Annual Report 2008

Altitude Group plc

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Annual Report

31 December 2008
Registered number 05193579

Contents

Directors and Advisers

Directors

Colin Cooke (Non-Executive Chairman)[1,2]
Colin is the Chairman of Fenner plc and joined the Board as Non Executive Chairman on 23 September 2005. Colin has 24 years' experience as a public company director and has been Chairman of four public companies including Triplex Lloyd plc. Colin is a Fellow of the Institute of Metallurgy, and has also studied International Marketing at the London Business School.

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

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

Martin Varley (Chief Executive Officer)
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has over 20 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market. He joined Corporate Solutions in 2003.

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

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

Advisers

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

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

Principal Solicitor
Halliwells LLP
3 Hardman Square
Spinningfields
Manchester
M3 3EB

Nominated Adviser and Stockbrokers
Daniel Stewart & Company plc
Becket House
36 Old Jewry
London
EC2R 8DD

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

Registered office
Cobb House
2-4 Oyster Lane
Byfleet
Surrey
KT14 7HQ
www.altitudeplc.com
Company registration number: 05193579

Chairman's Statement

Performance overview
Group sales reduced by 8.6% to £18.0m (2007: £19.7m). This decline was entirely in the end user business and the vast proportion is attributable to one major client in the financial sector in the second half of the year. We reacted quickly to this volume reduction with a cost reduction programme and a renewed business development initiative that resulted in new client wins that should contribute in 2009 and beyond. We can report solid revenue growth in our trade supplier business, AdProducts, and our Information and Exhibitions businesses.

The Group achieved a small profit after taxation of £0.1m (2007: loss £0.4m). Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges was £0.5m (2007: £0.2m).

The Group balance sheet remains strong and was debt free with a net cash balance of £0.4m at 31 December 2008. Underlying cash flow before capital investment and taxation cash outflows was in line with operating profitability. The Group's working capital profile has remained strong despite the supplier pressures resultant from the current general economic situation.

The Company has renewed its banking facilities for a further year and with cash at bank of £0.4m and facilities of £0.9m, the Board considers that the Company is securely funded.

Strategy
The Group's core strategy is simple and is built on three objectives:-

- Information and Exhibitions offers an unrivalled set of tools for the promotional products industry and this will be completed, enhanced and in due course offered outside the UK where the market opportunity is substantially greater;
- Promotional Marketing will further improve customer experience and continue to develop more efficient processes in the corporate market; and
- The Group will continue to pursue and invest in opportunities that provide the highest return for an acceptable risk.

Promotional Marketing
Promotional Marketing made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.9m in 2008 (2007: £0.9m). AdProducts and Distinctive Ideas both achieved double digit revenue growth in the year. These strong results were offset by weaker results in the main Dowlis Corporate Solutions business where we further rationalised the cost base and operations to bring it under one management team.

Information and Exhibitions
Information and Exhibitions made an operating profit before software development costs, non-recurring items, amortisation of customer related intangibles and share based payment charges of £0.3m in 2008 (2007: £0.1m), with profits in catalogues and exhibitions reinvested in software and the magazine. Our software, PromoServe, continued to gain market share to become the market leading choice for distributors and suppliers alike. The Trade Only national exhibition performed exceptionally well in January 2009, continuing the excellent progress that it has made since its inception only 3 years ago.

Corporate activity
Whilst we look at further acquisitions on an opportunistic basis, our focus is primarily on the development and profitability of the existing Group.

We supplemented our own on line business with the acquisition of the trade and selected assets of Silent Kite Limited, a specialist on-line distributor, during September 2008. We paid approximately £0.3m for this opportunity to accelerate our growth in this channel.

The Company changed its name to Altitude Group plc during the year and we believe the underlying businesses are benefitting from the clearer brand identities that this change has allowed.

People
The pace of change in the Group creates many opportunities and also places great demands on our people. I would like to take this opportunity to thank all of our staff for their hard work and achievements in 2008.

Altitude has an experienced and dedicated executive and non-executive team and I am delighted to see Martin Varley step back into the role of Chief Executive Officer, replacing Craig Slater and for David Smith to replace Tim Sykes as Group Finance Director.

Outlook
Following a review of the 2008 un audited preliminary figures at the request of the incoming CEO and FD, the board has decided that the restatement of the preliminary results for the year ended 31st December 2008 is necessary. These adjustments are reflected in these audited statutory accounts.

The Group has returned a small profit for the last financial year and the restructuring programme continues to reduce the cost base in line with reductions in demand, particularly in relation to our distributor businesses. Our information and exhibitions businesses have started 2009 ahead of plan.

It has become difficult to predict the level of demand that we will experience from corporate customers in our promotional marketing businesses due to current market conditions. We continue to monitor our cost base ready to react quickly to any further softening in our markets to preserve profitability and cash.

Colin Cooke
Chairman
23 July 2009

Operating and Financial Review

Operating review

Promotional Marketing	2008	2007
	£m	£m
Sales	15.9	18.3
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0.9	0.9
Operating profit after non-recurring items, amortisation of customer related intangibles and share based payment charges	0.7	0.4
Net assets	4.8	5.1

Promotional Marketing

Promotional Marketing includes our trade supplier AdProducts, our marketing design consultancy Touchpaper and our end user businesses Dowlis Corporate Solutions, Ross and Distinctive Ideas. The end user businesses form the largest part of the Group, with £13.6m revenues in 2008 (£16.4m in 2007).

AdProducts grew sales in 2008, expanding its product offering and extending its customer base as planned. This business now has over 400 active distributor customers out of a total market of approximately 3,500. The business is managed separately from other activities to avoid competitive conflicts.

The main end user business, Dowlis Corporate Solutions, suffered with declining volumes as the impact of the global economic slow down took its toll but was successful in winning a number of key accounts in the second half that should contribute in 2009. During 2008, we further rationalised operations and the business is now managed as one unit; previously being split between Byfleet and Manchester. Ross Promotional contributed positively again, and Distinctive Ideas improved on its 2007 performance through volume increases increased sales albeit primarily from a customer that is no longer operating in this sector which resulted in revenues of £1.7m (2007: £1.1m). Without the benefit of this customer, sales would have been lower at only £0.6m.

In each of these businesses, improved efficiency and additional sales have had a positive effect on profitability. We are mindful of further volume reductions and are prepared to take the corrective action quickly to maintain profitability as far as is possible.

Cash performance improved modestly following the poor performance of Dowlis Corporate Solutions in 2007 being reversed in 2008. Its business model is typically cash generative, with strong credit control being a key factor which balanced somewhat the poor stock management in the AdProducts business that resulted in higher stocks than planned.

Information and Exhibitions	2008	2007
	£m	£m
Sales	2.9	2.4
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0.3	0.1
Operating profit / (loss) after non-recurring items, amortisation of customer related intangibles and share based payment charges	0.3	-
Net assets	0.1	(0.5)

Information and Exhibitions

Information and Exhibitions offers a collection of tools to the promotional products industry, suppliers and distributors alike. These tools are inter-related but can be used individually and each one can improve efficiency and increase performance.

The Trade Only national exhibition in 2008 was a success on all counts, improving on its strong performance in 2007. Exhibitor and visitor numbers both grew in line with our expectations and customer feedback on the overall exhibition experience was exceptional. The exhibition has rapidly become the leading event in the UK industry and has been profitable from since inception, only three years ago.

Spectrum and Envoy catalogues are two of the top four leading offerings in the industry. These catalogues offer suppliers and distributors an effective showpiece for their products and creativity, enabling them to benefit from a comprehensive marketing tool without all the costs and resources required to produce their own.

PromoServe is an ERP software package and Trade Only Search is an on-line product portal offering. PromoServe has continued to attract new users. The rental model used by this company leads to a good recurring revenue base, which grew to £70,000 per month (2007: £55,000 per month). Operations in this business include development, installation and support alongside sales and marketing

Our magazine, Promotional Product Distributor (PPD), is published bi-monthly and has over 8,000 readers and is one of the most widely read publications in the industry.

Operating and Financial Review (continued)

Each element of this division grew sales in 2008. PromoServe reached a monthly break-even position during the second half of the year. Although they each have a clear cash cycle, leading to capital use at certain times, these businesses are not significant users of our capital.

Financial review
Results for the year and key performance indicators

Group revenues decreased by 8.6% to £18.0m (2007: £19.7m). Gross margin improved to 41.3% (2007: 35.4%) as a result of a mix shift toward our stronger margin business units. With total operating costs flat at £7.4m (2007: £7.4m) the Group posted a profit after taxation of £0.1m (2007: loss £0.4m). Operating costs included £0.5m (2007: £0.6m) non-recurring administrative expenses, amortisation of intangible assets and share based payment charges taking operating profit before these costs to £0.5m (2007: £0.2m).

Acquisitions
During the year, the Group acquired the trade and selected assets of Silent Kite Limited, a small on-line distributor, for £0.3m. This business has been subsumed within the on-line operations of the Group. We have attributed £150,000 of value to customer related intangibles, and have assumed a five year life. The balance has been recognised as goodwill with no impairment as at 31 December 2008.

Taxation
The Group recorded a tax credit during the year following the release of prior year provisions and our change in accounting policy on revenue recognition of our catalogue business.

Earnings per share
Basic earnings per share improved to 0.28p (2007: loss per share 1.05p).

Cash flow
The Group has reported a net cash inflow from operations of £0.1m which is in line with the reported operating profit of the Group. Cash flows reflect higher than planned inventory of approximately £0.2m within the AdProducts division, and an increased level of supplier pressure following the difficulties in the general economic environment which we estimate at approximately £0.3m. Our underlying cash performance has been strong during the year following the cleansing of our trade receivables ledgers.

The Group benefited in the year from only minor capital investment of £0.1m, funded in part by the inception of new hire purchase contracts.

Treasury
The Group continues to manage the cash position in a manner designed to maximise interest income, whilst at the same time minimising any risk to these funds. Where there are surplus cash funds, these are deposited with commercial banks that meet credit criteria approved by the Board. At 31 December 2008, the Group had £0.4m on short term deposits (2007: £0.7m).

Prior year restatements
The Group is required to recognise a prior year restatement in respect of four matters. The nature of these matters is set out in detail at Note 1.

Martin Varley
Chief Executive Officer

David Smith
Group Finance Director and Company Secretary

23 July 2009

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

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

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

Financial results
The Group's financial results and position are set out in the Consolidated Income Statement, other primary statements and in the Notes to the Consolidated Financial Statements on pages 16 to 39.

Enhanced business review
The Companies Act 1985 (Operating and Financial Review) Regulations 2005 require that the Directors present an enhanced Directors' report. These enhancements are provided within the Chairman's Statement and the Operating and Financial Review.

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

Directors
The Directors who served on the Board and on Board Committees as at 31 December 2008 are set out on page 12. Craig Slater and Tim Sykes resigned as directors on 20 April 2009.

Under the Articles of Association of the Company, one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, or if their number is less than three then one of them, shall retire. Each retiring director is eligible for re-election. Each Director must retire at the third Annual General Meeting following his last appointment or re-appointment. The Director retiring by rotation at the forthcoming Annual General Meeting is Keith Willis Being eligible, Keith offers himself for reappointment. In relation to the reappointment of Keith, the Board is satisfied that he continues to be effective and to demonstrate his commitment to the Company.

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

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

Information on Directors' remuneration and their interests in the shares and share options of the Company are shown in the Directors' Remuneration Report on pages 8 to 10.

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

Substantial shareholders
The Company is informed that, at 14 July 2009, shareholders holding more than 3% of the Company's issued share capital were as below:

The middle market price of the Company's ordinary shares on 31 December 2008 was 11.5p and the range from 1 January 2008 was 6.5p to 28.5p with an average price of 17.3p.

Research and development
The Group expended £209,000 during the year (2007: £159,000) on research and development within its industry software operation.

Donations
Charitable donations in the year were £362 (2007: £118) provided to local charities. There were no political donations.

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

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

Every effort is made to ensure good communication. In particular, the Group recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Group. The Group is conscious of the importance of providing a safe working environment for both its employees and its customers, of ensuring compliance with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible. Careful attention is given to the promotion of risk management procedures.

Substantial shareholders	Number of Shares	% of issued share capital
Worldwide Nominees Limited*	11,444,275	29.96%
MR Varley	10,637,559	27.85%
Bank of New York Nominees Limited	2,500,000	6.54%
Nortrust Nominees Limited	1,892,006	4.95%
Roy Nominees Limited	1,666,666	4.36%
Chase Nominees Limited	1,388,889	3.64%
A Crafton	1,383,000	3.62%

* This holding includes 9,940,275 shares held on behalf of KT Willis and 1,283,000 shares on behalf of J Yeomans.

Directors' Report (continued)

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

Qualifying third party indemnity
The Company has provided an indemnity for the benefit of its current Directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 1985.

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 2008 and the amount owed to its trade creditors at 31 December 2008, was 71days (2007: 70 days).

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

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Going concern
The Group's accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group's budget for 2009 and outline projections for the subsequent year, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

Re-appointment of auditors
Grant Thornton resigned as auditors on 17 July 2008, and KPMG Audit Plc were appointed to fill the casual vacancy.

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

Annual General Meeting
The Annual General Meeting will be held at 10.00am on 24 August 2009 at the Group's registered office at Cobb House, 2-4 Oyster Lane, Byfleet, Surrey, KT14 7HQ.

By Order of the Board

David Smith

Group Finance Director and Company Secretary

23 July 2009

Directors' Remuneration Report

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

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

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

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

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

Performance related bonus
The Executive Directors' bonus scheme is based on pre-determined financial targets and strategic objectives established at the beginning of the year. The financial targets are based on profit before taxation. The Committee set this target and the level of the award. Under this bonus scheme an amount equal to 100% of salary can be paid to the Executive Directors. No bonuses were paid in respect of 2008 (2007 : £Nil).

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

Non-Executive directors
Colin Cooke, Keith Willis and Barry Fielder each have letters of appointment. The Company and each of the Non-Executive Directors are entitled to the same notice period of six months in the case of Colin Cooke and Keith Willis and three months notice in the case of Barry Fielder. Colin Cooke receives £20,000 per annum, Keith Willis receives £15,000 per annum and Barry Fielder receives £15,000 per annum. No other benefits are awarded to any Non-Executive Directors except for any incidental travel and subsistence expenses incurred whilst performing their duties, and health insurance in the case of Keith Willis.

Total remuneration (audited)
The remuneration of each of the directors of the Company for the year ended 31 December 2008 is set out below.

Total remuneration	Basic salary £000	Fees paid to 3rd parties for services £000	Pension £000	Benefits in kind £000	Compensation for amendment to contract £000	**Total 2008 £000**	Total 2007 £000
Non-executive Directors							
Colin Cooke	-	20	-	-	-	**20**	20
Keith Willis	15	-	-	2	-	**17**	17
Barry Fielder[1]	15	-	-	-	-	**15**	30
Executive Directors							
Craig Slater	100	-	10	6	-	**116**	58
Martin Varley[2]	149	-	-	8	100	**257**	166
Tim Sykes[3]	-	118		-	-	**118**	9
Barrett Bedrossian[4]	-	-	-	-	-	**-**	107
	279	138	10	16	100	**543**	407

1 – Barry Fielder was appointed on 12 December 2007. His emoluments up to 11 December 2007 were as an employee.

2 – Martin Varley received £100,000 as compensation for an amendment to the terms of his employment contract.

3 – Tim Sykes was appointed as acting Group Finance Director on a temporary short term contract basis on 19 December 2007. The role was subsequently made permanent during 2008 before his resignation on 20 April 2009. The services were provided to the Group via his company, Penta Financial Direction Limited.

4 – Barrett Bedrossian resigned on 31 December 2007.

Directors' Remuneration Report (continued)

External appointments

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

Long Term Incentive Plan

The Committee has implemented a long-term incentive plan which is designed to reward executives, including Executive Directors, for substantial increases in shareholder value. The key features of this plan are as follows :

Each year, starting from May 2007, the Company may make a conditional award under the plan to key executives who will be able to participate in the Incentive Award relating to that year. These executives will be notified of the performance criteria and their percentage participation at that time;

The aggregate size of the Incentive Award for each annual plan will be 5% of the net increase in shareholder value created in excess of an agreed cost of equity, measured over the 3 years following the award;

On completion of each 3 year measurement period, the aggregate Incentive Award for that plan will be assessed and, in turn, individual proportions will be calculated and satisfied in the form of nil-cost options.

The above plan provides a demanding and rewarding incentive that aligns executives and shareholders interests. From 2010 it is intended therfore that a plan will be maturing and a new one starting each year which will align executives with shareholders interests.

Directors' interests in shares

The beneficial interests as defined by the Companies Act 1985 of Directors, their spouses and minor children in the ordinary shares of 0.4p each were as follows:

	31 December 2008		14 July 2009	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Non-executive Directors				
CI Cooke[1]	-	Nil%	-	Nil%
KT Willis	9,940,275	26.0%	9,940,275	26.0%
BW Fielder	463,500	1.2%	463,500	1.2%
Executive Directors				
MR Varley	10,637,559	27.9%	10,637,559	27.9%
DR Smith	-	Nil%	-	Nil%

1 – CI Cooke holds 40% of the share capital of a Company which owned 217,000 shares (0.6% of the issued share capital at 31 December 2008 and 217,000 (0.6% of the issued share capital) at 16 June 2009.

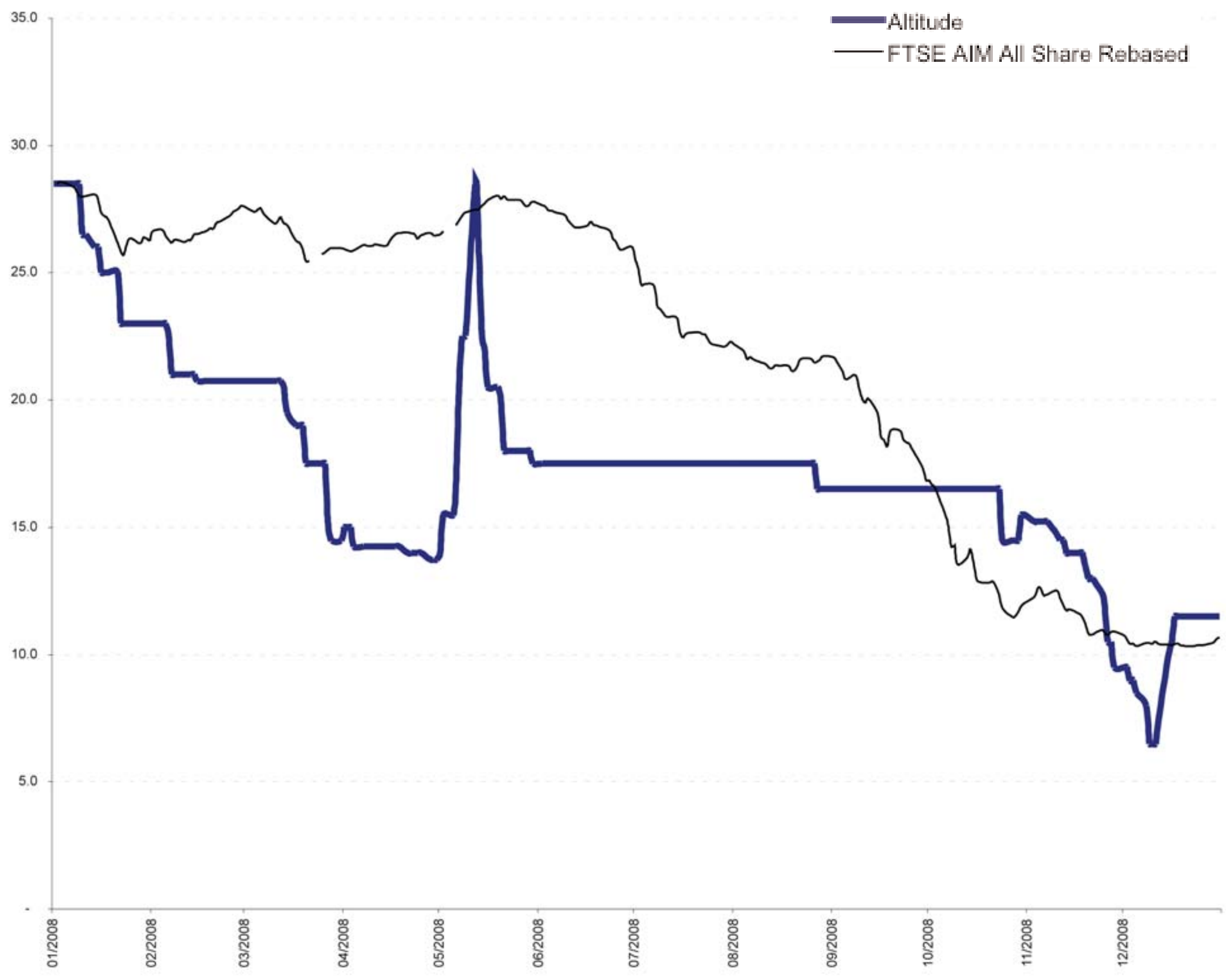
Details of directors' interests in share options in the Executive Share Option Schemes

None of the Directors had any interest in share options over the share capital of the Company.

The aggregate gain made by the Directors on the exercise of share options was £Nil (2007: £Nil).

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM (rebased) for the year to 31 December 2008. The Committee has selected this index because it is most relevant for a Company of Altitude' size and sector.



This report was approved by the Board on 22 July 2009.

KT Willis

Chairman of the Remuneration Committee

23 July 2009

Corporate Governance Report

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

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

Board of Directors
The Board, which is headed by the Chairman who is non-executive, comprised two other non-executive and three executive members as at 31 December 2008. At the date of this report there are three non-executive directors and two executive directors. The Board met regularly throughout the year with ad hoc meetings also being held. The role of the Board is to provide leadership of the Company and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed. The Board has agreed the Schedule of Matters reserved for its decision which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others. It also approves acquisitions and disposals of businesses, major capital expenditure, annual financial budgets and it recommends interim and final dividends. It receives recommendations from the Audit Committee in relation to the appointment of auditors, their remuneration and the policy relating to non-audit services. The Board agrees the framework for executive directors' remuneration with the Remuneration Committee and determines fees paid to non-executive directors. Board papers are circulated before Board meetings in sufficient time to be meaningful.

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

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

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

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

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

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

The table below shows the number of Board, Audit Committee and the Remuneration Committee meetings held during the year from the date of the approval of the last set of financial statements to the date of approval of these financial statements (or the date of resignation in the case of RCA Slater and TJ Sykes) and the attendance of each director.

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

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

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

Corporate Governance Report (continued)

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

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

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

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

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

The Remuneration Committee

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

Communication with investors

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

Internal controls

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

The Group highlights potential financial and non-financial risks which may impact on the

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Possible	Attended	Possible	Attended	Possible	Attended
Non-Executive Directors						
CI Cooke	12	12	1	1	1	1
KT Willis	12	12	1	1	1	1
BW Fielder	12	12	1	1	1	1
Executive Directors						
MR Varley	12	12	-	-	-	-
DR Smith	2	2	-	-	-	-
RCA Slater	8	8	-	-	-	-
TJ Sykes	8	8	-	-	-	-

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

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

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

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

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

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

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

BW Fielder

Chairman of the Audit Committee

23 July 2009

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Independent Auditors' Report to the Members of Altitude Group plc

We have audited the group and parent company financial statements (the "financial statements") of Altitude Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Reconciliation of Movement in Shareholder's Funds and the related Notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ('IFRSs') as adopted by the EU, and for preparing the parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards ('UK Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
Leeds

23 July 2009

Consolidated Income Statement

for the year ended 31 December 2008

	Notes	2008 £000	Restated (Note 1) 2007 £000
Revenue			
- continuing		**17,972**	19,664
Cost of sales		**(10,556)**	(12,687)
Gross profit		**7,416**	6,977
Administrative costs		**(7,451)**	(7,356)
Operating profit before amortisation of intangible customer related assets, non-recurring administrative expenses and share based payment charges		**450**	171
Amortisation of intangible customer related assets	13	**(95)**	(84)
Non-recurring administrative expenses	4	**(346)**	(429)
Share based payment charges	6	**(44)**	(37)
Operating loss	7	**(35)**	(379)
Finance income	8	**7**	2
Finance expenses	9	**(5)**	(55)
Loss before taxation		**(33)**	(432)
Taxation	10	**140**	31
Profit / (loss) attributable to the equity shareholders of the Company		**107**	(401)
Earnings / (loss) per ordinary share attributable to the equity shareholders of the Company :	11		
- Basic and Diluted		**0.28p**	(1.05p)

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000
At 1 January 2007 (as restated – see note 1)	153	5,293	(323)
Result for the period (as restated – see note 1)	-	-	(401)
Share based payment charges	-	-	37
At 31 December 2007 (as restated – see note 1)	153	5,293	(687)
Result for the period	-	-	107
Share based payment charges	-	-	44
At 31 December 2008	153	5,293	(536)

Consolidated Balance Sheet

as at 31 December 2008 Restated (Note 1)

	Notes	2008 £000	2007 £000
Non-current assets			
Property, plant & equipment	12	**721**	942
Customer related intangible assets	13	**174**	119
Goodwill	13	**2,621**	2,296
		3,516	3,357
Current assets			
Inventories	14	**1,825**	1,756
Trade and other receivables	15	**3,964**	5,093
Current taxes		**-**	290
Cash and cash equivalents	16	**431**	652
		6,220	7,791
Total assets		**9,736**	11,148
Current liabilities			
Trade and other payables	17	**(4,392)**	(5,696)
Current taxes		**-**	(431)
		(4,392)	(6,127)
Non-current liabilities			
Trade and other payables	17	**(59)**	(20)
Deferred consideration	13	**(297)**	(147)
Deferred tax liabilities	18	**(78)**	(95)
		(434)	(262)
Total liabilities		**(4,826)**	(6,389)
Net assets		**4,910**	4,759
Equity attributable to equity holders of the Company			
Called up share capital	19	**153**	153
Share premium account	19	**5,293**	5,293
Retained earnings	19	**(536)**	(687)
Total equity		**4,910**	4,759

The financial statements on pages 16 to 39 were approved by the Board of Directors on 23 July 2009 and signed on its behalf by:

Martin Varley
Chief Executive Officer

David Smith
Group Finance Director and Company Secretary

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	2008 £000	Restated (Note 1) 2007 £000
Operating activities			
Profit /(loss) for the period		**107**	(401)
Impairment of goodwill		**-**	104
Amortisation of intangible assets		**95**	84
Depreciation		**343**	241
Net finance expense / (income)		**(2)**	53
Income tax charge / (credit)		**(140)**	(31)
Share based payment charges		**44**	37
Operating cash inflow before changes in working capital		**447**	87
Movement in inventories		**(69)**	(72)
Movement in trade and other receivables		**1,129**	122
Movement in trade and other payables		**(1,307)**	978
Operating cash inflow from operations		**200**	1,115
Interest received		**7**	2
Interest paid		**(5)**	(55)
Income tax received / (paid)		**(60)**	147
Net cash flow from operating activities		**142**	1,209
Investing activities			
Purchase of plant and equipment		**(122)**	(257)
Acquisition of subsidiaries	3	**(283)**	(104)
Net cash flow from investing activities		**(405)**	(361)
Financing activities			
Net proceeds / (payments) of hire purchase contracts		**42**	(17)
Net cash flow from financing activities		**42**	(17)
Net (decrease) / increase in cash and cash equivalents		**(221)**	831
Cash and cash equivalents at the beginning of the year		**652**	(179)
Cash and cash equivalents at the end of the year		**431**	652

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 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Basis of preparation

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

The Accounts have been prepared under the historical cost convention.

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

The following Standards and Interpretations have been issued, but are not yet effective and have not been adopted early by the Group :

International Financial Reporting Standards:		**Effective for accounting periods starting on or after**
IAS 1	Presentation of financial statement: A revised presentation	1 January 2009
IFRS 2	Share-based payment: Vesting conditions and cancellations	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IFRSs	Annual improvements to IFRSs	1 January 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IFRS 3	Business combinations	1 July 2009

The Directors monitor accounting standards developments and consider the most appropriate time to adopt them in the Group Accounts. The Directors are currently considering whether IFRS 8 will result in reporting of different operating segments. The Directors do not anticipate that the adoption of the other standards and interpretations will have a material effect on the financial statements when they come into effect.

Going concern

The group meets its day to day working capital requirements through an overdraft facility which was renewed for another year in December 2008. The renewal provides for facilities of £0.9m. The group held net cash balances as at 31 December 2008 of £0.4m.

The current economic conditions create uncertainty, particularly over the level of demand for the Group's products. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

The Group will open facility renewal negotiations with the banks in due course and has, at this stage, not sought any written commitment that the facilities will be renewed. However, the Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewals may not be forthcoming on acceptable terms.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

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

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

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

Foreign currencies

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

Property, plant and equipment

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

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

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

Intangible assets – Goodwill

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

Acquired intangible assets – Business combinations

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

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

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

Impairment

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

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

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

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

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

Inventories

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

Trade and other receivables

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

Classification of financial instruments issued by the Group

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

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

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

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

Financial assets

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

Financial liabilities

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

Cash and cash equivalents

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

Revenue recognition

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

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

Part of the Group's business includes the provision of certain catalogues for trade distributors. The production of these catalogues incorporates a consolidated effort by a number of different elements of the Group's overall operations. During the year, the Directors identified that the revenue recognition policy adopted by the various different elements of the Group's overall operations was not consistent with some operations recognising revenue during the current accounting period and some deferring revenue to future accounting periods. The Directors consider that the Group revenue recognition policy should be consistent and that revenue from the provision of the catalogues should be recognised in the accounting period in which the catalogues are actually provided and have corrected this with a prior year restatement, see below.

Operating segments

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

- sale of promotional products, business gifts and related marketing services ("Promotional marketing"); and,

- provision of information and exhibitions to the wider industry ("Information & Exhibitions").

Research and development

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- its intention to complete the intangible asset and use or sell it;

- its ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Leases

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

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

Non-recurring items

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

Post retirement benefits

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

Share based payments

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

Taxation

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

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

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

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

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

Key judgements and estimates

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

Intangible fixed assets (other than goodwill)

Customer relationships – at the time of each of the business combinations of Distinctive Ideas Limited, Ross Promotional Products Limited, Envoy Catalogue and Slilent Kite, the acquired businesses each had a portfolio of customers and there is evidence that these customers continued and still do continue to repeat purchase. The Directors consider that these customers were of value to the Group at the date of acquisition, and hence were an intangible asset. The value of those customer relationships has been estimated at £433,000 for all of the acquisitions together and further, that the average length of a customer relationship is three years (five years in the case of Silent Kite). As such, £433,000 was reflected within customer related intangible assets at the date of each acquisition and is being amortised over a three (or five) year period from the date of each acquisition. Further, this type of customer related intangible asset has an associated deferred tax liability which is being released to the profit and loss account over the same three (or five) year period.

Minority interests

On 3 July 2006, the Group acquired 80% of the issued share capital of Promoserve Business Systems Limited (formerly Industry Software Limited). The Group carries a liability, using the anticipated acquisition method, of £297,000 (2007: £147,000) in respect of deferred consideration for the remaining 20% of the issued share capital. This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Promoserve Business Systems Limited (formerly Industry Software Limited). The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m.

Revenue Recognition

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

Capitalisation of development costs

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

1. Prior year restatements

In accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors', the Group has identified the need to recognise a prior year restatement in respect of four matters. The effect is outlined below.

	Note	At 31 December 2007 £000	At 1 January 2007 £000
Duplicated sales invoices	a	146	-
Unrecognised trade payables	b	79	-
Revenue recognition	c	599	580
Client owned stock	d	44	-
		868	580

a. During the year ended 31 December 2007 certain sales invoices were duplicated in error. The impact of this duplication was to overstate revenues and profit for the year ended 31 December 2007 by £146,000 and to overstate net assets at that date by £146,000.

b. The net assets at 31 December 2007 did not recognise a liability in respect of trade payables at that date of £79,000. The impact was to overstate net assets as at 31 December 2007 and the profit for the year then ended by £79,000.

c. Part of the Group's business includes the provision of certain catalogues for trade distributors. The production of these catalogues incorporates a consolidated effort by a number of different elements of the Group's overall operations. During the year, the Directors identified that the revenue recognition policy adopted by the various different elements of the Group's overall operations was not consistent with some operations recognising revenue during the current accounting period and some deferring revenue to future accounting periods. The Directors consider that the Group revenue recognition policy should be consistent and that revenue from the provision of the catalogues should be recognised in the accounting period in which the catalogues are actually provided. The impact of this restatement is to reduce net assets by £599,000 as at 31 December 2007 and to reduce profit for the year then ended by £19,000.

d. Included within inventories at 31 December 2007 were items that were held on behalf of a client. These items are not assets of the company but had been valued in error. The impact of this restatement is to reduce both net assets at 31 December 2007 and profit for the year then ended by £44,000.

2 Segmental information

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

Restated (Note 1)

	2008 £000	2007 £000
Turnover		
Promotional marketing	**15,870**	18,285
Information & Exhibitions	**2,912**	2,444
Inter-group trading	**(810)**	(1,065)
	17,972	19,664

	2008 £000	2007 £000
Operating profit before software development costs, amortisation of customer related intangibles , non-recurring items and share based payments		
Promotional marketing	**949**	870
Information and Exhibitions	**337**	51
Central operations	**(836)**	(750)
	450	171

	2008 £000	2007 £000
Operating profit/(loss)		
Promotional marketing	**671**	414
Information and Exhibitions	**305**	41
Central operations	**(1,011)**	(834)
	(35)	(379)

Depreciation		
Promotional marketing	**270**	178
Information and Exhibitions	**68**	61
Central operations	**5**	2
	343	241

Amortisation		
Promotional marketing	**71**	74
Information and Exhibitions	**24**	10
Central operations	**-**	-
	95	84

Impairment		
Promotional marketing	**-**	104
Information and Exhibitions	**-**	-
Central operations	**-**	-
	-	104

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

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

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

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows :

		Restated (Note 1)
	2008	2007
	£000	£000
Assets		
Promotional marketing	**7,823**	9,274
Information and Exhibitions	**1,391**	1,546
Central operations	**522**	328
	9,736	11,148
Liabilities		
Promotional marketing	**3,037**	4,154
Information and Exhibitions	**1,300**	2,048
Central operations	**489**	187
	4,826	6,389
Capital expenditure		
Promotional marketing	**102**	191
Information and Exhibitions	**19**	42
Central operations	**1**	24
	122	257

3 Acquisitions

Acquisition of Silent Kite

On 13 August 2008, the Group acquired the business assets of Silent Kite for a consideration of £275,000.

Analysis of fair value of acquisition:

	Total
	£000
Intangible assets	150
Deferred tax liability	(42)
Net identified assets and liabilities	108
Goodwill on acquisition	175
	283

Satisfied by :	
Acquisition expenses	8
Cash payments	275
	283

The profit effect of this acquisition was immaterial to the results of the Group.

Acquisition of Poyle Promotions

On 1 June 2007, the Group acquired the business assets of Poyle Promotions for a consideration of £100,000.

Analysis of fair value of acquisition:

	Total
	£000
Goodwill on acquisition	104
	104

Satisfied by :	
Acquisition expenses	4
Cash payments	100
	104

The profit effect of this acquisition was immaterial to the results of the Group.

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition.

The goodwill recognised on the acquisitions is attributable mainly to the synergistic benefits achievable as a result of the acquired businesses being within the Group, principally through operating cost savings and also the skills and technical talent of the workforce of the acquired business.

4 Non-recurring administrative expenses

	Note	2008 £000	2007 £000
Termination payments	a	**163**	142
Non-recurring administrative expenses	b	**183**	-
Inventory impairment on specific product range	c	**-**	96
Provision for prior period rates	d	**-**	42
Aborted deal costs	e	**-**	45
Impairment of goodwill	f	**-**	104
		346	429

a. The Group has incurred termination payments to certain of its employees beyond a normalised level.

b. Non-recurring administrative expenses relate principally to the costs of those terminated employees whilst employed within the Group which, following the restructuring programme, will no longer be incurred.

c. Provision was made for the impairment of an entire product line to its recoverable value during the year.

d. The Group received notification regarding an assessment to business rates that had been undercharged during prior financial year periods. This amount of the assessment has been provided for in full.

e. The Group incurred costs related to aborted acquisitions.

f. The Group took an impairment charge against the goodwill acquired on Poyle Promotions.

5 Employees

	2008 £000	2007 £000
Staff costs :		
- Wages and salaries	**3,891**	3,584
- Social security costs	**397**	367
- Other pension costs	**109**	107
- Share based payments	**44**	37
	4,441	4,095

Average number of employees (including directors) during the year		
- Promotional Marketing	122	107
- information & Exhibitions	31	35
	153	142

The compensation of key management personnel is detailed within the Directors' Remuneration Report on pages 8 to 10.

6 Share based payments

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a Long Term Incentive plan (LTIP). Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme and the LTIP are set out on page 9.

Options granted under the EMI scheme are set out below.

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

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

	Weighted average exercise price 2008 (p)	Number of options 2008 (number)	Weighted average exercise price 2007 (p)	Number of options 2007 (number)
Outstanding at start of year	0.4	710,000	-	-
Granted during the year	0.4	234,000	0.4	880,000
Lapsed during the year	-	(190,000)	-	-
Forfeited during the year	-	-	0.4	(170,000)
Exercised during the year	-	-	-	-
Outstanding at end of the year	0.4	754,000	0.4	710,000
Exercisable at end of the year	0.4	-	0.4	-

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted and those to be granted as a result of the LTIP. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted in the period and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

Granted in the year to 31 December

	2008	2007
Fair value at measurement date (pence)	**16.5p**	34.5p
Share price at grant date (pence)	**16.5p**	34.9p
Exercise price (pence)	**0.4p**	0.4p
Expected volatility (%)	**40.7%**	40.7%
Average option life (year)	**10.0**	10.0
Expected dividend (%)	**-**	-
Risk free interest rate (%)	**3.0%**	4.8%

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

Charge to the Consolidated Income Statement

The charge to the income statement comprises:

	2008	2007
	£000	£000
Share based payment charges	**44**	37

7 Operating loss

		Restated (Note 1)
	2008	2007
	£000	£000
Operating profit/(loss) is stated after charging / (crediting):		
Depreciation of owned property, plant and equipment	**328**	219
Depreciation of property, plant and equipment held under hire purchase contracts	**15**	22
Research and development expenditure expensed as incurred	**209**	159
Operating lease rentals :		
- Land and buildings	**311**	285
- Other	**70**	43
Rentals receivable under operating leases :		
- Land and buildings	**(15)**	(14)
(Profit) / loss on currency translation	**(18)**	(11)

	2008	2007
	£000	£000
Auditors' remuneration:		
Audit of these financial statements	**12**	14
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**26**	33
- Other services relating to taxation	**10**	35

The Other services relating to taxation for the year ended 31 December 2007 include an amount of £20,000 in respect of Group restructuring advice.

8 Finance income

	2008	2007
	£000	£000
Bank interest receivable	**7**	2

9 Finance expenses

	2008	2007
	£000	£000
Bank interest expense	**3**	53
Interest expense on hire purchase contracts	**2**	2
	5	55

10 Taxation

Recognised in the income statement

		Restated (Note 1)
	2008	2007
	£000	£000
Current tax expense		
Current year	**(81)**	9
Deferred tax origination and reversal of timing differences	**(59)**	(40)
Total tax in income statement	**(140)**	(31)

Reconciliation of effective tax rate

		Restated (Note 1)
	2008	2007
	£000	£000
Loss before tax for the period	**(33)**	(379)
Tax using the UK corporation tax rate of 28% (2007: 30%)	**(9)**	(114)
Non-deductible expenses	**10**	12
Share based payment charges	**12**	12
(Utilisation of)/increase in losses	**(61)**	78
Adjustment in respect of previous years	**(92)**	(19)
Total tax (credit) / expense	**(140)**	(31)

During the year the UK Government changed the tax rate from 30% to 28%.

11 Basic and diluted earnings per ordinary share

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

		Restated (Note 1)
	2008	2007
Earnings (£000)	**107**	(401)
Weighted average number of shares (number '000)	**38,203**	38,203
Fully diluted average number of shares (number '000)	**38,605**	38,488
Basic and diluted earnings/loss per ordinary share (pence)	**0.28p**	(1.05p)

12 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2007	115	555	587	36	1,293
Additions	51	46	132	28	257
Disposals	-	-	-	-	-
At 31 December 2007	166	601	719	64	1,550
Additions	-	76	46	-	122
Disposals	-	-	-	-	-
At 31 December 2008	166	677	765	64	1,672
Depreciation					
At 1 January 2007	15	171	165	16	367
Charge for the year	15	88	127	11	241
On disposals	-	-	-	-	-
At 31 December 2007	30	259	292	27	608
Charge for the year	20	179	130	14	343
On disposals	-	-	-	-	-
At 31 December 2008	50	438	422	41	951
Net book value					
At 1 January 2007	100	384	422	20	926
At 31 December 2007	136	342	427	37	942
At 31 December 2008	116	239	343	23	721

Included in the net book value of plant and machinery is £77,000 (2007 : £41,000) relating to assets under hire purchase contracts. The depreciation charged on these assets during the year ended 31 December 2008 was £15,000 (2007 : £22,000).

13 Intangible assets

	Goodwill £000	Customer related intangibles £000	Total £000
Cost			
At 1 January 2007	2,791	283	3,074
Acquisition through business combinations	104	-	104
At 31 December 2007	2,895	283	3,178
Acquisition through business combinations	175	150	325
Net increase in deferred consideration	150	-	150
At 31 December 2008	3,220	433	3,653
Amortisation and impairment			
At 1 January 2007	495	80	575
Amortisation for the year	-	84	84
Impairment for the year	104	-	104
At 31 December 2007	599	164	763
Amortisation for the year	-	95	95
At 31 December 2008	599	259	858
Carrying amounts			
At 1 January 2007	2,296	203	2,499
At 31 December 2007	2,296	119	2,415
At 31 December 2008	2,621	174	2,795

On 3 July 2006 the Group acquired 80% of the issued share capital of Industry Software Limited for an initial consideration of £171,000. A value of £147,000 was recognised in the balance sheet as the present value of deferred consideration. This has been revised during the year to an estimated value of £297,000.

This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Industry Software Limited.

The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m.

Amortisation charges are included within administrative costs

Allocation to cash generating units

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

	2008	2007
	£000	£000
Goodwill		
Dowlis Corporate Solutions	**1,520**	1,520
Ross Promotional Products	**488**	488
Distinctive Ideas	**94**	94
Envoy Catalogue	**194**	194
Silent Kite	**325**	-
Carrying amounts as at 31 December	**2,621**	2,296

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value-in-use calculations. Values have been estimated using cash flow projections based on detailed budgets and three year forecasts, followed by an extrapolation of expected cash flows at a constant growth rate of 3% (2007: 3%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. The discount rate applied was 10% (2007: 7.5%), which the directors deem to be a market adjusted pre tax weighted average cost of capital. These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. Based on this testing the Directors do not consider Goodwill or Intangible Assets to be impaired.

During 2008 following a review of the post acquisition performance of the business of Poyle Promotions, management lowered their expectations of the future performance of the acquisition and have impaired the goodwill of £104,000 to £Nil.

The impairment charge is recognised in the administrative expenses line item in the income statement of each of the following cash generating units:

	2008	2007
	£000	£000
Dowlis Corporate Solutions	**-**	104

Amortisation and impairment

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

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

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

14 Inventories

		(Restated Note1)
	2008	2007
	£000	£000
Finished product	**1,700**	1,681
Work in progress	**125**	75
	1,825	1,756

Inventories are stated net of an impairment provision of £179,000 (2007: £156,000), the increase of which has been charged as to £Nil (2007: £96,000) within 'non-recurring administrative expenses' and as to £23,000 (2007: £60,000) within 'cost of sales' the Consolidated Income Statement.

The cost of inventories charged to cost of sales was £9,479,000 (2007: £11,864,000 as restated – see note 1).

15 Trade and other receivables

	(Restated Note1)	
	2008	2007
	£000	£000
Trade receivables (net of impairment of £163,000 (2007: £220,000)	**3,546**	4,798
Other receivables	**130**	112
Prepayments and accrued income	**288**	183
	3,964	5,093

Trade and other receivables denominated in currencies other than sterling comprise £12,000 (2007: £98,000) of trade receivables denominated in US dollars and £165,000 (2007: £123,000) denominated in Euros. The fair values of trade and other receivables are the same as their book values.

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

	(Restated Note1)	
	2008	2007
	£000	£000
Not Overdue	**2,324**	1,013
Under 30 days overdue	**681**	1,591
Over 30 days but under 60 days overdue	**315**	610
Over 60 days overdue	**226**	1,584
	3,546	4,798

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

16 Cash and cash equivalents

	2008	2007
	£000	£000
Cash and cash equivalents	**1,354**	3,240
Bank overdrafts	**(923)**	(2,588)
	431	652

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

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £86,000 (2007: £215,000) denominated in US dollars and £23,000 (2007: £154,000) denominated in Euros.

17 Trade and other payables

	2008 £000	(Restated Note1) 2007 £000
Current		
Trade payables	**2,379**	2,827
Hire purchase agreements	**23**	20
Other taxes and social security	**295**	302
Other creditors	**20**	2
Accruals and deferred income	**1,675**	2,545
	4,392	5,696
Non-current		
Hire purchase agreements	**59**	20

Trade and other payables denominated in currencies other than sterling comprise £81,000 2007: £281,000) of trade payables denominated in US dollars and £91,000 (2007: £3,000) of trade payables denominated in Euros.

18 Deferred tax liabilities

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

	2008 £000	2007 £000
Customer related intangibles	**49**	35
Accelerated capital allowances	**29**	60
	78	95

Movement in deferred tax year ended 31 December 2008

	As at 1 January 2008 £000	Acquisitions £000	Income statement £000	As at 31 December 2008 £000
Customer related intangibles	35	42	(28)	49
Accelerated capital allowances	60	-	(31)	29
	95	42	(59)	78

In addition to the above the group has an unrecognised deferred tax asset of £272,000 (2007: £376,000) in respect of operating losses carried forward. This is not recognised in the balance sheet due to uncertainty over the future recoverability of its value.

19 Share capital and reserves

	2008 £000	2007 £000
Authorised :		
- 100,000,000 Ordinary shares of 0.4p each	**400**	400

	2008 £000	2007 £000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0.4p each (2007: 38,203,480)	**153**	153

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During 2008, the Group's strategy, which was unchanged from 2007 was to keep debt to a minimum. Net cash at 31 December 2008 was £431,000 (2007: net cash £652,000).

Share option schemes

Executive share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme), an unapproved executive incentive plan (Unapproved scheme) and a Long Term Incentive plan (LTIP). Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme, the Unapproved scheme and the LTIP are set out on page 9. Under the EMI scheme, 159,000 (2007: 710,000) options in ordinary shares have been granted and under the Unapproved scheme 75,000 (2007: Nil) options over ordinary shares have been granted.

Arrangement with shareholders

In addition, an arrangement exists whereby certain employees have an option to acquire 522,500 (2007 : 522,500) shares from KT Willis at a price of 3.1p per share. These options are not performance related and are exercisable at any time between 1 September 2006 and 31 October 2013.

20 Financial instruments disclosure

Financial instruments policy

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

Financial assets and liabilities

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

In addition, the Group also recognises as a financial instrument the put option arising as a result of the acquisition of Promoserve Business Systems Limited (formerly Industry Software Limited). This is exercisable between the end of 2011 and 2016 and is subject to a maximum deferred consideration of £10m (see note 1).

Credit risk

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

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

Interest rate risk

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

Currency risk

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

Interest rate and currency profile

Financial assets

		(Restated Note1)
	2008	2007
	£000	£000
Loans and receivables:		
Trade receivables	**3,546**	4,798
Other receivables and accrued income	**418**	295
Cash at bank	**1,354**	3,240
	5,318	8,333

The Group's banking facilities allow for the offset of the bank overdraft below against the cash at bank above. The net amount of the cash at bank and bank overdraft is put on overnight deposit. The overnight deposit rate at 31 December 2008 was 1.75%.

Financial liabilities

	Restated Note 1)	
	2008	2007
	£000	£000
Other financial liabilities:		
Trade payables	**2,379**	2,827
Other short term liabilities	**1,990**	2,849
Bank overdraft – see above	**923**	2,588
Hire purchase agreements – 7.5% average rate	**82**	40
Contingent consideration – interest free	**297**	147
	5,671	8,451

Other than the contingent consideration, all of the financial assets and liabilities detailed above are recorded at amortised cost with changes in those values being taken though the Consolidated Income Statement.

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £86,000 which is denominated in US dollars and of £23,000 which is denominated in Euros; of trade receivables of £12,000 which is denominated in US dollars and of £165,000 which is denominated in Euros; and of other financial liabilities of £81,000 which is denominated in US dollars and of £91,000 which is denominated in Euros.

Maturity profile of financial liabilities

	(Restated Note1)	
	2008	2007
	£000	£000
In one year or on demand	**5,315**	8,284
In one to two years	**59**	20
In two to five years	**297**	147
	5,671	8,451

The financial liabilities due for repayment within one year relate to bank overdrafts and hire purchase contracts. The financial liability due between one and two years relates to hire purchase contracts. The financial liability due in two to five years relates to the discounted estimated deferred consideration payable in respect of the acquisition of Promoserve Business Systems Limited (formerly Industry Software Limited).

Fair value of financial instruments

At 31 December 2008 the difference between the book value and the fair value of the Group's financial assets and liabilities was £Nil (2007: £Nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2008.

21 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2008 or 31 December 2007.

(b) Operating leases commitments

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

	2008		**2007**	
	Land and buildings	**Other**	**Land and buildings**	**Other**
	£000	**£000**	**£000**	**£000**
In respect of leases expiring:				
- In one year	**-**	**2**	238	35
- In two and five years	**241**	**150**	490	71
- In more than five years	**1,365**	**-**	108	-
	1,606	**152**	836	106

c) Hire purchase and finance leases commitments

	2008	2007
	£'000	£'000
In respect of finance leases expiring:		
- In one year	**39**	22
- In two and five years	**55**	23
- In more than five years	**-**	-
Gross liability	**94**	45
Interest	**(12)**	(5)
Net liability	**82**	40

22 Pensions

The Group operates a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Group to the scheme and other personal pension plans and amounted to £109,000 (2007: £107,000).

23 Accounting estimates and judgements

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

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

Intangible fixed assets (other than goodwill)

Customer relationships – at the time of each of the business combinations of Distinctive Ideas Limited, Ross Promotional Products Limited, Envoy Catalogue and Silent Kite, the acquired businesses each had a portfolio of customers and there is evidence that these customers continued and still do continue to repeat purchase. The Directors consider that these customers were of value to the Group at the date of acquisition, and hence were an intangible asset. The value of those customer relationships has been estimated at £433,000 for all of the acquisitions together and further, that the average length of a customer relationship is three or five years. As such, £433,000 was reflected within customer related intangible assets at the date of each acquisition and is being amortised over a three or five year period from the date of each acquisition. Further, this type of customer related intangible asset has an associated deferred tax liability which is being released to the Consolidated Income Statement over the same three or five year period.

Minority interests

On 3 July 2006, the Group acquired 80% of the issued share capital of Promoserve Business Systems Limited (formerly Industry Software Limited). The Group carries a liability of £297,000 (2007 :£147,000) in respect of deferred consideration for the remaining 20% of the issued share capital. This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Promoserve Business Systems Limited (formerly Industry Software Limited). The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m.

Revenue Recognition

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

Capitalisation of development costs

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

24 Related party transactions

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

During the year £36,000 (2007: £7,000) was invoiced to Ice London Limited, a Company controlled by Mrs Varley in respect of property rented to and in respect of services provided to Ice London Limited. At 31 December 2008, £14,000 was outstanding (2007 : £Nil).

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is provided in the the Directors' Remuneration Report on pages 8 to 10, which includes the specific disclosures required by Schedule 6 of the Companies Act 1985, and is therefore part of the audited financial statements. In addition, the Group recognised a share-based payment charge under IFRS2 'Share-based payment' of £44,000 (2007: £37,000).

Company balance sheet

At 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	28	**18**	22
Investments	29	**2,337**	2,187
		2,355	2,209
Current assets			
Debtors	30	**1,655**	2,270
Cash at bank and in hand		**-**	57
		1,655	2,327
Creditors – amounts falling due within one year	31	**(699)**	(194)
Net current assets		**956**	2,133
Total assets less current liabilities		**3,311**	4,342
Creditors – amounts falling due after more than one year	32	**(297)**	(147)
Net assets		**3,014**	4,195
Capital and reserves			
Called up share capital	33	**153**	153
Share premium account	34	**5,293**	5,293
Profit and loss account	34	**(2,432)**	(1,251)
Shareholders' funds	37	**3,014**	4,195

The balance sheet was approved by the Board of Directors on 23 July 2009 and signed on its behalf by:

Martin Varley
Chief Executive Officer

David Smith
Group Finance Director and Company Secretary

Company Reconciliation of Movements in Shareholder's Funds

For the year ended 31 December 2008

	2008 £000	2007 £000
Loss for the financial year	**(1,225)**	(1,055)
Charge in relation to Share based payment	**44**	37
Net reduction in shareholders' funds	**(1,181)**	(1,018)
Opening Shareholder's funds	**4,195**	5,213
Closing Shareholder's funds	**3,014**	4,195

Notes to the company balance sheet

25 Company accounting policies

Basis of preparation

As used in the financial statements and related notes, the term 'Company' refers to Altitude Group plc. The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

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

A separate profit and loss account dealing with the results of the Company only has not been presented, as permitted by section 230 (4) of the Companies Act 1985.

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

Investments

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

Cash and liquid resources

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

Taxation

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

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

FRS20 share based payments

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

26 Operating costs

The audit fee for the Company was £12,000 (2007: £14,000). Other fees payable to the auditors and their associates for corporation tax services were £2,000, (2007: £20,000).

27 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed in the Directors' Remuneration Report on pages 8 to 10.

28 Tangible fixed assets

	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2008	5	19	24
Additions	1	-	1
At 31 December 2008	6	19	25
Depreciation			
At 1 January 2008	-	2	2
Charge for the year	1	4	5
At 31 December 2008	1	6	7
Net book value			
At 31 December 2008	5	13	18
At 1 January 2008	5	17	22

29 Investments

	Shares in subsidiary undertakings
	£000
Cost	
At 1 January 2008	2,505
Increase in deferred consideration	150
At 31 December 2008	2,655
Impairment	
At 1 January 2008 and at 31 December 2008	318
Net book value	
At 1 January 2008	2,187
At 31 December 2008	2,337

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

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class of shares held**	**Holding**
Dowlis Corporate Solutions (UK) Limited	England and Wales	Sale of promotional goods	Ordinary	100%
Adproducts.com Limited[1]	England and Wales	Sale of promotionalgoods and marketing services	Ordinary	100%
Trade Only Limited[1,2]	England and Wales	Sale of promotional goods and marketing services	Ordinary	100%
Ross Promotional Products Limited[1]	Scotland	Sale of promotional goods	Ordinary	100%
Promoserve Business Systems Limited (formerly Industry Software Limited)[2]	England and Wales	Sale of software and marketing services	Ordinary	80%
Distinctive Ideas Limited	England and Wales	Sale of promotional goods	Ordinary	100%
The Bentley Collection Limited	England and Wales	Sale of promotional goods	Ordinary	100%

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

Note 1 – held by a subsidiary undertaking

Note 2 – The trade and assets of Trade Only Limited were transferred to Promoserve Business Systems Limited (formerly Industry Software Limited) on 1 January 2008 and on 21 February 2008 Trade Only Limited changed its name to Industry Software Limited. On 21 February 2008, Promoserve Business Systems Limited (formerly Industry Software Limited) changed its name to Trade Only Limited.

30 Debtors

	2008	2007
	£000	£000
Corporation tax	**-**	235
Other debtors	**13**	16
Amounts owed by subsidiary undertakings	**1,642**	2,019
	1,655	2,270

31 Creditors: Amounts falling due within one year

	2008	2007
	£000	£000
Bank overdrafts	**508**	-
Trade creditors	**58**	50
Accruals and deferred income	**26**	144
Amounts owed to subsidiary companies	**107**	-
	699	194

32 Creditors: Amounts falling due after more than one year

	2008	2007
	£000	£000
Deferred consideration (note 13)	**297**	147

33 Share capital

	2008	2007
	£000	£000
Authorised :		
- 100,000,000 Ordinary shares of 0.4p each (2007 : 100,000,000)	**400**	400

	2008	2007
	£000	£000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0.4p each (2007: 38,203,480)	**153**	153

34 Reserves

	Share premium account	Profit and loss account
	£000	£000
At 1 January 2008	5,293	(1,251)
(Loss) / profit for the period	-	(1,225)
Share based payment charges (see Note 6)	-	44
At 31 December 2008	5,293	(2,432)

35 Commitments

(a) Capital commitments

The Company had no capital commitments existing at 31 December 2008 or 31 December 2007.

(b) Operating leases commitments

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

36 Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2008 of £145,000 (2007: £173,000).

The Company has guaranteed the bank overdrafts over certain of its subsidiary companies at 31 December 2008 of £923,000 (2007: £2,588,000).

Altitude Group plc

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