Altitude Group PLC

Registered number 05193579

Annual Report 2017

ALTITUDE
GROUP PLC

Contents

Directors & Advisers

Directors

Martin Varley (President)[1,2]
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has almost 30 years' experience in the marketing services industry and has gained an extensive knowledge of the supply chain, technology adoption and marketing disciplines of the market.

Peter Hallett (Executive Chairman) [1,2]
Peter joined the board in April 2015, is an experienced public company director, and was until early 2014 Group Chief Financial Officer of Castleton Technology plc ("Castleton"), the AIM-quoted infrastructure and network managed services provider. Castleton was previously named Redstone plc ("Redstone"), from which Redcentric plc was demerged in April 2013. In addition Peter was previously finance director of Texas Homecare and First Quench.

Nichole Stella (Chief Executive)
Nichole joined the Board on 25 September 2017 and was a leading force with the Promo Marketing Media Group, a division of Napco Media (North American Publishing Company), for the last 12 years and served as President and Chief Revenue Officer of the group since 2013. Promo Marketing Media Group is a leading source of services and information to the promotional product and print distributor industries in the USA. With a combined audience of nearly 40,000 distributors, the group is the premiere source for industry news in the US.

Shaun Parker (Chief Operating Officer)
Shaun joined the Board in January 2016 and has wide and relevant experience of the technology sector having held senior management positions in Specialist Computer Centres, Ricoh Global Services, Redstone plc, Hewlett Packard and Compaq, particularly in outsourced managed services including software.

Graeme Couturier (Chief Financial Officer)
Graeme, joined the Board on 13 April 2018 and has over 15 years of senior leadership experience at successful, growing technology enterprises, most recently as Chief Financial Officer of Sorted Group, a private equity backed start up in the delivery technology space. Graeme qualified as a chartered accountant with PWC and has held senior financial positions at 'Payzone' and 'We Buy Any Car'.

Gellan Watt (Non-executive Director)[12,]
Gellan is an award winning marketer and was founder of Thinking Juice, the UK's 12th largest MarComms agency and one of the UK's highest rated and most recommended integrated agencies.

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

Advisers

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Neville Registrars Limited
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Midlands B6 3DA

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Chairman's Statement

I am pleased to present the results for the year ended 31 December 2017, which saw the business make considerable operational progress, acquire the trade and certain assets of AdProducts.com Limited ("ADP") and increase Operating profit (before share-based payment charges, amortisation of intangible assets and exceptional charges) by £0.3m or 60.7% to £0.9m (2016 £0.6m). Profit before tax for the year was £125k (2016 £73k), an increase of 71.8%.

We are increasingly confident that ChannlPro, our "white label" cloud based combined CRM and Channl ecommerce platform, provided free of charge to promotional product distributors, will be a major conduit for suppliers, distributors and end users to seamlessly conduct traditional offline business and further enables end users to easily personalise and purchase promotional products online, free of human intervention.

Our main focus is the c. $23 billion US personalised and promotional products, signage and printed wearables market ("the US market"), and to increase our share of this market's transactional throughput, both offline and online, across our ChannlPro platform, We have made encouraging progress in this regard during 2018, details of which are set out below, and we expect this to continue and accelerate.

Our partnership with AIM has been extended and AIMpro Tech Suite ("AIMPro") has become our first white-labelled solution. We are now focused on on-boarding AIM members and suppliers as rapidly as possible and developments are discussed below. In March 2018, we agreed our second partnership with NAPCO Media details of which are outlined below. And which is also scheduled to launch later this year.

The appointment of Nichole Stella as President of US Operations on 13 September 2017 has been key to the rapid progress made in the US and with AIM in particular. Nichole brings a huge amount of knowledge and experience of the US market and being based permanently there is singularly focussed on driving significant revenue through the ChannlPro platform. I am delighted with the progress we have made under Nichole and her subsequent elevation to Chief Executive is a recognition of that and of the Group's commitment to the US.

On 17 May 2017 the Group successfully completed an equity fund raise of £2.5 million, the proceeds of which were used to finance and accelerate the growth of Channl in the US and UK, including the £0.8m acquisition of the trade and certain assets of ADP, a small UK based promotional product supplier. This facilitated the launch of Channl to distributors in the UK as it has secured the Group's own UK supply source and secures access to distributors at a trading level. The Group also invested in andeverything.com, which we believe to be the world's first promotional products aggregator site, which we soft launched in the UK in December 2017 ahead of a planned US launch later in 2018.

On 28 February 2018, the Company announced a placing of 2,500,000 new Ordinary Shares in the Company to raise £1.5 million at a price of 60 pence per Ordinary Share which were admitted to trading on 19 March 2018. The proceeds are being used to accelerate the roll out of AIMpro -by expanding the US and UK workforce to increase on-boarding, monitoring and customer support and service processing capacity of both members and the technical interface with suppliers.

AIMPro Progress

In the US, the AIM buying group continues to grow rapidly and currently comprises 1,704 members with an aggregate annual revenues of approximately US$1.5bn representing almost 7.5% of the US market. It is by far the largest distributor group in the US market, and a natural route for significant engagement and the roll out of ChannlPro.

AIMpro is Altitude's first white-labelled ChannlPro partnership solution. It is provided free of charge and exclusively to AIM members, as a benefit arising from their membership of AIM. AIMpro is also actively endorsed and promoted by AIM to its members.

AIMPro was formally launched to 200 attending AIM members at the national PPAI trade show in Las Vegas in January 2018 to an immediately positive reception, Indeed we are having to be careful to keep the demand manageable within our current resources, and avoid being swamped by demand. Any marketing to the AIM members and suppliers prompts immediate response and excitement. Marketing email opening rates of 38.5% (industry average 14.2%), a click through rate of 8.9% (industry average 1.6%) and web site visits to the AIM info site doubled in May illustrating their enthusiasm for engagement.

It also became clear that on-boarding member distributors quickly was dependent on additional investment in marketing, educational and technical support to give them the confidence them to utilise AIMPro's unique ecommerce functionality to enable them to compete against the potential online retail threat. We have therefore accelerated the recruitment of our own high quality engagement team, based in the US to provide the necessary intensity of support.

On-Boarding Update

More than £1.4 million items have been ordered through the platform on over 2,200 individual sales orders from the first 57 AIMPro members with total throughput of $2.8 million to date. 65% of active users have used the platform to place multiple orders.

A further 16 members became active users in May 2018, the first full month with the USA based customer success team in place, with recruitment continuing to on-board the 382 members now in the queue, an increase of 281 in the last three months.

Our initial target with agreed transaction fees with suppliers, with transaction fee revenue now beginning to accelerate as the number of signed up suppliers, and related product data uploaded on to AIMPro achieves critical mass, and the predictability of orders placed increases.

The speed of securing consistently transacting members and on-boarded, transaction fee paying preferred AIM suppliers is the key focus for Altitude to maximise users and traction.

NAPCO Media

Altitude signed their second ChannlPro partnership in March with the printing, packaging and publishing division of NAPCO, a leading and large North American digital media, marketing and publishing company. Under the terms of the two-year partnership agreement Altitude will provide a 'white labelled' ChannlPro platform to NAPCO that will mirror AIMpro.

The NAPCO partnership will provide Altitude with access to approximately 80,000 commercial print businesses of which approximately 12,500 are already active in the promotional product market. The white-labelled ChannlPro platform will provide these businesses with easy access to the promotional product industry and as they start to transact on the platform Altitude will generate revenue based on the same transaction fee model that was used for AIMpro.

Over coming months, Altitude will develop the white label ChannlPro platform for NAPCO and, once it is launched, the NAPCO offering will be able to leverage the same supplier database already partnering with Altitude on AIMpro.

andeverything.com

Andeverything.com has been developed as an Amazon-style marketplace for promotional products which will be supported by search engine optimisation ("SEO") marketing spend, and provides an online marketplace AIMed at end-users searching for such products online. Distributors list products on andeverything.com, attracted by the potential for end-user sales, for which they will pay Altitude a commission of around 12%.

The ability to list products on andeverything.com as an extension to the AIMPro Tech Suite, is attractive to AIM members, and we believe it is a complementary and enhancing feature to the overall offer which will generate incremental revenue to both AIM members and the Group. Currently test launched in the UK our intention is to launch andeverything.com in the US in 2018.

UK Business

The Group continues to provide various software applications to the promotional industry in the UK on a monthly recurring revenue software as a service (SaaS) revenue mode, though our main focus is to increasingly move all applications to a share of throughput revenue model.

In addition, the acquisition of Ad Products enables us to support the product offering in UK Channl. Our current and short term focus is in the US, the Channl business in the UK is growing.

The company retains a commercial presence in the UK promotional products industry through delivery of an annual National Show each January, attended by approximately 1,500 distributor/reseller delegates, we also publish two leading trade catalogues Envoy and Spectrum. These businesses are in a declining market sector but nevertheless continue to provide a profitable marketing showcase for our technology applications.

Results

Group revenues increased by £1.8m to £6.1m (2016: £4.3m). The increase was primarily due to the acquisition of ADP which contributed incremental revenue of £2.1m. The underlying reduction of £0.3m was attributable to legacy publications and exhibitions activity.

Gross profit increased by £0.8m to £4.3m (2016: £3.5m). The increase was primarily due to the acquisition of ADP which contributed an incremental gross profit of £1.2m. The underlying gross margin reduction was attributable to publications and exhibitions.

Adjusted administration expenses* increased by £0.5m, or 16.6% to £3.4m (2016 £2.9m). ADP accounted for £0.9m to the increase, offset by continued cost reduction in the UK exhibitions and publications.

Adjusted operating profit* increased by 60.7% to £0.9m (2016 £0.6m). ADP contributed an operating profit of £0.3m. Exceptional charges of £0.3m (2016 £0.1m) principally comprise employment termination costs and acquisition costs.

Included within administrative costs are software maintenance and development costs of £0.4m, (2016 £0.4m), as the Group has maintained its support and development of its proprietary software assets. In addition, the Group capitalised £0.5m of software development costs (2016 £0.3m). The current level of expensed and capitalised development costs is representative of an adequate maintenance level of expenditure and continuous improvement of proprietary software assets including Channl.com and artworktool™.

The resulting operating profit and profit before tax for the period was £125k (2016 £73k) an increase of 71.8%

Basic earnings per share were 0.25p (2016 0.17p) and fully diluted earnings per share were 0.24p (2016 0.15p) an increase of 51.6% and 59.5% respectively.

Cash outflow from operations for the year was £0.3m (2016: inflow £0.5m) reflecting the build-up in working capital following the purchase of certain assets and the business undertaking of ADP.

Net cash outflow from investing activities amounted to £1.4m (2016 outflow £0.3m), including the £0.7m purchase of certain assets and business undertaking of ADP and total capital expenditure on tangible and intangible assets of £0.1m and £0.6m respectively. Financing activities generated £2.9m (net of expenses) from the issue of shares for cash (2016 £0.2m), resulting in a net cash inflow for the year of £1.2m (2016: £0.4m).

The Group remains debt free and had cash resources as at 31 December 2017 of £2.0m (2016 £0.7m). In addition, on 28 February 2018 the Company issued further equity capital, raising approximately £1.4m (net of expenses).

** before amortisation of intangible assets, share-based payments and exceptional char*

Board Changes

On 25 January 2017 I became Executive Chairman with immediate effect and the following appointments were effected from 1 February 2017:

- Martin Varley appointed President
- Gellan Watt joined as Independent Non-Executive Director
- In addition it was announced that Richard Sowerby would step down from the Board with effect from 30 April 2017

On 1 February 2017 Sanjay Lobo joined was appointed to the Board as UK based Managing Director. He subsequently resigned on 22 September following the appointment of Nichole Stella as President of USA Operations and appointment to the main Board on 25 September 2017

My appointment to Executive Chairman, was to particularly help develop the finance function and assist the team to accelerate the evolution of the business. This current three days per week commitment was intended to be temporary in the absence of a full time Chief Financial Officer.

Having joined the Company on 13 March 2018, Graeme Couturier, Chartered Accountant, was subsequently appointed to the Board as Chief Financial Officer on 3 April 2018. Graeme has significant experience across technology, ecommerce, retail and financial services. I am delighted to welcome him to the Board.

On 10 May 2018, as a result of Graeme’s appointment we announced that I will step back to Non-Executive Chairman from 5th June 2018.

In addition, we also announced that Nichole Stella will be appointed Chief Executive of the Group also from 5th June 2018. Nichole has had a considerable impact on the Company since she joined us in September 2017 and I am delighted that she will now be assuming the role of Chief Executive Officer. We have seen first-hand that Nichole has the experience, knowledge and ambition to help Altitude meet its growth objectives and we are confident that we are best placed to achieve these ambitions under her leadership.

Outlook

We are pleased with the pace of progress currently being achieved with our AIMPro Tech Suite, which remains our key focus and represents a substantial opportunity. In a short period of time, the platform has been very well received with 462 (27%) of their 1,704 members either already on-boarded or actively engaging with our US team. AIM is the largest and fastest growing Promotional Products Distributor (“PPD”) group in the US, adding a further 200 members since we initially partnered with them. This increase is fuelling our opportunity for growth without additional customer acquisition costs while driving throughput opportunity to $1.5 billion per annum, the largest aggregated point of access to the $23 billion US market.

We are hugely excited by the multiple opportunities that our technology is enabling, and which are now beginning to yield tangible evidence of value far in excess of our legacy business. With the recent appointment of a Group CFO and Nichole assuming the role of Chief Executive, the Board looks forward with confidence

Peter J Hallett
Executive Chairman
4 June 2018

Strategic Report

Principal activities and business model

The market for promotional products in the US alone is estimated to be worth some $23 billion. It is a large market, but an inefficient one, with some 90% of transactions still carried out offline. Additionally, it is very fragmented with some 4,000 suppliers and 22,000 distributors serving a very broad customer base spanning individual consumers to very large corporates and non-profit organisations.

Altitude has developed a scalable trading platform that enables both offline and online promotional product transactions to be executed, allowing Altitude to generate revenue through charging transaction fees on purchase orders processed on the platform.

This has been achieved by combining the Company's e-commerce trading solution – called Channl –with its existing comprehensive CRM and order management system. This combined offering - called ChannlPro - can be white labelled to any required branded user and the Group is now pursuing a number of opportunities, in the US.

The Channlpro offering brings a number of advantages to suppliers, distributors and end-users of promotional products. The Group's US patented ArtWorktool, which provides valuable proofing and process efficiency, forms an integrral part of the platform.

Altitude's ultimate success depends on its ability to "on-board" large numbers of distributors and a sufficient number of suppliers onto the platform to create a market. Altitude derives revenue from transaction fees levied on suppliers in respect of purchase orders placed on suppliers by the distributors.

Outside of technology, in the UK the group retains a catalogues and exhibitions business for the promotional products industry.

In addition on 2 June 2017 the Group completed the acquisition of the trade and certain assets of Adproducts.com Limited, a small UK based trade supplier and printer of promotional products ("AdProducts"). These assets were acquired to help facilitate the launch and development of Channl to distributors in the UK by providing a core and controllable UK supply base.

Business review

The Group has delivered a profit before tax of £0.1m (2016 £0.1m), with net operating cash outflow of £0.3m (2016 inflow £0.5m). The net operating cash outflow pertains to the acquisition of certain assets Ad Products which necessitated an initial build-up in working capital.

Shareholders will be aware from previous communications, our strategic priority is the roll out of our "ChannlPro" online trading platform in the $23 billion US personalised and promotional products, signage and printed wearables market ("the US market").

Further details in relation to the review of the Group's business is set out in the chairman's statement and form part of this report by cross reference.

Financial review

Group revenues increased by £1.8m to £6.1m (2016: £4.3m). The increase was primarily due to the acquisition of AdProducts which contributed incremental revenue of £2.1m.

Gross profit increased by £0.8m to £4.3m (2016: £3.5m). The increase was primarily due to the acquisition of AdProducts which contributed an incremental gross profit of £1.2m. Gross margin decreased to 70.9% (2016: 81.0%).

Operating profit before share based payment charges, amortisation and exceptional charges was £0.9m (2016 £0.6m). AdProducts contributed an operating profit of £0.3m.

Profit before taxation was £0.1m (2016: £0.1m). The group capitalized £0.5m of software development (2016: £0.3m).

Taxation

We are carrying a deferred taxation asset of £0.4m in respect of overseas tax losses carried forward which is unchanged from 2016.

Earnings per share

Basic earnings per share were 0.25p (2016: 0.17p) and fully diluted earnings per share 0.24p (2016 0.15p).

Cash flow

Cash outflow from operations for the year was £0.3m (2016: inflow £0.5m) reflecting the build-up in working capital following the purchase of certain assets and the business undertaking of AdProducts.com Limited. Net cash outflow from investing activities amounted to £1.4m (2016 outflow £0.3m), including the purchase of certain assets and business undertaking of AdProducts. Financing activities generated £2.9m (net of expenses) from the issue of shares for cash (2016 £0.2m), resulting in a net cash inflow for the year of £1.2m (2016: £0.4m) increasing year end cash balances to £2.0m (2016: £0.7m).

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 in foreign currencies 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.

Share capital

On 30 January 2017 the Company issued 1,500,060 new ordinary shares to Zeus Capital Limited, holders of share warrants who chose to exercise all such warrants.

In addition, on 17 May 2017 the Company conducted a placing of 2,025,002 existing ordinary shares of 0.4 pence each in the Company and 4,166,667 new ordinary shares of 0.4 pence (together the "Placing Shares") with new and existing institutional and other investors (the "Placing"). The Placing Shares were sold at a price of 60 pence per share ("Placing Price") and represented, in aggregate, 11.7 per cent of the issued share capital of the Company. In addition a further 300,000 shares were issued to an employee who chose to exercise their options on that date.

The share issues above increased the issued share capital from 44,878,465 to 50,845,192 ordinary shares of 0.4 pence each. The proceeds from these issues was £3,059,000. As set out in note 5 the Company issued options to senior management as part the management incentive scheme. In total, options in relation to 1,328,418 ordinary shares were issued, of which 652,714 were subsequently forfeited. Of the net 675,704 share options issued, 556,657 of these share options relate to time served in the business and accrued over three years. Of the balance of 119,048 a third were exercisable on the share price reaching 100 pence, a third on reaching 130 pence and the remainder on reaching 160 pence. During the year no other share options were forfeited.

Post balance sheet events

On 28 February 2018, the Company announced a placing of 2,500,000 new Ordinary Shares in the Company to raise £1.5 million at a price of 60 pence per Ordinary Share. These shares were admitted to trading on 19 March 2018.

The proceeds from the Placing will be used to:

- Accelerate the roll out of AIMpro -by expanding the US and UK workforce to increase on-boarding, monitoring and customer support and service processing capacity of both members and suppliers
- Commence the roll out of the new ChannlPro solution to NAPCO - complete the 'white label' customisation for NAPCO and then commence the on-boarding, monitoring and customer support and service of members and suppliers throughout 2018.
- Continue the commercial development of andeverything.com

Significant judgments and estimates

In preparing the financial statements the Directors have made judgments and estimates in applying accounting policies. Details of the most significant areas where judgments and estimates have been made are set out in Note 1 to the group financial statements.

Key performance indicators

The Group's key performance indicators as discussed above are:

	2017 £000	2016 £000
Revenue	6,106	4,323
Gross Margin	70.9%	81.0%
Operating profit before share-based payments charges, amortisation and exceptional charges	908	565
Profit before taxation	125	73

Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Board considers the principal risks faced by the Group to be as follows at 31 December 2017:

- 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 compared with GBP
- the propensity of distributors and resellers to migrate orders online through the Channl and offline through "white labelled" ChannlPro websites provided
- deteriorating retention of the external customer base of the acquired AdProducts business
- continued decline in publications and exhibitions sectors

In all cases the Group seeks to mitigate these risks wherever possible by offering products that have market leading functionality and are backed by customer focused service of a high quality. In addition we manage development projects closely and ensure that we continue to offer services that meet our customer needs.

Approved by the board of directors and signed on its behalf by

P J Hallett
Executive Chairman
4 June 2018

Directors' Report

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

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, and given the lack of distributable reserves, the Directors do not recommend the payment of a dividend.

Directors

Details of the Directors who have held office from 1 January 2017 to the date of this report are listed below:

- Martin Varley
- Richard Sowerby (resigned 30 April 2017)
- Peter Hallett
- Shaun Parker
- Sanjay Lobo (appointed to the Board 1 February 2017 resigned 22 September 2017)
- Gellan Watt (appointed 25 January 2017)
- Nichole Stella (joined 13 September 2017, appointed to the Board 25 September 2017)
- Graeme Couturier (joined 7 March 2018, appointed to the Board 13 April 2018)

The members of the Board Committees are set out on page 3. Graeme Couturier and Nichole Stella 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 2017 and their interests in shares and share options is set out in note 5.

The policy of the Remuneration Committee is to provide competitive, market- based packages which encourage and reward performance 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 month rolling notice period.

Peter Hallett and Gellan Watt have service agreements dated 28 April 2015 and 25 January 2017 respectively, each of which is subject to a 6 month rolling notice period.

Shaun Parker, Nichole Stella and Graeme Couturier have service agreements dated 14 January 2016, 13 September 2017 and 13 April 2018 respectively, each of which is subject to a 6 month rolling notice period.

Substantial shareholders

The Company is informed that at 11 May 2018 shareholders, shareholders holding more than 3% of the Company's issued share capital were as follows:

	Number of Issued Share Capital	% of Issued Shares
Mr Martin Varley	12,632,559	23.68%
Mr Keith T Willis	6,726,273	12.61%
Mr Simon P Taylor	3,225,000	6.05%
Cavendish Asset Management	2,114,585	4.02%
Chelverton Asset Management	1,841,436	3.45%
River and Mercantile Asset Management	1,666,667	3.12%

The middle market price of the Company's ordinary shares on 31 December 2017 was 73.00p and the range from 1 January 2017 to 31 December 2017 was 49.00p to 138.00p with an average price of 72.20p.

Corporate Governance

Although companies listed on AIM are not currently required to comply with the Quoted Companies Alliance's Corporate Governance guidelines for small and medium-sized companies ("the Guidelines"), the Board, whilst not complying with the Guidelines, is committed to high standards of corporate governance as appropriate to the Company's size and activities and set out below the key governance areas.

The Board, which is headed by the Chairman comprised four executive members and one non-executive members as at 31 December 2017 and at the date of this report, five executive members and one non-executive director.

Following Graeme Couturier joining on 7 March 2018 and his appointment as Chief Financial Officer on 13 April 2018, as always intended, the role of Chairman is returning to a non - executive basis from 5 June 2018 and Nichole Stella will also become Chief executive from that date. The Board will then comprise two non-executive directors and four executive directors.

The Company is looking to appoint an additional non-executive director.

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 is chaired by Gellan Watt and also comprises Peter Hallett and Martin Varley. It has specific terms of reference and meets with the auditors twice each year as a minimum. 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 is chaired by Gellan Watt and comprises Peter Hallett and Martin Varley 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
- reviewing 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 Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report each 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 2018 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 good financial position with cash facilities and will therefore be available to meet the Group's foreseeable cash requirements.

Research and development

The Group expended £900,000 during the year (2016: £694,000) on research and development of which £529,000 was capitalised (2016:£282,000).

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 give 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 18 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 2017 and the amount owed to its trade creditors at 31 December 2017 was 74 days excluding inventory in transit at the year-end (2016: 32 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.

Appointment of auditor

Grant Thornton UK LLP have expressed their willingness to continue in office and will be reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006.

Future developments and post balance sheet events

The directors have described the future developments within the Chairman's Statement. Post balance sheet events have been disclosed in the Strategic Report.

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 29th June 2018 at the offices of finnCap, 60 New Board Street, London EC2M 1JJ and your attention is drawn to the notice of meeting set out on page 61.

By Order of the Board

P J Hallett
Director
4 June 2018

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Altitude Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated and Company balance sheets, the Consolidated cash flow statement, notes to the consolidated financial statements and notes to the company balance sheet, including a summary of significant accounting policies. 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 European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;

the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

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

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

Overview of our audit approach

- Overall group materiality: £92,000, which represents 1.5% of the Group's revenue;
- Key audit matters identified are improper revenue recognition, non-current assets carrying value exceeds fair value and accounting for the acquisition of the trade and certain assets of Adproducts.com Limited; and
- We have assessed the components within the group and performed a combination of comprehensive and targeted procedures.
- The components subject to a comprehensive audit approach and targeted audit procedures cover 86% and 14% of the consolidated revenue respectively.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition The Group has a number of different revenue streams with revenue either being recognised at a point in time or over the period of the service performed. As a result of the nature of the revenue streams, the audit of this risk had a significant impact on our audit strategy and the resource allocation. We therefore identified improper revenue recognition as a significant risk, and as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Documenting our understanding of the systems and controls in place around the recording of revenue. • Assessment of the revenue recognition accounting policies to assess whether they are consistent with IAS 18 'Revenues' and appropriate for the business. We have tested the application of the revenue recognition policy through sample testing to underlying documents. • Performed detailed substantive testing on a sample of revenue transactions from all revenue streams by tracing transactions to supporting documentation to test the occurrence of the revenue transaction. The group's accounting policy on revenue recognition is shown in note 1 – Revenue recognition to the financial statements and related disclosures are included in note 2. **Key observations** Based on our audit work, the revenue was accounted for in line with the Group's accounting policies and IAS 18 'Revenue'.
Non-current assets carrying value exceeds fair value The Group financial statements record goodwill, other intangible assets and property, plant and equipment of £0.6m and £1.1m respectively as at 31 December 2017. Management has undertaken its annual impairment review based on discounted cash flows in relation to cash generating units that include goodwill and where there are indicators of impairment in accordance with IAS 36 'Impairment of assets'. There are significant judgements in the discounted cash flow calculations including forecast operating cashflows, capital expenditure and discount rates. We therefore identified non-current assets carrying value exceeds fair value as a significant risk, and as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Reading management's paper on impairment and challenging the methodology used in the impairment workings of goodwill, other intangible assets and property, plant and equipment including identification of cash generating units. • Challenging management's assumptions used in the forecast cash flows by reference to forecasts of the Group and historical data of 2017 actual results. • Challenging the appropriateness of management's assumptions; including the discount rate used in the impairment calculations by reference to market data, including risk free rates and size premium data. • Assessing the adequacy of the disclosure in the financial statements for the requirements of IAS 36 'Impairment of assets'. The group's accounting policy on valuation of non-current assets is shown in note 1 'Impairment' to the financial statements and related disclosures are included in note 11. **Key observations** Based on our audit work, the valuation of non-current assets was accounted for in line with the Group's accounting policies and IAS 36 'Impairment of assets'.

Accounting for the acquisition of the trade and certain assets of Adproducts.com Limited On 2 June 2017, the Group completed the acquisition of the trade and certain assets of Adproducts.com Limited. IFRS 3 'Business Combinations' requires acquired assets and liabilities in the consolidated financial statements to be recorded at their fair value. There is management judgement in relation to the fair value of the assets and liabilities acquired and. Therefore, we identified accounting for the acquisition of the trade and certain assets of Adproducts.com as a significant risk, and as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Reading management's explanation of acquisition accounting paper and the trade and certain assets acquisition agreement of Adproducts.com Limited; • Obtaining an understanding of the valuation methodology used by management to calculate the fair value of the acquired assets and evaluating management's methodology by using accepted valuation methods including inventory replacement cost; • Assessing the appropriateness of the assumptions used in the fair value of the acquired asset calculations for consistency with other financial information of the acquired business; • Testing the accounting for the consideration paid by reference to the clauses in the acquisition agreement; • Assessing the adequacy of the business combination disclosures included within the financial statements. The group's accounting policy on business combinations including the key sources of estimation uncertainty are shown in the Accounting policies section and related disclosures are included in note 4. **Key observations** Based on our audit work, the acquisition of the trade and assets of Adproducts.com Limited was accounted for in line with the Group's accounting policies and IFRS 3 'Business Combinations'.

We did not identify any Key Audit Matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£92,000 which is 1.5% of the Group's revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator of the group and is a stable base. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect increased revenues following the acquisition of the trade of Adproducts.com Limited during the year.	£62,000 which is 1.5% of the company's total assets shown in the preliminary financial information for the year. This benchmark is considered the most appropriate given that the activities of the parent company primarily comprise being a holding company and its major activities relate to non-current assets included in the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 due to the increase in the company's total assets.

Materiality Measure	Group	Parent
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality
Communication of misstatements to the audit committee	£4,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality.
- Our audit work at the components is executed at levels of materiality appropriate for each component. For components subject to a comprehensive audit approach response materiality was capped at 75% of group materiality.
- The components subject to a comprehensive audit approach and targeted audit procedures cover 86% and 14% of the consolidated revenue respectively.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Mark Overfield BSc, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
4 June 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Revenue			
— continuing		**6,106**	**4,323**
Cost of Sales		(1,775)	(823)
Gross Profit		**4,331**	**3,500**
Administrative expenses before share-based payment charges and amortisation, exceptional charges		(3,423)	(2,935)
Operating Profit before share-based payment charges, amortisation and exceptional charges		**908**	**565**
Share-based payment charges		(79)	(25)
Amortisation	11	(383)	(401)
Exceptional charges	3	(321)	(66)
Total administrative expenses		(4,206)	(3,427)
Operating profit		**125**	**73**
Finance income		—	—
Profit before taxation		**125**	**73**
Taxation	8	—	—
Profit attributable to the equity shareholders of the Company		**125**	**73**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss: • Foreign exchange differences		18	(16)
Total comprehensive profit for the year		**143**	**57**
Earnings per ordinary share attributable to the equity shareholders of the Company:			
— Basic (pence)	9	0.25p	0.17p
—Diluted (pence)	9	0.24p	0.15p

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Share Capital £000	Share Premium £000	Retained Losses £000	Total £000
At 1 January 2016	**172**	**6,254**	**(5,433)**	**993**
Profit for the year	—	—	73	73
Foreign exchange differences	—	—	(16)	(16)
Total comprehensive income	**—**	**—**	**57**	**57**
Transactions with owners recorded directly in equity				
Shares issued for cash	8	197	—	205
Share-based payment charges	—	—	25	25
Total transactions with owners	**8**	**197**	**25**	**230**
At 31 December 2016	**180**	**6,451**	**(5,351)**	**1,280**
Profit for the year	—	—	125	125
Foreign exchange differences	—	—	18	18
Total comprehensive income	**—**	**—**	**143**	**143**
Transactions with owners recorded directly in equity				
Shares issued for cash	23	2,912	—	2,935
Share-based payment charges	—	—	79	79
Total transactions with owners	**23**	**2,912**	**79**	**3,014**
At 31 December 2017	**203**	**9,363**	**(5,129)**	**4,437**

Consolidated Balance Sheet

as at 31 December 2017

	Note	2017 £000	2016 £000
Non current assets			
Property, plant & equipment	10	100	22
Intangible assets	11	1,059	818
Goodwill	11	564	564
Deferred tax	16	426	426
		2,149	**1,830**
Current assets			
Inventory	12	1,518	—
Trade and other receivables	13	1,446	407
Cash and cash equivalents	14	1,963	741
		4,927	1,148
Total assets		**7,076**	**2,978**
Current liabilities			
Trade and other payables	15	(2,639)	(1,698)
Total liabilities		**(2,639)**	**(1,698)**
Net assets		**4,437**	**1,280**
Equity attributable to equity holders of the Company			
Called up share capital	17	203	180
Share premium account	17	9,363	6,451
Retained losses	17	(5,129)	(5,351)
Total equity		**4,437**	**1,280**

The financial statements on pages 21 to 60 were approved by the Board of Directors on 4 June 2018 and signed on its behalf by:

P J Hallett
Director
Registered number: 05193579

Consolidated Cash Flow Statement

for the year ended 31 December 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the period	**125**	**73**
Amortisation of intangible assets	383	401
Depreciation	38	26
Share-based payment charges	79	25
Operating cash inflow before changes in working capital	**625**	**525**
Movement in inventory	(392)	—
Movement in trade and other receivables	(1,039)	289
Movement in trade and other payables	489	(355)
Operating cash (outflow) / inflow from operations	**(318)**	**459**
Interest received	—	—
Net cash flow from operating activities	**(318)**	**459**
Cash flows from investing activities		
Purchase of tangible assets	(56)	(7)
Purchase of intangible assets	(591)	(282)
Purchase of certain assets and business undertaking of AdProducts.com Limited (note 4)	(748)	—
Net cash flow from investing activities	**(1,395)**	**(289)**
Financing activities		
Issue of shares for cash (net of expenses)	2,935	205
Net cash flow from financing activities	**2,935**	**205**
Net increase in cash and cash equivalents	1,222	375
Cash and cash equivalents at the beginning of the year	**741**	**366**
Effect of exchange rate fluctuations on cash held	—	—
Cash and cash equivalents at the end of the year	**1,963**	**741**

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 2017 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 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law.

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 source. 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.

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRIC Interpretation 22 Foreign currency transactions and advance considerations
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 40: Transfers of investment property
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 9: Prepayment features with negative compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS 2014-2016 Cycle
- IFRS 17 Insurance contracts
- IFRS 16 Leases

Management are in the process of assessing the impact that the implementation of IFRS 15 will have on revenue recognition, particularly with reference to the provision of services. Other than in respect of IFRS 16 Leases, the application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. IFRS 16 will not come into effect until our 2019 year end, therefore the impact assessment will be assessed nearer the time. However, it is likely to result in the current operating leases being recognised on the Balance Sheet (see note 19).

1 Accounting policies cont'd

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 company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and Chairman's statement. In addition, note 18 to the financial statements include the company's objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" in 2016. The Directors have considered these when preparing these financial statements.

The current economic conditions create uncertainty particularly over the level of demand for the company's products and services and over the availability of finance which the directors are mindful of. The financial statements have been prepared on a going concern basis. The directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate. The key conditions are summarized below:

- The Directors have prepared sensitised cash flow forecasts extending to December 2019. These show that the Group has sufficient fund available to meet its trading requirements.
- On 28 February 2018, the Company announced a placing of 2,500,000 new Ordinary Shares in the Company to raise £1.5 million at a price of 60 pence per Ordinary Share which were admitted to trading on 19 March 2018
- 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 Group continues to develop the product offerings in order to meet the demands of the market and customers. During 2017 the software offering has been developed and integrated into a new offering called ChannlPro which the Directors are in the process of introducing to the US market through its trading partnership with AI Mastermind and prospective customers.
- The markets in which the business operates are not considered to be at significant risk due in any 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.
- The Group, having made initial enquiries, believe that they could secure access to external financing through invoice discounting, the receipt of which has not been included in the sensitised cash flow forecasts. Such external funding would provide additional working capital headroom
- The receipt of cash from R&D credits under the HMRC scheme has not been factored into the cash flow assumptions. Application for the credit will be submitted in 2018, and will provide additional working capital headroom.

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 cont'd

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary.

The acquisition 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 Statement of Comprehensive Income.

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

Foreign currencies

The Group's consolidated financial statements are presented in Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

ii) Group companies
On consolidation the assets and liabilities of foreign operations are translated into Sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates prevailing during the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

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:

Fixtures and fittings
3 to 10 years

1 Accounting policies cont'd

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 Statement of Comprehensive Income 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.

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 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 which is 3 to 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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 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 Statement of Comprehensive Income.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which estimates of future cash flows have not been adjusted.

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 cont'd

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 Statement of Comprehensive Income.

Classification of financial instruments issued by the Group

The 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 receivables which are recognised at fair value plus transaction costs on initial recognition less provision for impairment and subsequently carried as amortised cost.

Financial liabilities

Financial liabilities are comprised of trade payables and other short- term monetary liabilities, which are recognised at fair value less transaction costs and subsequently carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits together with other short-term highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

1 Accounting policies cont'd

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 from trade exhibitions, catalogues, promotional products (through AdProducts) 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 or promotional product is delivered, or when that service has been provided to the customer. Revenues in respect of software product licences and associated maintenance and support services are typically recognised evenly over the period to which they relate.

Operating segments

The Group is currently organised as two operating segments:

- To enable the buyers and sellers of products to interact and trade, through the provision of technology, promotional products, catalogues and exhibition services, predominantly in the promotional merchandising and printing sectors ("Technology and Information")
- The sale of promotional products (AdProducts)

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 Executive Chairman, 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. The directors have concluded that there are two operating segments on the basis of the information presented to the CODM. This position will be monitored as the Group develops and particularly as AdProducts is integrated vertically with the Technology and Information business.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1 Accounting policies cont'd

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income over the periods of the finance leases and hire purchase contracts and represent a constant proportion of the balance of capital outstanding.

Exceptional items

Exceptional items are material items in the Consolidated Statement of Comprehensive Income which derive from events or transactions which do not fall within the ordinary activities of the Group and which relate to activities that are incurred due to events that are not expected to recur or relate to activities that are outside the normal activities of the business 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.

Non-recurring items

Non-recurring items are material items of profit or loss incurred before a material restructuring of the business. These comprise employment, property and other costs that were charged to profit or loss up to the date of the restructuring and are not expected to recur.

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 Statement of Comprehensive Income 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.

Performance conditions that are market conditions are taken onto account when measuring fair value. The fair value is not adjusted if these performance conditions are not met.

The fair value excludes the effect of non-market based vesting conditions. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

1 Accounting policies cont'd

Taxation

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

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

Deferred income taxes are calculated using the balance sheet method. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

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

Changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss except to the extent that it relates to items in other comprehensive income in which case it is recognized in other comprehensive income and items recognized directly in equity, in which case it is recognized in equity.

Key judgements and estimates

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

Intellectual Property

The Group continues to develop its products and services. Where specific expenditure on a product can be identified, where it can be demonstrated to have improved the product and where the future income streams are expected to be increased as a result of the expenditure, it is capitalised and carried as an intangible asset in the period in which it is incurred.

The value of this intellectual property is estimated to have a useful life of at least five years. As such, intellectual property intangibles are recognised in the year that the costs are incurred and are being amortised over a five year period from the date of acquisition. The Directors periodically (and at least at the year end and half year) review the carrying value of all intellectual property for potential impairment and reduce the value if they deem any impairment has occurred. At 31 December 2017 the carrying value of intellectual property was £1,026,000 (2016 £818,000)

Deferred Taxation assets

Deferred taxation assets arise from the losses incurred, in certain businesses in the group. The Directors review the forecasts of each business to assess the recoverability of these assets and the tax rates that are expected to apply in the period when the asset is realised. In the event that the recoverability of these assets is not probable the asset is not recognized. The period of review to utilise these losses and realise the assets is generally two to three years. At 31 December 2017 the deferred tax asset recognized was £426,000 (2016 £426,000). The directors have taken into account the assumptions in the forecasts including the growth assumptions of the Channl products and associated sensitivity analysis when determining the level of deferred tax asset to be recognised.

1 Accounting policies cont'd

Valuation of inventory

The group holds a significant amount of goods held for resale, which are recorded at the lower of cost and net realisable value. The net realisable value is impacted by a number of factors including the condition of the goods and the general economic conditions. The calculation of the stock provision requires the directors to make judgments and estimates in relation to the realisable value of these promotional products. At the year end the goods for resale had a book value of £1,477,000 (2016: £nil).

Business combinations

In respect of acquisitions, the group is required to record the acquired assets and liabilities at fair value and assess whether there are any intangible assets that are capitalised separately from goodwill. The identification of these intangible assets, the calculation of the fair value of the assets and liabilities acquired and the useful economic life involve significant management judgement. Further details are set out in note 4 to the financial statements.

2 Segmental information

The results of the “Technology & Information” and “AdProducts” segment are as follows:

	2017 £000	2016 £000
Turnover		
Technology & Information (all relates to the provision of services)	3,969	4,323
AdProducts (sale of goods)	2,137	—
	6,106	**4,323**
Operating profit before amortisation of intangible assets, exceptional and share-based charges		
Technology & Information	551	565
AdProducts	357	—
	908	565
Operating Profit / (loss)		
Technology & Information	(207)	73
AdProducts	332	—
	125	**73**
Depreciation		
Technology & Information	27	26
AdProducts	11	—
	38	**26**
Amortisation	383	401
Technology & Information	—	—
AdProducts	**383**	**401**

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities.

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 2017 and capital expenditure for the year then ended are as follows. This information has not been disclosed by reporting segment as the information by segment is not regularly reported to the chief operating decision maker.

	2017 £000	2016 £000
Assets	7,076	2,978
Liabilities	2,639	1,698
Operating Profit / (loss)	125	73
Capital expenditure	647	289

2 Segmental information cont'd

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2017 £000	2016 £000	2017 £000	2016 £000
North America	899	1,061	23	13
United Kingdom	5,207	3,262	2,265	1,391
	6,106	4,323	2,288	1,404

3 Exceptional charges

	2017 £000	2016 £000
Employment termination costs	272	66
Acquisition and consultancy costs	49	—
	321	66

The exceptional charges relate to the costs of terminating employment arising from restructuring exercises undertaken.

Acquisition and consultancy costs arise from the acquisition of Ad Products and the restructuring.

4 Acquisition of certain assets and business undertaking of AdProducts.com Limited

On 2 June 2017 the Group completed the acquisition of the trade and certain assets of Adproducts.com Limited, a small UK based trade supplier of promotional products ("the Acquisition"). Richard Sowerby, a director of the Group until 30 April 2017, is a director of Adproducts.com Limited. These assets were acquired to help facilitate the launch and development of Channl to distributors in the UK by providing a core and controllable UK supply base.

The conditional asset purchase agreement provided for an initial cash consideration of £0.8 million subject to a stock valuation adjustment. The transaction has been accounted for by the acquisition method of accounting.

The impact of the Acquisition on the results for the year ended 31 December 2017 is summarised below:

	7 months to 31 December 2017 £000
Revenue	2,137
Cost of sales	(904)
Gross Profit	1,233
Administrative expenses	(901)
Operating profit	332

	Book Value of Acquired Assets **£000**	**Fair Value Adjustments** **£000**	**Fair Value of Acquired Assets** **£000**
Intangible assets: Customer relationships	—	33	33
Tangible assets: Plant & Machinery	31	29	60
Inventory	728	(41)	687
Accruals	—	(32)	(32)
Total assets acquired at fair value	**759**	**(11)**	**748**
Cash consideration			(748)
Acquired Goodwill			—

The consideration was settled by cash transfer. The fair value adjustments primarily relate to the additional inventory provision following management's review of the acquired inventory.

5 Employees

	2017 £000	2016 £000
Staff costs :		
- Wages and salaries	2,032	1,487
- Social security costs	168	147
- Other pension costs	44	19
- Share based payments charge	63	25
	2,307	1,678

Average number of employees (including directors) during the year:-

- Technology & Information	76	51

Directors' remuneration and interests

The emoluments of the Directors for the year, who are the key management personnel, excluding share options, were

		Basic salary £000	Payment s made for loss of office £000	Benefits in kind £000	2017 £000	2016 £000
Martin Varley	*Executive President*	57	—	14	71	197
Gellan Watt	*Non Executive*	13	—	—	13	—
Richard Sowerby[1]	*Non Executive*	8	—	—	8	39
Peter Hallett [2]	*Executive Chairman*	76	—	6	82	32
Nichole Stella [3]	*Executive*	48	—	—	48	—
Shaun Parker	*Executive*	85	—	10	95	93
Sanjay Lobo [4]	*Executive*	100	136	4	240	—
Vicky Robinson[5]	*Executive*	—	—	—	—	81
Stephen Yapp[6]	*Executive*	—	—	—	—	25
		387	136	34	557	467

[1] Richard Sowerby resigned as a director on 30 April 2017 [2] Peter Hallett became Executive Chairman on February 2017 [3] Nichole Stella was appointed to the Board on 25 September 2017. All emoluments are paid in US dollars. [4] Sanjay Lobo resigned as a director on 22 September 2017 [5] Vicky Robinson resigned as a director on 14 January 2016 [6] Stephen Yapp resigned as a director on 28 April 2015

5 Employees cont'd
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:

	2017 £000	2016 £000
Martin Varley	12,632,559	12,547,559
Peter Hallett	211,667	195,000
Gellan Watt	16,667	—

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 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.

5 Employees cont'd
Directors' share options

	No of Shares 2016	Granted in Year	Exercised in Year	Forfeited in Year	No of Shares 2017
2 October 2013					
Richard Sowerby	300,000	—	(300,000)	—	—
1 July 2015					
Peter Hallett	800,000	—	—	—	800,000
15 June 2016					
Shaun Parker	800,000	—	—	—	800,000
8 February 2017					
Gellan Watt	—	238,095	—	—	238,095
Sanjay Lobo	—	285,714	—	(285,714)	—
25 September 2017					
Nichole Stella (Unapproved Scheme)*		437,609			437,609
	1,900,000	961,418	(300,000)	(285,714)	2,275,704

The aggregate of realised and unrealised gains on exercise of share options in the year was circa £154,000. The current directors have not sold any such shares in the period from exercise to the date of the financial statements being approved.

Directors' pension contributions

The pension contributions received by the directors during the year were:

	2017 £000	2016 £000
Martin Varley	1	1
Peter Hallett	1	—
Richard Sowerby	—	—
Nichole Stella	—	—
Shaun Parker	1	—
Sanjay Lobo	1	—
Vicky Robinson	—	3
	4	4

6 Share based payments

The Group operates an HMRC approved enterprise management incentives (EMI scheme) and unapproved share option scheme. The scheme awards share options to Directors, senior executives and employees with a vesting period of three years and are subject to performance conditions.

The options granted under the EMI & Unapproved scheme are set out below.

Grant date	Employees entitled	Number of options	Exercise price (p)	Expiry date
1 April 2014 [1]	1	600,000	10.55	1 April 2019
1 July 2015 [1]	1	800,000	9.50	1 July 2020
21 July 2016 [1]	1	800,000	11.95	21 July 2021
25 August 2016 [1]	1	200,000	22.00	25 August 2021
8 February 2017 [2]	1	238,095	84.00	8 February 2022
25 September 2017 [3]	1	437,609	60.00	25 September 2022

1 Half of these EMI share scheme options relate to time served in the business and accrue over three years. Of the balance a third will be exercisable on the share price reaching 25 pence, a third on reaching 30 pence and the remainder on reaching 35 pence.

2 Half of these share options relate to time served in the business and accrue over three years. Of the balance a third will be exercisable on the share price reaching 25 pence, a third on reaching 30 pence and the remainder on reaching 35 pence.

3 The unapproved share scheme options to time served in the business and accrue over three years

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

Grant date	Weighted average exercise price 2017 (p)	Number of options 2017	Weighted average exercise price 2016 (p)	Number of options 2016
Outstanding at start of year	11.91	2,700,000	9.66	5,070,000
Granted during the year	71.67	1,328,418	13.96	1,000,000
Exercised	14.25	(300,000)	21.44	(1,970,000)
Forfeited during the year	75.00	(652,714)	19.55	(1,400,000)
Outstanding at end of the year	24.11	3,075,704	11.91	2,700,000
Exercisable at end of the year	—	2,111,732	—	300,000

6 Share based payments cont'd

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 2017 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

	February 2017	September 2017
Fair value of the option at measurement date (pence)	33.56p	23.91p
Share price at grant date (pence)	84.00p	60.00p
Exercise price (pence)	84.00p	60.00p
Expected volatility (%)	40.0%	40.0%
Average option life (year)	5	5
Expected dividend (%)	—	—
Risk free interest rate (%)	3%	3%

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

Charge to the Consolidated Statement of Comprehensive Income

The charge to the consolidated statement of comprehensive income comprises:

	2017 £000	2016 £000
Share based payment charge	79	25

7 Operating Profit

	2017 £000	2016 £000
Operating profit is stated after charging :		
Depreciation of owned property, plant and equipment	38	26
Amortisation of intangible assets	383	401
Research and development expenditure expensed as incurred	371	412
Operating lease rentals :		
- Land and buildings	144	80
Loss/(profit) on currency translation	(3)	11
Cost of inventories recognised as an expense	1,266	—
Auditors' remuneration:		
Audit of the Company's annual financial statements	21	19
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	30	20
- Other services relating to taxation	2	11
- All other assurance services	3	—

8 Taxation

	2017 £000	2016 £000
Corporation tax	-	-
Deferred tax origination and reversal of timing differences	-	-
Total tax in consolidated statement of income	-	-

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(loss) before tax for the period	60	73
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	11	15
Non-deductible expenses	—	—
Utilisation of unprovided deferred tax asset	(11)	(15)
Deferred taxation asset arising but not reflected	—	—
Total tax credit	—	—

9 Basic and diluted earnings per ordinary share

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

	2017	2016
Profit attributable to the equity shareholders of the Company (£000)	125	73
Weighted average number of shares (number '000)	49,045	43,252
Fully diluted average number of shares (number '000)	51,133	47,452
Basic profit per ordinary share (pence)	0.25p	0.17p
Diluted profit per ordinary share (pence)	0.24p	0.15p

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

Additional shares were issued post year end as part of the share placing (note 23).

10 Property, plant and equipment

	Fixtures and fittings £000
Cost	
At 1 January 2016	680
Additions	6
At 31 December 2016	686
Additions	56
Acquisitions (note 4)	60
At 31 December 2017	802
Depreciation	
At 1 January 2016	638
Charge for the year	26
At 31 December 2016	664
Charge for the year	38
At 31 December 2017	702
Net book value	
At 1 January 2016	42
At 31 December 2016	22
At 31 December 2017	100

11 Intangible assets

	Goodwill £000	Customer related intangibles £000	Intellectual property acquired Intellectual property acquired £000	Intellectual Property-internally generated £000	Total £000
Cost					
At 1 January 2016	918	780	673	1,482	3,853
Additions	—	—	—	282	282
At 31 December 2016	918	780	673	1,764	4,135
Additions	—	—	—	591	591
Acquisitions (note 4)	—	33	—	—	33
At 31 December 2017	918	813	673	2,355	4,759
Amortisation and impairment					
At 1 January 2016	354	761	673	564	2,352
Amortisation for the year	—	19	—	382	401
At 31 December 2016	354	780	673	946	2,753
Amortisation for the year	—	—	—	383	383
At 31 December 2017	354	780	673	1,329	3,136
Carrying amounts					
At 1 January 2016	564	19	—	918	1,501
At 31 December 2016	564	—	—	818	1,382
At 31 December 2017	564	33	—	1,026	1,623

Amortisation charges are included within administrative costs. Goodwill can be allocated to cash generating units as follows:

	2017 £000	2016 £000
Goodwill		
Envoy Catalogue	192	192
Promoserve Business Systems	79	79
Trade Only/Technologo	293	293
Carrying amounts as at 31 December	564	564

11 Intangible assets (cont.)

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 two year period, followed by an extrapolation of expected cash flows at a constant growth rate of between 0% and 20% depending on the business (2016: 0%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. The discount rate applied was 10% (2016: 10.0%), which the Directors deem to be a market adjusted pre-tax weighted average cost of capital. These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. The value in use calculations did not identify any impairment compared to the CGU carrying value however if the forecast sales are not achieved then this would result in impairment in future years.

The cumulative impairment charge recognised to date is £354,000 (2016: £354,000)

A list of investments in subsidiaries, including name, country of incorporation and proportion of ownership interest is given in Note 29 to the Company's separate financial statements. All of these subsidiaries are included in the consolidated results.

12 Inventory

	2017 £000	2016 £000
Goods in transit	439	—
Raw Materials	20	—
Finished goods	1,059	—
	1,518	—

The cost of inventories recognised as an expense during the year in respect of continuing operations was £1.3m (2016 nil).

The cost of inventories recognised as an expense includes £nil (2016 £nil) in respect of write-downs of inventory to net realisable value.

Inventories of £0.2m (2016 £nil) are expected to be recovered after more than 12 months

13 Trade and other receivables

	2017 £000	2016 £000
Trade receivables (net of impairment of £162,000 (2016: £210,000)	1,002	290
Prepayments and accrued income	444	117
	1,446	407

Trade and other receivables denominated in currencies other than sterling comprise £221,000 (2016: £188,000) of trade receivables denominated in US dollars. 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

13 Trade and other receivables (cont.)

The summarised ageing analysis of trade receivables past due but not impaired is as follows:

	2017 £000	2016 £000
Not Overdue	477	65
Under 30 days overdue	264	90
Over 30 days but under 60 days overdue	92	53
Over 60 days overdue	169	82
	1,002	290

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

14 Cash and cash equivalents

	2017 £000	2016 £000
Cash and cash equivalents	1,963	741

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £189,000 (2016: £127,000) of which £171,000 was denominated in US dollars, £14,000 in Canadian dollars and £4,000 denominated in euros.

15 Trade and other payables

	2017 £000	2016 £000
Current		
Trade payables	1,314	368
Other taxes and social security	285	109
Accruals	340	169
Deferred income	700	1,052
	2,639	1,698

Trade payables denominated in currencies other than sterling comprise £87,000 (2016: £165,000) of trade payables denominated in US dollars.

16 Deferred tax assets

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

	2017 £000	2016 £000
Accelerated capital allowances	(30)	(30)
Losses	(396)	(396)
	(426)	(426)

Movement in deferred tax year ended 31 December 2017:

	As at 1 January 2017 £000	Income Statement £000	As at 31 December 2017 £000
Accelerated capital allowances	(30)	—	(30)
Losses	(396)	—	(396)
	(426)	—	(426)

16 Deferred tax assets Cont'd

A deferred tax asset of £426,000 (2016 £426,000) has been recognized in relation to companies where it is considered there is a high probability of utilization in the near future. The directors have concluded that following the restructure of the business, suitable taxable profits are probable in the near future. Due to the insufficient evidence of the availability of suitable taxable profits in the near future there are potential deferred tax assets of £1.8 million in the UK and $4.5 million in the US that have not been recognised. These losses have at least 15 years before they expire.

17 Share capital and reserves

	2017 £000	2016 £000
Allotted, called up and fully paid		
- 50,845,192 Ordinary shares of 0.4p each (2016: 44,878,465)	203	180

On 3 February 2017 1,500,000 ordinary shares of 0.4p each were issued for consideration of £0.36p per share. On 23 May 2017, 300,000 ordinary shares of 0.4p each were issued for consideration of 14.25p per share and 4,166,667 ordinary shares of 0.4p were issued for consideration of 60p per share.

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 capital structure of the Group consists of equity comprising issued capital, reserves and retained earnings as set out below. 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 2017, the Group's strategy, which was unchanged from 2016, was to keep debt to a minimum. Net cash at 31 December 2017 was £1,963,000 (2016: net cash £741,000).

Share option schemes

The Group operates an HMRC approved executive incentive plan (EMI scheme) and an unapproved executive incentive plan. Details are set out in note 5. The schemes award share options to Executive Directors, senior executives and employees with a vesting period of three years. Under the EMI scheme, 843,190 (2016: 1,000,000) options in ordinary shares have been granted during the year, 605,095 (2016: 1,400,000) options have been forfeited, 300,000 (2016: 1,970,000) options were exercised and nil were cancelled. Under the Unapproved scheme, 485,228 (2016: nil) options in ordinary shares have been granted during the year, 47,609 (2016: nil) options have been forfeited, and none were exercised or cancelled.

Reserves

Share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. Retained earnings includes all current and prior year retained profits and losses less dividends paid.

18 Financial instruments disclosure

Financial instruments policy

Treasury and financial risk policies are set by the Board and have remained unchanged from the previous 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, except in relation to share options and warrants.

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 minimizing 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 where economic to do so.

Currency risk

The Group is exposed to fluctuations in exchange rates as some of its future revenues will be denominated in foreign currencies, mainly comprising US dollars. 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

	2017 £000	2016 £000
Loans and receivables :		
Trade receivables	1,002	290
Cash at bank	1,963	741
	2,965	1,031

The Group's banking facilities allow for the offset of bank overdrafts against cash at bank.

18 Financial instruments disclosure cont'd

Financial liabilities

	2017 £000	2016 £000
Other financial liabilities :		
Trade payables	1,314	368
Other short term liabilities	340	169
	1,654	537

The loans, receivables and other financial liabilities are measured at amortised cost.

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £189,000 (2016: £127,000) of which £171,000 was denominated in US dollars, £14,000 in Canadian dollars and £4,000 denominated in euros; trade receivables of £221,000 (2016: £186,000) denominated in US dollars; and other short term liabilities of £32,000 (2016: £165,000) which are denominated in US dollars.

Liquidity risk

The responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The Group has no external debt facilities.

Maturity profile of financial liabilities

	2017 £000	2016 £000
Due within one year or on demand	1,654	537

Fair value of financial instruments

At 31 December 2017 the difference between the book value and the fair value of the Group's financial assets and liabilities was £nil (2016: £nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2017.

Borrowing facilities

At 31 December 2017 the Group had £nil (2016: £nil) undrawn committed borrowing facilities.

19 Commitments

(a) Capital commitments
There were no capital commitments existing at 31 December 2017 or 31 December 2016.

(b) Operating leases commitments
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2017 Land and buildings £000	2017 Other £000	2016 Land and buildings £000	2016 Other £000
Less than one year	255	—	—	—
Between two and five years	238	—	91	—
	493	—	91	—

20 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 £44,000 (2016: £19,000).

21 Contingent liabilities

The Group does not have an overdraft facility. The Group are able to offset overdrawn accounts with accounts that are in credit.

22 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.

Richard Sowerby is a director of The Inspired Branding Group Limited ("IBG"). IBG group companies buy services from companies in the Altitude Group under normal commercial terms. Richard was also a director of Altitude Group until 30 April 2017. In 2017 sales of £249,000 (2016: £137,000) were made to companies in the IBG group and trade receivables at 31 December 2017 includes £87,000 (2016 £19,000) due from the IBG group of companies.

On 2 June 2017 the Group completed the acquisition of the trade and certain assets of Adproducts.com Limited, a small UK based trade supplier of promotional products ("the Acquisition"). Richard Sowerby, a director of the Group until 30 April 2017, is a director of Adproducts.com Limited. These assets were acquired to help facilitate the launch and development of Channl to distributors in the UK by providing a core and controllable UK supply base.

The conditional asset purchase agreement provided for an initial cash consideration of £0.8 million subject to a stock valuation adjustment. See note 4 for further details.

During the year Gellan Watt provided marketing and design consultancy services on an arms-length basis to the Group totalling £68,000 (2016 Nil).

The AdProduct business sells products and logistical and fulfilment services on an arms-length basis to ICE (London) Limited, a company substantially owned and controlled by Mrs Joanne Varley, wife of Martin Varley. In 2017, sales of £13,000 (2016 nil) were made to ICE Elegant Gifts Limited ("ICE") and trade receivables at 31 December 2017include £15,000 (2016 nil) due from ICE. In addition, the Group share a small London Office on an informal basis, the lease of which is held by ICE. The Group reimburse ICE for 40% of the third party rent and running costs of the office. In 2017, the Group incurred costs totalling £34,000 (2016 nil) in respect of the office and trade payables at 31 December 2017 include £5,000 (2016 nil) due to ICE.

23 Related party transactions cont'd

During the year services were provided by Klehr Harrison Harvey Branzbur LLP (a firm controlled by the partner of Nichole Stella), on an arms-length basis, to the Group totalling £2,690 (2016 Nil). At the year end, an amount of £2,863 (2016 Nil) was owed to Klehr Harrison Harvey Branzbur LLP.

24 Post Balance Sheet Events

On 28 February 2018, the Company announced a placing of 2,500,000 new Ordinary Shares in the Company to raise £1.5 million at a price of 60 pence per Ordinary Share. These shares were admitted to trading on 19 March 2018.

The proceeds from the Placing will be used to:

- Accelerate the roll out of AIMpro -by expanding the US and UK workforce to increase on-boarding, monitoring and customer support and service processing capacity of both members and suppliers
- Commence the roll out of the new ChannlPro solution to NAPCO- complete the 'white label' customisation for NAPCO and then commence the on-boarding, monitoring and customer support and service of members and suppliers throughout 2018
- Continue the commercial development of andeverything.com.

Company Balance Sheet

as at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible fixed assets	28	—	3
Investments	29	589	589
		589	**592**
Current assets			
Debtors	30	3,181	2,119
Creditors: Amounts falling due within one year	31	(1,275)	(2,276)
Net current assets / (liabilities)		1,906	(157)
Net assets		**2,495**	**435**
Capital and reserves			
Called up share capital	32	203	180
Share premium account	32	9,363	6,451
Profit and loss account	32	(7,071)	(6,196)
Shareholder's funds		**2,495**	**435**

The Company reported a loss for the financial year ended 31 December 2017 of £954,000 (2016: £676,000).

The balance sheet was approved by the Board of Directors on 4th June 2018 and signed on its behalf by:

P J Hallett
Director
Registered number: 05193579

Company Statement of Changes in Equity

as at 31 December 2017

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2016	**172**	**6,254**	**(5,545)**	**881**
Loss for the year	—	—	(676)	(676)
Transactions with owners recorded directly in equity:				
- Share based payment credit	—	—	25	25
- Issue of shares for cash	8	197	—	205
Total transactions with owners	**8**	**197**	**25**	**230**
At 31 December 2016	**180**	**6,451**	**(6,196)**	**435**
Loss for the year	—	—	(954)	(954)
Transactions with owners recorded directly in equity:				
- Share based payment charges	—	—	79	79
- Issue of shares for cash	23	2,912	—	2,935
Total transactions with owners	**23**	**2,912**	**79**	**3,014**
At 31 December 2017	**203**	**9,363**	**(7,071)**	**2,495**

Notes to the Company Balance Sheet

25 Company accounting policies
Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS101).

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required equivalent disclosures are given in the consolidated financial statements.

The Accounts have been prepared under the historical cost convention. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

26 Company profit and loss account

The company has taken advantage of the section 408 Companies Act 2006 exemption to present its own profit and loss account. The loss for the year was £954,000 (2016 £676,000)

27 Operating costs

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

28 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed note 5 on page 37.

29 Tangible fixed assets

	Fixtures & Fittings £000
Cost	
At 1 January 2016	12
At 31 December 2016	12
At 31 December 2017	12
Depreciation	
At 1 January 2016	9
At 31 December 2016	9
Charge for the year	3
At 31 December 2017	12
Net book value	
At 1 January 2016	3
At 31 December 2016	3
At 31 December 2017	—

30 Investments

	Shares in subsidiary undertakings £000
Cost At 1 January 2016, 31 December 2016 and at 31 December 2017	907
Impairment At 1 January 2016, 31 December 2016 and at 31 December 2017	318
Net book value At 1 January 2016, 31 December 2016 and at 31 December 2017	589

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
Customer Focus Software Limited [1]	England and Wales	Sale of software and marketing services	Ordinary	100%
Customer Focus Exhibitions Limited [1]	England and Wales	Sale of software and marketing services	Ordinary	100%
Customer Focus Software Incorporated	United States	Sale of software and marketing services	Ordinary	100%
Boxcam Limited	England and Wales	Dormant	Ordinary	100%
Promoserve Business Systems Limited [1]	England and Wales	Dormant	Ordinary	100%
Customer Focus Interactive Imaging Limited [1]	England and Wales	Printing of Promotional Products	Ordinary	100%
The Advertising Products Group Limited [1]	England and Wales	Dormant	Ordinary	100%
Trade Only Technology Services Limited	Canada	Dormant	Ordinary	100%

[1] held by a subsidiary undertaking

31 Debtors

	2017 £000	2016 £000
Amounts falling due within one year		
Other debtors	4	14
Amounts owed by subsidiary undertakings	3,177	2,105
	3,181	2,119

32 Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdraft	1,203	2,085
Amounts owed to subsidiary undertakings	—	117
Accruals and deferred income	72	74
	1,275	2,276

Bank overdrafts are denominated in sterling and are repayable on demand.
The average effective interest rate on bank overdrafts are nil (2016 nil) as these borrowings are secured by cash balances held within the group and balances are offset for interest purposes.

33 Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
50,845,192 (2016:44,878,465) ordinary shares of 0.4p each	203	180

On 30 January 2017 the Company announced the receipt of a notice of exercise in relation to Warrants to subscribe for 1,500,060 ordinary shares of 0.4p each at a price of 36p per share. The Company has issued and allotted the requisite shares which were admitted to trading on AIM on 3 February 2017. On 17 May 2017 the Company conducted a placing of 2,025,002 existing ordinary shares of 0.4 pence each in the Company and 4,166,667 new ordinary shares of 0.4 pence (together the “Placing Shares”) with new and existing institutional and other investors (the “Placing”). Also on this date a further 300,000 ordinary shares of 0.4p each were issued for £0.1425p each to satisfy an exercise of EMI share options.

34 Reserves

Share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. Retained earnings includes all current and prior year retained profits and losses less dividends paid.

35 Commitments

The Company had no capital commitments or operating lease commitments existing at 31 December 2017 or 31 December 2016.

36 Related parties

The related party transactions with key personnel are set out in note 22.

37 Post Balance Sheet Events

On 28 February 2018, the Company announced a placing of 2,500,000 new Ordinary Shares in the Company to raise £1.5 million at a price of 60 pence per Ordinary Share. These shares were admitted to trading on 19 March 2018.

The proceeds from the Placing will be used to:

- Accelerate the roll out of AIMpro -by expanding the US and UK workforce to increase on-boarding, monitoring and customer support and service processing capacity of both members and suppliers.
- Commence the roll out of the new ChannlPro solution to NAPCO - complete the 'white label' customisation for NAPCO and then commence the on-boarding, monitoring and customer support and service of members and suppliers throughout 2018.
- Continue the commercial development of andeverything.com.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of Altitude Group Plc (the "**Company**") will be held at the offices of finnCap, 60 New Broad Street, London EC2M 1JJ on 29th June 2018 at 11.00am for the purpose of considering and if thought fit, passing the following resolutions. Resolutions number 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 8 will be proposed as special resolutions.

Ordinary business

1. To receive the Company's annual accounts for the financial year ended 31 December 2017 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts.
2. To re-elect Nichole Stella who has been appointed to the Board since the last annual general meeting and who retires in accordance with the articles of association of the Company, as a director of the Company.
3. To re-elect Graeme Couturier, who has been appointed to the Board since the last annual general meeting and retires in accordance with the articles of association of the Company, as a director of the Company.
4. To re-elect Peter Hallett who retires in accordance with the articles of association of the Company, as a director of the Company.
5. To re-appoint Grant Thornton (UK) LLP as auditor of the Company and to authorise the directors to fix their remuneration.

Special business

6. Authority to allot shares

THAT, in substitution for all existing and unexercised authorities and powers granted to the directors prior to the passing of this resolution, 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[£71,126.90 representing approximately one third of the Company's issued share capital 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 £71,126.90 90 representing approximately one third of the Company's issued share capital 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 2018, 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.

7. Disapplication of pre-emption rights

THAT, subject to and conditional upon the passing of the resolution 5, the directors be and are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 5 above as if section 561(1) 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 6 above); and

(b) otherwise than pursuant to sub-paragraph 7(a) above up to an aggregate nominal amount of £21,338.10 representing approximately10percent of the Company's issued ordinary share capital and

(c) 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 2018, 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.

8. 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 £21,338.10 at a price per share (exclusive of expenses) of not less than 0.4 pence and not more than 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange plc, for the five business days immediately preceding the day on which the Ordinary Share is purchased, provided that this authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2018 unless previously revoked, varied or renewed, 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:

Graeme Couturier
Director 4 June 2018

Registered office:

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

Explanatory Notes

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at 6.00 p.m. on 27 June 2018 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting in accordance with Regulation 41 of the Uncertificated Securities Regulations 2001. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to more than one share. To appoint more than one proxy please refer to the notes on the proxy form. Appointment of proxy using hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each or withhold their vote. To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to
     Neville Registrars Limited, Neville House, 18 Laurel Lane,
     Halesowen, West Midlands B63 3DA; and
   - received by Neville Registrars Limited, Neville House, 18 Laurel Lane,
     Halesowen, West Midlands B63 3DA no later than 11 a.m. on 27 June 2018.

6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

7. 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 included with the proxy form.

Appointment of proxy by joint members

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

Changing proxy instructions

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

10. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointment

12. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

13. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

14. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

15. The revocation notice must be received by Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA no later than 11 a.m. on 27 June 2018.

16. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Explanatory Notes

17. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Submission of proxy electronically

18. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST 64 Manual. The message, regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by the latest time(s) for receipt of proxy appointments specified in this notice of meeting. 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 issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to the appointee by other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. 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.

Corporate representative

19. A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Documents on display

20. The following documents will be available for inspection at the registered office of the Company on any weekday (excluding public holidays) during normal office hours from the date of this notice until the time of the meeting and for at least 15 minutes prior to the meeting and during the meeting:
    - copies of the service contracts of the executive directors of the Company; and
    - copies of the letters of appointment of the non-executive directors of the Company