Purchase of own shares
This resolution enables the Company to buy-in its own shares up to £17,099.94, which is approximately 10% of the nominal value of the current issued ordinary share capital of the Company at, or between, the minimum and maximum prices set out in the resolution. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the authority will expire on the earlier of conclusion of the next annual general meeting of the Company and 30 September 2013.

Altitude Group plc

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Unit 4, Rhodes Business Park, Silburn Way, Middleton, Manchester M24 4NE