# Altitude Group plc

## Annual Report 2013

TRADE ONLY | STORE. TRADE ONLY | VISION. SignStore.net TRADE ONLY | EVENTS PromoServe. TECHNOLOGO.com Interactive Image Solutions.

Altitude Group plc
Annual Report

31 December 2013
Registered number 05193579

# Contents

# Directors and Advisers

## Directors

***Stephen Yapp (Executive Chairman)[1,2]***
Stephen joined the Board as a Non-Executive Director on 28 February 2013, was appointed Non-Executive Chairman on 26 April 2013 and appointed Executive Chairman on 25 September 2013. He is also Executive Chairman of Journey Group plc and Chairman of MNH Group Limited and was previously Chairman of Redstone plc and a Non-Executive Director of Imagesound plc. From 2001 to 2006 he was Chief Executive of DCS Group plc. Stephen is Chairman of the Audit Committee and of the Remuneration Committee.

***Martin Varley (Global Commercial Director)[1,2]***
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has over 25 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market.

***Richard Sowerby (Chief Financial Officer)[1,2]***
Richard joined the Board on 11 July 2013. Since July 2011 he has been a Director of Stridage Holdings Limited and a director of Carr-Hill Limited since 2008. He qualified as a Chartered Accountant with KPMG where he spent nine years before leaving to work with SME businesses.

1. Member of the Audit Committee

2. Member of the Remuneration Committee

## Advisers

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

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

**Principal bankers**
Royal Bank of Scotland plc
Corporate Banking
Brunel House
17-27 Station Road
Reading
Berkshire
RG1 1LG

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

**Nominated Adviser and Stockbrokers**
WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

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

# Chairman's Statement

**2013 will be noted as a year of significant change for our Group. Since the last update in September 2013, the strategic focus has continued to be:**

- **Establishing the new management structure**
- **Investing in our core technology**
- **Improving the visibility of the long term funding of the Group**
- **Strengthening resources to position the Group for growth**

**We have made significant progress in all these areas.**

As part of the above strategic priorities for 2013, the principal highlights were:

- Group restructured into core geographical "sales and service" operations with separate central technology development team and defined resource to explore and develop new markets and opportunities for our existing technologies
- Finalising the vendor loan note outstanding from the sale of the Promotional Marketing Division to an MBO team in 2011. Post the year end, a deal has been agreed that will result in the redemption on the loan note with the Group receiving a final £2m from the MBO team expected by the end of June 2014 with a £400,000 reduction taken to secure this
- Net cash at 31 December 2013 of £0.5m
- Adjusted loss before tax from continuing operations of £0.84m before non-recurring items, amortisation and share based payment charges

Our new management structure was established in the fourth quarter of 2013 and we are beginning to see the benefits of the revisions to the roles and responsibilities. Each business manager has clear targets with performance monitored by key indicators and close budget control. The key members of the management team are driven by performance measures and, following the EMI option awards last year, are incentivised to substantially increase shareholder value. The results for the year include a non-recurring charge of £0.1m arising from the changes made to this scheme

The strategy of providing a low cost "enterprise level technology" for the small business on a Software as a Service ("SaaS") model continues to gain traction in the key verticals for which the technology was initially developed. We have particular functionality benefits in comparison with legacy providers in niches that involve elements of product personalisation in the marketing services sector such as promotional, print and signage products. We continue to invest in our core technology to ensure we meet our existing and potential customers' evolving technology requirements. In this respect we invested over £1m in the year to enhance the delivery of optimal customer experience and will invest further in 2014 to ensure that we remain at the forefront of technology trends. We have identified a number of features and processes within new product offering that we have invested in patent protection, currently in the 'pending' stage.

We have funded our geographical and technology investment in 2012 and 2013 from the cash generative UK exhibitions and publishing businesses and from capital re-payments of the loan from the MBO team following the sale of the promotional merchandising business in 2011. The terms of this loan call for repayment by June 2016 with no fixed repayment terms. Whilst we continue to have good visibility of the cash flows of the MBO team's business, a key focus of our strategy therefore, has been to remove any risk from this position. I am happy to report that the MBO team has successfully re-financed their business and we expect to receive £2m of the £2.4m in the first half of 2014. We have agreed a £400,000 reduction to achieve this which was required as both an early payment incentive and to assist with the legal and professional fees of the MBO team to restructure their funding. We have included in the agreement a provision for the Group to receive a further £200,000 if the MBO team exits the business in the near future. To this end we have taken an impairment of the asset in the results for 2013 as a non-recurring item. I am delighted we have completed this transaction which helps ensure we achieve our objectives and provides excellent visibility of funding for the period in which we continue this investment phase.

In order to prevent management time being diverted by litigation, we also resolved the dispute with a competitor in the USA resulting in a non-recurring charge of £268,000 in the year, mainly arising from legal costs.

**Strategic update and performance review**

The Group remains confident that the most promising growth opportunities primarily lie in providing "enterprise level technology" for small businesses on a SaaS model in North America, where there are over 25,000 promotional product distributors of which 96% have sales of less than $2.5 million, Canada and the UK markets where the SME opportunities are considered to be the greatest. To be best placed to meet these opportunities the new structure announced in September 2013 separated the business into geographic operations focused on sales and customer service with centralised technology resources and another 'incubator' team focused on identifying additional markets and opportunities for our technology.

The Group operating loss before non-recurring items, amortisation of intangible assets and share based payment charges was £0.84m (2012: £0.4m) on revenues which increased by 3% to £4.2m (£4.07m). Our continued investment in our software as well as the continued development of our US operations has given rise to our losses in the period. During the year we have expensed £0.65m (2012 £0.47m) of software development costs in addition to £0.4m which has been capitalised in the year.

**Technologo**

Technologo performed well in 2013 with revenues up 20% and the business is well placed for further growth. Significant technological developments were made to upgrade the existing software and improve the user experience services, primarily moving to HTML which has more flexibility for customisation and requires no software downloads on the part of the user.

The management team has been strengthened with the appointment of a VP of Sales aimed at simplifying and shortening the sales process which, together with the hiring of outbound field and telesales resources is providing us with a solid pipeline of new prospects.

**US**

The US operation continued to make steady progress managing to double its customer base in the year despite some exceptional, previously reported unforeseen challenges.

We have made good progress in the early part of 2014 with new contracts with multi-user companies, which, along with our strengthening sales resource, gives us confidence that the foundations for growth are now in place.

**UK**

The UK division saw growth in sales in all three areas of technology, publications and exhibitions where we have a strong market leadership position. Investment in additional sales and support resource was made during the latter part of 2013 to help drive the sales growth for all of the technology solutions.

Our publications enjoyed an excellent year with the industry magazine PPD increasing to a monthly frequency. Our market leading Spectrum Catalogue which forms a key part of our offering to UK Promotional distributors is now used as a primary sales tool with our website solutions by over 500 distributors in the UK and Ireland.

Post the year end, the 2014 National Show was another tremendous success and revenues were again increased for the seventh consecutive year. This has again been followed by a typically high re-booking rate for the 2015 exhibition which will be its eighth year.

**Innovation**

To ensure that the Group maximises opportunities from innovation, a new incubator function has been created; separate from the main business with its own defined resources. This team, led by Martin Varley, will work on a small number of both product and customer facing projects, identifying those that are worthy of greater investment early in the process, and when proven will be allocated to an existing business unit to manage.

**Product development and integration**

Investments in infrastructure and development resource were made throughout the year; with technology being hosted in Amazon Web Services for increased resilience and additional skilled software programmers being introduced to support the commercial demand for the growing product portfolio.

A key milestone in 2013 for the Group's product portfolio was the creation of an industry focused HTML5 online design tool, "ArtworkTool", which allows users to easily create and share graphics and print-ready artwork using any device with a suitable browser. Already in use by our customers that benefit from our web store technology, we expect to be making it available to the general market during by the close of 2014.

Integration with B2B brands assists with client adoption of our own solutions, by example the ability for users of our VISION order management platform to continue to use QuickBooks© for their accounting resource while benefitting from the enhanced customer relationship management included as standard with VISION. We anticipate increasing the investment this year to enable a wider range of B2B technology companies to integrate with our various solutions.

**People**

There were a number of changes to the Board during the year. I joined the Company as Chairman in February 2013 in advance of Colin Cooke's retirement in April. David Dannhauser, having been appointed Chief Financial Officer in March 2013, left the Company in July 2013 and Richard Sowerby was appointed to that position at that time. My appointment as Executive Chairman in September 2013 coincided with Martin Varley taking the role of Global Commercial Director to concentrate on identifying new markets and opportunities for our products and services.

I would like to thank our staff for all of their hard work and commitment during this challenging year.

The Group's senior management team has industry leading expertise in their respective fields, and in order to facilitate the delivery of our growth strategy, we are investing in further resource across a number of the functions whilst not yet complete, the benefits are already starting to be seen across the business.

**Outlook**

The Group has demonstrated its ability to adapt to significant change in 2013. These changes together with a good cash position and the continued investment in our people alongside our product and technology offering will enable the Group to innovate and meet our customers' evolving needs.

The year has started well, with all businesses performing ahead of expectations and your Board remains confident in the Group's growth prospects.

**Stephen Yapp**
**Chairman**
5 June 2014

# Strategic Report

**Principal activities and business model**
The Group operates a technology and information business in the UK and across North America with a focus on serving the promotional merchandise, marketing services and print sectors.

The Group has developed a core technology product that enables small and medium sized enterprises ("SMEs") to receive and manage online orders from "click to cash" through our SaaS delivered integrated web store and order management solutions. Whilst initially focused on the promotional merchandise sector the technology has been customized for analogous sectors such as imprinted clothing, sign manufacturing and the print industry.

In the UK our catalogues and exhibitions are at the forefront of the promotional merchandising industry and our Trade Only National Show continues to be the premier exhibition for the industry in the UK.

**Business review**
As highlighted in the Chairman's statement 2013 has been a year in which we have focused on a number of areas whilst continuing to invest in our core products. We have made changes to our management structure and also to some of the personnel within that structure as well as focusing on our funding and addressing a number of issues that were outstanding from 2013. We have made progress in all these areas and our results for the year reflect the investments in both product and structure which will deliver benefits in the medium term.

**Financial review**
Group revenues from the Technology and Information businesses increased by 3% to £4.20m (2012: £4.07m). Gross profits were down by 1% to £3.21m (2012:£3.25m), as gross margins reduced to 76.4% from 79.8% in 2012. The reduction in gross margin reflects the cost of improved online services.

The operating loss before amortisation ("LBITA") before non-recurring administrative expenses and share based payment charges was £0.84m (2012: £0.40m). Software development expenditure expensed against revenues increased to £0.65m compared with £0.47m in 2012 as we continue to invest in our core products.

Net finance income of £0.24m (2012: £0.29m) was almost entirely the result of the interest received on the loan notes receivable outstanding from the sale of the Promotional Marketing Division, the outstanding balance of which was reduced by £0.9m to £2.4m by the end of the year.

**Taxation**
The tax credit reflects recognition of a deferred tax asset of £426,000 in respect of overseas tax losses carried forward.

**Earnings per share**
Basic loss per share was 4.10p, compared with a loss per share of 1.17p in 2012.

**Cash flow**
The Group has reported a net cash outflow from operations of £0.78m (2012: inflow £0.17m), which compares with equivalent pre-tax loss of £1.94m. The principal contributors to the difference were amortisation and depreciation charges amounting to £0.55m, the diminution in the carrying value of the loan note of £0.4m and the share based payments charge of £0.13m.

Cash flow before financing activities in the year was an outflow of £1.21m (2012: outflow £0.27m). £0.90m was received during the year from repayments made against the loan note outstanding from the sale of the Promotional Marketing Division in 2011. Overall, there was a net decrease in cash of £0.31m in the year resulting in net cash balances at the year-end of £0.45m.

Following the year end we have reached an agreement to accept a reduction to settle the loan note and £2m is expected to be received in the first half of 2014.

**Treasury**
The Group continues to manage the cash position in a manner designed to meet the operational needs of the businesses. Only modest cash balances are held in foreign currencies to minimise the exchange rate risk on these funds. There is no policy to hedge the Group's currency exposures arising from the profit translation or the effect of exchange rate movements on the Group's overseas net assets.

**Share capital**
There were no changes made to the number of shares in issue during the year which stood at 42,908,465 ordinary shares of 0.4 pence each. As set out in note 5 the Company issued options to the Executive Directors as part of the management incentive scheme. In total options over 4,240,000 ordinary shares were issued at an exercise price of 14.25 pence. Half of these share options relate to time served in the business and accrue over three years. Of the balance a thrid will be exercisable on the share price reaching 25 pence, a third on reaching 30 pence and the remainder on it reaching 35 pence.

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

**Principal risks and uncertainties**
The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate

processes are put in place to manage, monitor and mitigate these risks.
The Board considers the principal risks faced by the Group to be as follows at 31 December 2013:

- a significant deterioration in economic conditions, particularly in USA affecting SME's, the principal target customers for the Group's technology products.
- significant delays and or cost overruns in developing and delivering products to meet customer requirements in the targeted market sectors.
- predatory pricing or other actions by established competitors in our market sectors.
- a significant, adverse movement in the short-term in the US $ exchange rate.
- a significant deterioration in the financial performance of Stridage Holdings Limited, the holder of the 2016 Loan Note.

In all cases the Group seeks to mitigate these risks wherever possible by offering products that have market leading functionality and are backed by customer focused service of a high quality. In addition we manage development projects closely and ensure that we continue to offer services that meet our customer needs. In the case of the risk surrounding the holder of the 2016 Loan Note, we have agreed to take early settlement of the loan at a reduced sum in the first half of 2014.

**Richard Sowerby**
**Chief Financial Officer**
5 June 2014

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

**Dividend policy**

The payment of dividends will be subject to availability of distributable reserves and having regard to the importance of retaining funds to finance the development of the Group's activities. In the short term it is the Directors' intention to re-invest funds into the Group rather than fund the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend.

**Directors**

Details of the Directors who have served on the Board and on Board Committees are set out on page 2.

Stephen Yapp retires by rotation at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election. Richard Sowerby will retire at the Annual General Meeting in accordance with the Articles of Association of the Company and, being eligible, will seek election.

**Directors' remuneration and interests**

The remuneration of each of the Directors of the Company for the year ended 31 December 2013 and their interests in shares and share options is set out in note 4 on page 21.

**Policy on remuneration of Executive Directors and senior executives**

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

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

**Substantial shareholders**

The Company is informed that, at 21 April 2014, shareholders holding more than 3% of the Company's issued share capital were as follows:

| **Substantial shareholders** | Number of Shares | % of Issued Share Capital |
|---|---|---|
| MR Varley | 11,472,559 | 26.74% |
| KT Willis | 9,940,275 | 23.17% |
| Hansa Capital Partners LLP | 2,750,000 | 6.41% |
| Cavendish Asset Management | 2,322,850 | 5.41% |
| Octopus Asset Management | 1,944,444 | 4.53% |
| Six Sis AG | 1,775,500 | 4.14% |
| SP Taylor | 1,724,725 | 4.02% |
| Charles Stanley & Co | 1,530,000 | 3.57% |

The middle market price of the Company's ordinary shares on 31 December 2013 was 11.88p and the range from 1 January 2013 was 11.50p to 19.21p with an average price of 15.35p.

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

The Board, which is headed by the Executive Chairman comprised three executive members as at 31 December and at the date of this report. Stephen Yapp is the Executive Chairman, which incorporates the role of Chief Executive. The Company considers the combined role to be appropriate given the Group's size and structure. The Board met regularly throughout the year with ad hoc meetings also being held. In the furtherance of their duties on behalf of the Company, the Directors have access to independent professional advice at the expense of the Company.

The Board has established the following committees:

***Audit Committee***
The Audit Committee, which consisted of three executive directors and is chaired by Stephen Yapp, has specific terms of reference and meets with the auditors at least three times a year. The Committee reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies are adopted and internal financial controls and compliance procedures are in place.

***Remuneration Committee***
The Remuneration Committee, which consisted of three executive directors and is chaired by Stephen Yapp is responsible for determining the remuneration arrangements of the Executive Directors, for advising the Board on the remuneration policy for senior executives and invites participation in the Company's long-term incentive share schemes.

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

The Directors have established an organisational structure with clear lines of responsibility and delegated authority. The systems include:

- the appropriate delegation of authority to operational management;
- the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;
- financial reporting, within an established financial planning and accounting framework, including the approval by the Board of the annual budget and regular review by the Board of actual results compared with budgets and forecasts;
- reporting on any non-compliance with internal financial controls and procedures; and
- review of reports issued by the external auditors.

The Company does not have an Internal Audit function as the Board presently considers that the size and nature of the business does not warrant it. The Audit Committee on behalf of the Board reviews reports from the external auditors together with management's actions in response.

**Statement of Directors' responsibilities in respect of the Annual Report and the financial statements**
The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Reporting Standards as adopted by the EU ("IFRS") and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK GAAP).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the

Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he might reasonably have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Going concern**

The Group accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group's budget for 2014 and outline projections for the subsequent period, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

**Research and development**

The Group expended £1,038,000 during the year (2012: £754,000) on research and development of which £386,000 was capitalised (2012:£286,000).

**Employee involvement**

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

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

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

**Financial instruments**

An indication of the financial risk management objectives and policies and the exposure of the group to credit risk, interest rate risk and currency risk is provided in Note 18 to the Consolidated Financial Statements.

**Directors' indemnities**

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

**Supplier payment policy and practice**

The Group's operating companies determine terms and conditions of payment for the supply of goods and services. Payment is then made in accordance with these terms, subject to the terms and conditions being met by suppliers. The ratio, expressed in days, between the amount invoiced to the Group by its trade suppliers during the year to 31 December 2013 and the amount owed to its trade creditors at 31 December 2013, was 41 days (2012: 37 days).

**Environment and Health and Safety**

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

**Appointment of auditor**

Our auditor, KPMG Audit Plc has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditor and resolution concerning their appointment will be put to the forthcoming AGM of the company.

**Annual General Meeting**

The Annual General Meeting will be held at 2:30 pm on 30 June 2014 at WH Ireland, 24 Martin Lane, London EC4R 0DR and your attention is drawn to the notice of meeting set out on page 39.

By Order of the Board

**Richard Sowerby**
**Company Secretary**
5 June 2014

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

We have audited the financial statements of Altitude Group plc for the year ended 31 December 2013, set out on pages 12 to 38. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

**Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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


**Lindsey Crossland,**
**Senior Statutory Auditor**

**for and on behalf of KPMG Audit Plc,**
**Statutory Auditor**

Chartered Accountants
1 the Embankment
Neville Street
Leeds
LS1 4DW


5 June 2014

# Consolidated Statement of Comprehensive Income

**for the year ended 31 December 2013**

| | Note | **2013 £000** | 2012 £000 |
|---|---|---|---|
| **Revenue** | | | |
| - continuing | | **4,201** | 4,074 |
| Cost of sales | | **(991)** | (822) |
| Gross profit | | **3,210** | 3,252 |
| Administrative costs | | **(5,391)** | (4,233) |
| **Operating loss before amortisation of intangible assets, non-recurring administrative expenses and share based payment charges** | | **(839)** | (398) |
| Amortisation of intangible assets | | **(447)** | (370) |
| Non-recurring administrative expenses | 3 | **(767)** | (105) |
| Share based payment charges | 5 | **(128)** | (108) |
| **Operating loss** | | **(2,181)** | (981) |
| Finance income | 7 | **242** | 296 |
| Finance expenses | 7 | **(1)** | (3) |
| Loss before taxation | | **(1,940)** | (688) |
| Taxation | 8 | **182** | 186 |
| **Loss attributable to the equity shareholders of the Company** | | **(1,758)** | (502) |
| **Other comprehensive income:** | | | |
| Items that may not be reclassified subsequently to profit and loss: | | | |
| - Foreign exchange differences | | - | (15) |
| **Total comprehensive loss for the year** | | **(1,758)** | (517) |
| **Loss per ordinary share attributable to the equity shareholders of the Company:** | | | |
| - Basic (pence) | 9 | **(4.10p)** | (1.17)p |
| - Diluted (pence) | 9 | **(4.10p)** | (1.17)p |

# Statement of Changes in Equity

**for the year ended 31 December 2013**

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|
| At 1 January 2012 | 171 | 6,214 | (708) | **5,677** |
| Total comprehensive loss for the period | - | - | (517) | **(517)** |
| Transactions with owners recorded directly in equity: | | | | |
| - New shares issued | 1 | 40 | - | **41** |
| - Share based payment charges | - | - | 108 | **108** |
| At 31 December 2012 | 172 | 6,254 | (1,117) | **5,309** |
| Comprehensive loss for the period | - | - | (1,758) | **(1,758)** |
| Transactions with owners recorded directly in equity: | | | | |
| - Share based payment charges | - | - | 128 | **128** |
| **At 31 December 2013** | **172** | **6,254** | **(2,747)** | **3,679** |

# Consolidated Balance Sheet

**as at 31 December 2013**

| | Note | **2013 £000** | 2012 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant & equipment | 10 | **159** | 222 |
| Intangible assets | 11 | **1,187** | 1,248 |
| Goodwill | 11 | **564** | 564 |
| Long-term receivable | 12 | **2,000** | 3,300 |
| Deferred tax | 16 | **426** | 244 |
| | | **4,336** | 5,578 |
| **Current assets** | | | |
| Trade and other receivables | 13 | **1,009** | 1,084 |
| Cash and cash equivalents | 14 | **450** | 760 |
| | | **1,459** | 1,844 |
| **Total assets** | | **5,795** | 7,422 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **(2,116)** | (2,113) |
| **Total liabilities** | | **(2,116)** | (2,113) |
| **Net assets** | | **3,679** | 5,309 |
| **Equity attributable to equity holders of the Company** | | | |
| Called up share capital | 17 | **172** | 172 |
| Share premium account | 17 | **6,254** | 6,254 |
| Retained earnings | 17 | **(2,747)** | (1,117) |
| **Total equity** | | **3,679** | 5,309 |

The financial statements on pages 12 to 32 were approved by the Board of Directors on 5 June 2014 and signed on its behalf by:

**Richard Sowerby**
Chief Financial Officer

# Consolidated Cash Flow Statement

**for the year ended 31 December 2013**

| | **2013** **£000** | 2012 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | **(1,758)** | (502) |
| Amortisation of intangible assets | **447** | 370 |
| Depreciation | **100** | 76 |
| Net finance credit | **(241)** | (293) |
| Impairment of loan note receivable | **400** | - |
| Net foreign exchange losses | **-** | (6) |
| Corporation tax credit | **(182)** | (186) |
| Share based payment charges | **128** | 108 |
| **Operating cash outflow before changes in working capital** | **(1,106)** | (433) |
| Movement in trade and other receivables | **42** | 52 |
| Movement in trade and other payables | **6** | 266 |
| **Operating cash outflow from operations** | **(1,058)** | (115) |
| Interest received | **242** | 296 |
| Interest paid | **(1)** | (3) |
| Income tax received | **31** | - |
| **Net cash flow from operating activities** | **(786)** | 178 |

| | | |
|---|---|---|
| **Cash flows from investing activities** | | |
| Purchase of tangible assets | **(38)** | (162) |
| Purchase of intangible assets | **(386)** | (286) |
| Net cash flow from investing activities | **(424)** | (448) |

| | | |
|---|---|---|
| **Cash flows from financing activities** | | |
| Issue of new ordinary shares | **-** | 41 |
| Loan note repayment received | **900** | 700 |
| **Net cash flow from financing activities** | **900** | 741 |

| | | |
|---|---|---|
| Net (decrease)/increase in cash and cash equivalents | **(310)** | 471 |
| Cash and cash equivalents at the beginning of the year | **760** | 294 |
| Effect of exchange rate fluctuations on cash held | **-** | (5) |
| Cash and cash equivalents at the end of the year | **450** | 760 |

# 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 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

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

*Basis of preparation*

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

The Accounts have been prepared under the historical cost convention.

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

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

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

The Directors monitor accounting standards developments and consider the most appropriate time to adopt them in the Group Accounts. The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect for periods commencing on or after 1 January 2014.

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

*Going concern*

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

The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and the Directors have considered this when preparing these financial statements. These have been prepared on a going concern basis, notwithstanding the loss for the period ended 31 December 2013. The Directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate, and that the carrying value of intangibles remains supported by future cash flows. The key conclusions are summarised below

- The Directors have prepared sensitised cash flow forecasts extending to June 2015. These show that the Group has sufficient funds available to meet its trading requirements.
- The Group's year to date financial performance is materially in line with this budget cumulatively.
- The Group does not have external borrowings or any covenants based on financial performance.
- The Directors have considered the position of the individual trading companies in the Group to ensure that these companies are also in a position to continue to meet their obligations as they fall due.
- The markets in which the business operates are not considered to be at significant risk due to the ongoing global economic recession.
- There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.
- The 2016 loan note is expected to be repaid before 30 June 2014.

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

**1 Accounting policies (continued)**

*Basis of consolidation*

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

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

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

*Foreign currencies*

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

*i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is recognised in other comprehensive income.

*ii) Group companies*

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

*Property, plant and equipment*

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

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

| | |
|---|---|
| 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 Statement of Comprehensive Income over their expected useful economic lives as follows:

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

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

**1 Accounting policies (continued)**

*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 Statement of Comprehensive Income.

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

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.

*Trade and other receivables*

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

*Classification of financial instruments issued by the Group*

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

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

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

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

*Financial assets*

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

*Financial liabilities*

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

*Cash and cash equivalents*

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

*Revenue recognition*

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

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

***1 Accounting policies (continued)***

*Operating segments*
The Group is organised into one main business segment:

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

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer, who is regarded as the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. IFRS 8 has been applied to aggregate operating segments on the grounds of similar economic characteristics. This position will be monitored as the Group develops.

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

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

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

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

its ability to use or sell the intangible asset;

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

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

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

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

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

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

*Non-recurring items*
Non-recurring items are material items in the Consolidated Statement of Comprehensive Income which derive from events or transactions which do not fall within the ordinary activities of the Group and which relate to activities that are incurred due to events that are not expected to recur or relate to activities that are outside the normal activities of the business or, if of a similar type, in aggregate the Group has highlighted as needing to be disclosed by virtue of their size or incidence and are relevant to the understanding of the accounts.

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

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

*1 Accounting policies (continued)*

*Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Consolidated Statement of Comprehensive Income 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 Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

*Key judgements and estimates*

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

*Intangible fixed assets (other than goodwill)*

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

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

**2 Segmental information**

The results of the single "Technology & Information" segment are as follows:

| | **2013 £000** | 2012 £000 |
|---|---|---|
| **Turnover** | | |
| Technology & Information | **4,201** | 4,079 |
| **Operating loss before amortisation of intangible assets, non-recurring items and share based payments** | | |
| Technology & Information | **(839)** | (398) |
| **Operating loss** | | |
| Technology & Information | **(2,181)** | (981) |
| **Depreciation** | | |
| Technology & Information | **100** | 76 |
| **Amortisation** | | |
| Technology & Information | **447** | 370 |

*2 Segmental information (continued)*

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

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

The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

| | **2013** **£000** | 2012 £000 |
|---|---|---|
| **Assets** | | |
| Technology & Information | **5,795** | 7,422 |
| **Liabilities** | | |
| Technology & Information | **2,116** | 2,113 |
| **Capital expenditure** | | |
| Technology & Information | **426** | 448 |

**3 Non-recurring administrative expenses**

| | Note | **2013** **£000** | 2012 £000 |
|---|---|---|---|
| Legal costs re licensing dispute | a | **268** | 9 |
| Impairment of loan note | b | **400** | - |
| Employment termination costs | c | **31** | 34 |
| Non-recurring employment costs | d | **68** | 62 |
| | | **767** | 105 |

Notes:

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

b. Impairment of the loan note receivable from the MBO team in light of the offer to settle in cash following the year end

c. Costs incurred in relation to termination of employment

d. Non-recurring remuneration costs of people who left the business in 2013, and therefore will no longer be incurred.

**4 Employees**

| Staff costs : | **2013 £000** | 2012 £000 |
|---|---|---|
| - Wages and salaries | **2,208** | 1,776 |
| - Social security costs | **155** | 124 |
| - Other pension costs | **21** | - |
| - Share based payments | **128** | 108 |
| | **2,512** | 2,008 |
| Average number of employees (including directors) during the year | | |
| - Technology & Information | **70** | 58 |

***Directors' remuneration and interests***

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

| | Basic salary £000 | Fees paid to 3rd parties for services £000 | Bonus paid £000 | Benefits in kind £000 | **Total 2013 £000** | Total 2012 £000 |
|---|---|---|---|---|---|---|
| Non-executive Directors | | | | | | |
| Colin Cooke [1] | - | 8 | - | - | **8** | 25 |
| | | | | | | |
| Executive Directors | | | | | | |
| Stephen Yapp [2] | 59 | - | - | - | **59** | - |
| Richard Sowerby | 3 | 21 | - | - | **24** | - |
| Martin Varley [3] | 182 | - | - | 4 | **186** | 208 |
| David Dannhauser [4] | 10 | 55 | - | - | **65** | 85 |
| | 254 | 84 | - | 4 | **342** | 318 |

1 Colin Cooke resigned as a director in April 2013 and his costs reflect the period to his departure in 2013

2 Stephen Yap was appointed Executive Chairman in September 2103 having previously been classified as a non-executive Director

3 Salary includes $185,000 translated at the closing exchange rate

4 David Dannhauser left the board in July 2013 and the figures for 2013 show the costs to that date. Payments include termination payments of £20,000 between salary and fees to third parties.

***Directors' interests in shares***

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

| | **2013 Number of Shares** | 2012 Number of Shares |
|---|---|---|
| Executive Directors | | |
| Stephen Yapp | - | - |
| Martin Varley | **11,472,559** | 11,062,559 |
| Richard Sowerby | - | - |

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

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

***Directors' interests in contracts***

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

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

**5 Share based payments**

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

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

| Grant date | Employees entitled | Number of options | Exercise price (p) | Expiry date |
|---|---|---|---|---|
| 30 December 2011* | 10 | 1,450,000 | 0.4 | 30 December 2016 |
| 11 June 2012 | 5 | 775,000 | 21.25 | 11 June 2017 |
| 4 December 2012 | 1 | 350,000 | 16.88 | 4 December 2017 |
| 2 October 2013 | 3 | 4,240,000 | 14.25 | 2 October 2018 |

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

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

| | Weighted average exercise price 2013 (p) | Number of options 2013 | Weighted average exercise price 2012 (p) | Number of options 2012 |
|---|---|---|---|---|
| Outstanding at start of year | 6.65 | 2,175,000 | 0.4 | 1,450,000 |
| Granted during the year | 14.25 | 4,240,000 | 19.89 | 1,125,000 |
| Lapsed during the year | - | - | 21.25 | (400,000) |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Outstanding at end of the year | 11.67 | 6,415,000 | 6.65 | 2,175,000 |
| Exercisable at end of the year | - | - | - | - |

**Fair value assumptions of share based payments**

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted during 2013 and 2012 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

| | **2013** | 2012 |
|---|---|---|
| Fair value at measurement date (pence) | **14.25p** | 7.14p |
| Share price at grant date (pence) | **14.25p** | 19.89p |
| Exercise price (pence) | **14.25p** | 19.89p |
| Expected volatility (%) | **40.0%** | 49.1% |
| Average option life (year) | **5.0** | 5.0 |
| Expected dividend (%) | **-** | - |
| Risk free interest rate (%) | **3%** | 3% |

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

*5 Share based payments (continued)*

**Charge to the Consolidated Income Statement**

The charge to the income statement comprises:

| | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Share based payment charges | **128** | 108 |

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

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

| | **Weighted average exercise price 2013 (p)** | **Number of options 2013** | **Weighted average exercise price 2012 (p)** | **Number of options 2012** |
|---|---|---|---|---|
| Outstanding at start of year | **15.0** | - | 15.0 | 169,580 |
| Lapsed during the year | **15.0** | - | 15.0 | (10,980) |
| Exercised during the year | **15.0** | - | 15.0 | (158,600) |
| Outstanding at end of the year | **-** | - | 15.0 | - |

**6 Operating loss**

| | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| | **(continuing)** | (continuing) |
| Operating loss is stated after charging : | | |
| Depreciation of owned property, plant and equipment | **100** | 76 |
| Amortisation of intangible assets | **447** | 370 |
| Research and development expenditure expensed as incurred | **652** | 468 |
| Operating lease rentals : | | |
| - Land and buildings | **113** | 113 |
| - Other | **5** | 5 |
| Impairment of loan note receivable | **400** | - |
| Loss on currency translation | **59** | - |
| Auditors' remuneration: | | |
| Audit of the Company's annual financial statements | **14** | 14 |
| Amounts receivable by auditors and their associates in respect of: | | |
| - Audit of financial statements of subsidiaries pursuant to legislation | **23** | 16 |
| - Other services relating to taxation | **8** | 13 |

**7 Finance income/(expense)**

| Finance income | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Other interest receivable | **242** | 296 |

| Finance expense | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Bank interest expense | **1** | 4 |

**8 Taxation**

Recognised in the income statement

| | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Current tax credit | | |
| Corporation tax refund in respect of previous periods | **-** | (32) |
| Deferred tax origination and reversal of timing differences | **(182)** | (154) |
| Total tax in income statement | **(182)** | (186) |

| Reconciliation of effective tax rate | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Loss before tax for the period | **(1,940)** | (688) |
| Tax using the UK corporation tax rate of 20% (2012: 24.5%) | **(388)** | (169) |
| Non-deductible expenses | **28** | 16 |
| Utilisation of losses | **-** | (14) |
| Tax rate differences | **-** | 50 |
| Adjustment in respect of previous years | **-** | (32) |
| Deferred taxation asset arising but not reflected | **91** | - |
| Other differences | **87** | (37) |
| Total tax credit | **(182)** | (186) |

**9 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.

| | **2013** | 2012 |
|---|---|---|
| Loss (£000) | **(1,758)** | (502) |
| Weighted average number of shares (number '000) | **42,908** | 42,791 |
| Fully diluted average number of shares (number '000) | **42,908** | 42,791 |
| Basic loss per ordinary share (pence) | **(4.10)p** | (1.17)p |
| Diluted loss per ordinary share (pence) | **(4.10)p** | (1.17)p |

## 10 Property, plant and equipment

| | Fixtures and fittings £000 |
|---|---|
| **Cost** | |
| At 1 January 2012 | 418 |
| Additions | 162 |
| At 31 December 2012 | 580 |
| Additions | 37 |
| At 31 December 2013 | 617 |
| **Depreciation** | |
| At 1 January 2012 | 282 |
| Charge for the year | 76 |
| At 31 December 2012 | 358 |
| Charge for the year | 100 |
| At 31 December 2013 | 458 |
| **Net book value** | |
| At 1 January 2012 | 136 |
| At 31 December 2012 | 222 |
| **At 31 December 2013** | 159 |

### 11 Intangible assets

| | Goodwill<br><br>£000 | Customer related intangibles<br>£000 | Intellectual Property<br>£000 | Total<br>£000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2012 | 918 | 780 | 807 | 2,505 |
| Additions | - | - | 286 | 286 |
| At 31 December 2012 | 918 | 780 | 1,093 | 2,791 |
| Additions | - | - | 386 | 386 |
| At 31 December 2013 | 918 | 780 | 1,479 | 3,177 |
| **Amortisation and impairment** | | | | |
| At 1 January 2012 | 354 | 155 | 100 | 609 |
| Amortisation for the year | - | 217 | 153 | 370 |
| At 31 December 2012 | 354 | 372 | 253 | 979 |
| Amortisation for the year | - | 152 | 295 | 447 |
| At 31 December 2013 | 354 | 524 | 548 | 1,426 |
| **Carrying amounts** | | | | |
| At 1 January 2012 | 564 | 625 | 707 | 1,896 |
| At 31 December 2012 | 564 | 408 | 840 | 1,812 |
| **At 31 December 2013** | **564** | **256** | **931** | **1,751** |

Amortisation charges are included within administrative costs

The intangible assets can be allocated to cash generating units as follows:

| | 2013<br>£000 | 2012<br>£000 |
|---|---|---|
| Goodwill | | |
| Envoy Catalogue | **192** | 192 |
| Promoserve Business Systems | **79** | 79 |
| Trade Only/Technologo | **293** | 293 |
| Carrying amounts as at 31 December | **564** | 564 |
| Intellectual property | | |
| Trade Only/Technologo | **931** | 840 |
| Carrying amounts as at 31 December | **931** | 840 |
| Customer related intangibles | | |
| Versatilia | **20** | 27 |
| Technologo | **118** | 170 |
| The Logo Network | **118** | 211 |
| Carrying amounts as at 31 December | **256** | 408 |

*11 Intangible assets (continued)*

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value in use calculations derived from discounted cash flow projections based on budgets and strategic plans covering a three year period, followed by an extrapolation of expected cash flows at a constant growth rate of 3% (2012: 3%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. For those intangibles with a lesser business risk associated with them, the discount rate applied was 7.5% (2012: 7.5%), which the Directors deem to be a market adjusted pre-tax weighted average cost of capital. For those intangibles where the strategic plans have a greater associated business risk the discount rate applied was 15.0%. These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. The value in use calculations did not identify any impairment compared to the CGU carrying value.

The cumulative impairment charge recognised to date is £354,000 (2012: £354,000)

A list of significant investments in subsidiaries, including name, country of incorporation and proportion of ownership interest is given in Note 27 to the Company's separate financial statements. All of these subsidiaries are included in the consolidated results.

**12 Long-term receivable**

| 2016 Loan note receivable | **2013**<br>**£000** | 2012<br>£000 |
|---|---|---|
| Opening balance | **3,300** | 4,000 |
| Payments received | **(900)** | (700) |
| Impairment | **(400)** | - |
| Closing balance | **2,000** | 3,300 |

The loan note is due from Stridage Holdings Limited ("Stridage") following the sale of the sale of the promotional merchandising division to the management team in July 2011. Following the year end Stridage offered to repay the outstanding balance at 31 December 2013 of £2.4m for £2m with the cash receivable in June 2014. The discount of £0.4m has been taken as an impairment in the year as the offer has been accepted. In the event that the Stridage business is sold within twelve months of the settlement the company will receive a further £0.2m, which reduces to £0.1m if it is sold in the following twelve months.

**13 Trade and other receivables**

| | **2013**<br>**£000** | 2012<br>£000 |
|---|---|---|
| Trade receivables (net of impairment of £60,000 (2012: £14,000)) | 741 | 813 |
| Other receivables | **-** | 120 |
| Prepayments and accrued income | **268** | 151 |
| | **1,009** | 1,084 |

Trade and other receivables denominated in currencies other than sterling comprise £192,000 (2012: £198,000) of trade receivables denominated in US dollars and £nil (2012: £nil) 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:

| | **2013**<br>**£000** | 2012<br>£000 |
|---|---|---|
| Not Overdue | **269** | 260 |
| Under 30 days overdue | **368** | 453 |
| Over 30 days but under 60 days overdue | **70** | 11 |
| Over 60 days overdue | **34** | 89 |
| | **741** | 813 |

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

**14 Cash and cash equivalents**

| | **2013** **£000** | 2012 £000 |
|---|---|---|
| Cash and cash equivalents | **450** | 760 |

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £60,000 (2012: £34,000) denominated in US dollars, £27,000 (2012: £7,000) denominated in Canadian dollars and £nil (2012: £36,000) denominated in Euros.

**15 Trade and other payables**

| | **2013** **£000** | 2012 £000 |
|---|---|---|
| **Current** | | |
| Trade payables | **331** | 205 |
| Other taxes and social security | **135** | 120 |
| Other creditors | **-** | 15 |
| Accruals and deferred income | **1,650** | 1,773 |
| | **2,116** | 2,113 |

Trade and other payables denominated in currencies other than sterling comprise £40,000 (2012: £66,000) of trade payables denominated in US dollars.

**16 Deferred tax assets**

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

| | **2013** **£000** | 2012 £000 |
|---|---|---|
| Accelerated capital allowances | **(30)** | (30) |
| Losses | **(396)** | (214) |
| | **(426)** | (244) |

**Movement in deferred tax year ended 31 December 2013**

| | As at 1 January 2013 £000 | Income Statement £000 | **As at 31 December 2013 £000** |
|---|---|---|---|
| Accelerated capital allowances | **(30)** | - | **(30)** |
| Losses | **(214)** | (182) | **(396)** |
| | **(244)** | (182) | **(426)** |

## 17 Share capital and reserves

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| - 42,908,465 Ordinary shares of 0.4p each (2012: 42,908,465) | **172** | 172 |

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 2013, the Group's strategy, which was unchanged from 2012, was to keep debt to a minimum. Net cash at 31 December 2013 was £450,000 (2012: net cash £760,000).

**Share option schemes**

Executive and employee share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a savings related share option scheme (SAYE scheme). Details are set out in note 5. The schemes award share options to Executive Directors, senior executives and employees with a vesting period of three years. Under the EMI scheme, 4,240,000 (2012: 1,125,000) options in ordinary shares have been granted during the year.

| | Share capital £000 | Share premium £000 | Retained earnings £000 |
|---|---|---|---|
| At 1 January 2012 | 171 | 6,214 | (708) |
| New shares issued | 1 | 40 | - |
| Result for the period | - | - | (502) |
| Foreign exchange difference | - | - | (15) |
| Share based payment charges | - | - | 108 |
| At 31 December 2012 | 172 | 6,254 | (1,117) |
| Result for the period | - | - | (1,699) |
| Foreign exchange difference | - | - | (59) |
| Share based payment charges | - | - | 128 |
| **At 31 December 2013** | **172** | **6,254** | **(2,747)** |

**18 Financial instruments disclosure**

*Financial instruments policy*

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

*Financial assets and liabilities*

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

*Credit risk*

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

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

*Interest rate risk*

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

*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

| | **2013**<br>**£000** | 2012<br>£000 |
|---|---|---|
| Loans and receivables : | | |
| Trade receivables | **763** | 813 |
| Other receivables and accrued income | **270** | 271 |
| Cash at bank | **450** | 760 |
| Loan notes 2016 | **2,000** | 3,300 |
| | **3,483** | 5,144 |

The Group's banking facilities allow for the offset of bank overdrafts against cash at bank. The net amount of the cash at bank and bank overdraft is put on overnight deposit. The overnight deposit rate at 31 December 2013 was 0.3%.

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

*18 Financial instruments disclosure (continued)*

Financial liabilities

| | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Other financial liabilities : | | |
| Trade payables | **331** | 205 |
| Other short term liabilities | **1,785** | 1,908 |
| | **2,116** | 2,113 |

All of the financial assets and liabilities detailed above are recorded at their amortised cost.

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £60,000 (2012: £34,000) which is denominated in US dollars, £27,000 (2012: £7,000) which is denominated in Canadian Dollars and £nil (2012: £36,000) which is denominated in Euros; of trade receivables of £208,000 (2012: £198,000) which is denominated in US dollars and of £nil (2012: £nil) which is denominated in Euros; and of other financial liabilities of £235,000 (2012: £60,000) which is denominated in US dollars.

Maturity profile of financial liabilities

| | **2013** | 2012 |
|---|---|---|
| | **£000** | £000 |
| Due within one year or on demand | **2,116** | 2,113 |

*Fair value of financial instruments*

At 31 December 2013 the difference between the book value and the amortised cost of the Group's financial assets and liabilities was £nil (2012: £nil).

*Sensitivity analysis*

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2013.

*Borrowing facilities*

At 31 December the Group had £nil (2012: £nil) undrawn committed borrowing facilities.

**19 Commitments**

(a) Capital commitments

There were no capital commitments existing at 31 December 2013 or 31 December 2012.

(b) Operating leases commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Land and buildings £000** | **Other £000** | Land and buildings £000 | Other £000 |
| Less than one year | **66** | **5** | 112 | 3 |
| Between two and five years | **216** | **-** | 219 | 7 |
| | **282** | **5** | 331 | 10 |

**20 Pensions**

The Group operates a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Group to the scheme and other personal pension plans and amounted to £21,000 (2012: £nil).

**21 Contingent liabilities**

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £nil (2012: £nil).

**22 Related party transactions**

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

Richard Sowerby was appointed to the board during the year and is a director of the Stridage Holdings Limited. Stridage acquired the promotional merchandising businesses from the Company in 2011 from which the 2016 loan note is outstanding. At 31 December 2013 the balance outstanding on the loan note was £2,400,000 (which was reduced to £2,000,000 at the year end following an impairment of £400,000) and interest payments were made to the Company of £242,000 during the year. In addition Stridage group companies buy services from companies in the Altitude Group under normal commercial terms. In the year sales of £136,000 were made to companies in the Stridage group and debtors at 31 December includes £69,000 due from the Stridage group of companies.

# Company Balance Sheet

At 31 December 2013

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | **£000** | £000 |
| **Fixed assets** | | | |
| Tangible fixed assets | 26 | **-** | - |
| Investments | 27 | **589** | 589 |
| | | **589** | 589 |
| **Current assets** | | | |
| Debtors | 28 | **3,589** | 2,203 |
| Debtor due after more than one year | 29 | **2,000** | 3,300 |
| | | **5,589** | 5,503 |
| Creditors – amounts falling due within one year | 30 | **(1,098)** | (427) |
| **Net current assets** | | **4,491** | 5,076 |
| **Net assets** | | **5,080** | 5,665 |
| **Capital and reserves** | | | |
| Called up share capital | 31 | **172** | 172 |
| Share premium account | 32 | **6,254** | 6,254 |
| Profit and loss account | 32 | **(1,346)** | (761) |
| Shareholders' funds | | **5,080** | 5,665 |

The balance sheet was approved by the Board of Directors on 5 June 2014 and signed on its behalf by:

**Richard Sowerby**
Chief Financial Officer

# Company Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2013

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Loss for the financial year | **(595)** | (461) |
| New shares issued | **-** | 41 |
| Charge in relation to share based payment | **10** | 108 |
| Net reduction to shareholders' funds | **(585)** | (312) |
| Opening shareholders' funds | **5,665** | 5,977 |
| Closing shareholders' funds | **5,080** | 5,665 |

# Notes to the Company Balance Sheet

**23 Company accounting policies**

*Basis of preparation*

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

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

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

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

*Investments*

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

*Cash and liquid resources*

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

*Taxation*

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

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

*FRS20 share based payments*

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

**24 Operating costs**

The audit fee for the Company was £14,000 (2012: £14,000). Other fees payable to the auditors and their associates for corporation tax services were £4,000 (2012: £4,000).

**25 Employees**

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed note 4 on page 21.

**26 Tangible fixed assets**

| | Fixtures and fittings £000 |
|---|---|
| **Cost** | |
| At 1 January 2013 and at 31 December 2013 | 8 |
| **Depreciation** | |
| At 1 January 2013 and at 31 December 2013 | 8 |
| **Net book value** | |
| At 31 December 2013 and at 1 January 2013 | - |

**27 Investments**

| | Shares in subsidiary undertakings £000 |
|---|---|
| **Cost** | |
| At 1 January 2013 and at 31 December 2013 | 907 |
| **Impairment** | |
| At 1 January 2013 and at 31 December 2013 | 318 |
| **Net book value** | |
| At 31 December 2013 and at 1 January 2013 | 589 |

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

| Subsidiary undertakings | Country of incorporation | Principal activity | Class of shares held | Holding |
|---|---|---|---|---|
| Trade Only Limited[1] | England and Wales | Sale of software and marketing services | Ordinary | 100% |
| Trade Only Incorporated | United States of America | Sale of software and marketing services | Ordinary | 100% |
| Trade Only Technology Services Limited[1] | Canada | Sale of software and marketing services | Ordinary | 100% |

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

Note 1 – held by a subsidiary undertaking

## 28 Debtors

| | 2013 | 2012 |
|---|---|---|
| | **£000** | £000 |
| Other debtors | **14** | 20 |
| Amounts owed by subsidiary undertakings | **3,575** | 2,183 |
| | **3,589** | 2,203 |

## 29 Debtors due after more than one year

| 2016 Loan note receivable | 2013 | 2012 |
|---|---|---|
| | **£000** | £000 |
| Opening balance | **3,300** | 4,000 |
| Payments received | **(900)** | (700) |
| Impairment | **(400)** | - |
| Closing balance | **2,000** | 3,300 |

The loan note is due from Stridage Holdings Limited ("Stridage") following the sale of the sale of the promotional merchandising division to the management team in July 2011. Following the year end Stridage offered to repay the outstanding balance at 31 December 2013 of £2.4m for £2m in May 2014. The discount of £0.4m has been taken as an impairment in the year as the offer has been accepted. In the event that the Stridage business is sold within twelve months of the settlement the company will receive a further £0.2m, which reduces to £0.1m if it is sold in the following twelve months.

## 30 Creditors: Amounts falling due within one year

| | 2013 | 2012 |
|---|---|---|
| | **£000** | £000 |
| Bank overdrafts | **1,020** | 187 |
| Trade creditors | **32** | 16 |
| Accruals and deferred income | **46** | 224 |
| | **1,098** | 427 |

## 31 Share capital

| | 2013 | 2012 |
|---|---|---|
| | **£000** | £000 |
| Allotted, called up and fully paid | | |
| - 42,908,465 Ordinary shares of 0.4p each (2012: 42,908,465) | **172** | 172 |

## 32 Reserves

| | Share premium account £000 | Profit and loss account £000 |
|---|---|---|
| At 1 January 2013 | 6,254 | (761) |
| Loss for the period | - | (595) |
| Share based payment charge (see note 5) | - | 10 |
| **At 31 December 2013** | **6,254** | **(1,346)** |

## 33 Commitments

The Company had no capital commitments or operating lease commitments existing at 31 December 2013 or 31 December 2012.

## 34 Contingent liabilities

The Company has guaranteed the bank overdrafts of certain of its subsidiary undertakings at 31 December 2013 of £nil (2012: £nil).

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Altitude Group Plc (the "Company") will be held at WH Ireland, 24 Martin Lane, London EC4R 0DR on 30 June 2014 at 2:30pm for the purpose of considering and if thought fit, passing the following resolutions. Resolutions number 1-5 will be proposed as Ordinary Resolutions and Resolutions 6 and 7 will be proposed as Special Resolutions.

**ORDINARY BUSINESS**

1. To receive the Company's annual accounts for the financial year ended 31 December 2013 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts.
2. To re-elect Stephen Yapp who retires by rotation, as a director of the Company.
3. To elect Richard Sowerby, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
4. To appoint KPMG LLP as auditor of the Company and to authorise the directors to fix their remuneration.

**SPECIAL BUSINESS**

***5. Authority to allot shares***

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

(a) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as "Relevant Securities") up to an aggregate nominal value of £57,211.28 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the Articles of Association of the Company); and further

(b) to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £57,211.28 in connection with an offer of such securities by way of a rights issue,

**PROVIDED THAT** this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2014, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities or equity securities (as the case may be) to be allotted after the expiry of such period and the Directors of the Company may allot Relevant Securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

***6. Disapplication of pre-emption rights***

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

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

(b) otherwise than pursuant to sub-paragraph 6(a) above up to an aggregate nominal amount of £34,326.77

and shall, unless previously renewed, varied or revoked by the Company in a general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2014, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

***7. Purchase of the Company's own shares***

**THAT** the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 639(4) of the Act) of ordinary shares of 0.4 pence each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit up to an aggregate nominal amount of £17,163.39 at a price per share (exclusive of expenses) of not less than 0.4 pence and not more than the higher of: (a) 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003,

provided that this authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2014, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is made pursuant to a contract concluded by the Company before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

**BY ORDER OF THE BOARD**
**RICHARD SOWERBY**
Company Secretary
5 June 2014

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

**NOTES:**

1. A member of the Company entitled to attend and vote at the AGM convened by this notice may appoint one or more proxies (who need not be members of the Company) to exercise any of these rights on his behalf (although two proxies of the same individual member may not both count towards a quorum). If a member appoints more than one proxy, each proxy must exercise the rights attached to different shares. The appointment of a proxy will not preclude a member for attending and/or voting at the meeting should he subsequently decide to do so.
2. A proxy form is enclosed. To be effective, an instrument appointing a proxy must be returned so as to reach the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR at least 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR (whose CREST ID is 7RA11) by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any corporation which is a member of the Company may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A certified copy of the board resolution of the corporation appointing the relevant persons as the representatives must be deposited at the office of the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR, prior to the commencement of the meeting.
5. As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 6:00pm on xx June 2014 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of Directors' service contracts and letters of appointment will be available for inspection at the Registered Office during normal business hours until the conclusion of the AGM and at the place of the AGM 15 minutes prior to and until its conclusion.

**EXPLANATORY NOTES**

**Resolution 4 – Appointment of auditors**
KPMG Audit Plc have notified the company that they are not seeking reappointment. It is proposed that KPMG LLP be and are hereby appointed auditors of the company and will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company, and that their remuneration be fixed by the Directors.

**Resolution 5 – Directors' power to allot Relevant Securities**
Under section 551 of the Act, Relevant Securities may only be issued with the consent of the Company's members, unless the members pass a resolution generally authorising the directors to issue shares without further reference to the members. This resolution authorises the general issue of shares up to an aggregate nominal value of £57,211.28, which is equal to 1/3rd of the nominal value of the current ordinary share capital of the Company. Such authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2015.

**Resolution 6 – Disapplication of pre-emption rights on equity issues for cash**
Section 561 of the Act requires that a company issuing shares for cash (other than pursuant to an employee share scheme) must first offer them to existing members following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes in limited circumstances that statutory procedure as far as rights issues are concerned. It also enables the directors to allot shares up to an aggregate nominal value of £34,326.77, which is approximately 20% of the nominal value of the current issued ordinary share capital of the Company, subject to resolution 5 being passed. The Directors believe that the powers provided by this resolution will maintain a desirable degree of flexibility and to satisfy awards under the Company's share option schemes to the extent that the other exemptions to allot shares on a pre-emptive basis are not available. Unless previously revoked or varied, the disapplication authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2015.

**Resolution 7 – Purchase of own shares**
This resolution enables the Company to buy-in its own shares up to £17,163.39, which is approximately 10% of the nominal value of the current issued ordinary share capital of the Company at, or between, the minimum and maximum prices set out in the resolution. The Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the authority will expire on the earlier of conclusion of the next annual general meeting of the Company and 30 September 2015.

Altitude Group plc

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