Altitude Group

Annual Report 2016

ALTITUDE
GROUP PLC

Contents

Directors & Advisers

Directors

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

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

Sanjay Lobo (Managing Director)
Sanjay joined the Board in February 2017 after a seven year career at Vistaprint where he most recently held the position of Marketing Vice-President running Vistaprint's $300m EU business. He also ran Vistaprint's Global Partnerships and launched Vistaprint Corporate. Prior to that he spent several years on the executive team at Lastminute.com.

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

Gellan Watt (Non-executive Director)[1,2]
Gellan is an award winning marketer and was founder of Thinking Juice, the UK's 12th largest MarComms agency and one of the UK's highest rated and most recommended integrated agencies.

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

Advisers

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

Auditors
Grant Thornton UK LLP
1 Whitehall Riverside
Leeds
LS1 4BN

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

Solicitors
DAC Beachcroft LLP
100 Fetter Lane
London
EC4A 1BN

Nominated Adviser and Stockbrokers
FinnCap Limited
60 New Broad Street
London
EC2M 1JJ

Registered office
Unit 4
Rhodes Business Park Silburn
Way Middleton Manchester
M24 4NE

www.altitudeplc.com

Chairman's Statement

I am pleased to present the results for the year ended 31 December 2016, which saw the business deliver a profit before tax of £0.1m (2015 loss of £1.3m), and increase net operating cash inflow by £1.2m to £0.5m (2015 outflow of £0.7m).

This turnaround has been achieved as a result of the substantial restructuring of the business which commenced in April 2015, and which removed approximately £1.8m of annualised recurring operating costs.

We have now finalised new branding for the "click to ship" model as Channl.com ("Channl"), more of which is detailed below, and as shareholders will be aware from previous communications, our strategic priority is the roll-out of our "click to ship", now "Channl", online trading solution in the $21 billion US personalised and promotional products, signage and printed wearables market ("the US market").

We also announce a new equity fund raise of £2.5 million, via the issue of 4.2 million new ordinary shares, which is conducted within the board's existing authority levels. The proceeds are to be used to finance and accelerate future growth of Channl in the US and UK, including the £0.8m acquisition of the trade and certain assets of Adproducts.com Limited a small UK based supplier. These assets will facilitate the launch of Channl to distributors in the UK by supplementing our UK supply base.

Development of Channl

On 14 June 2016 we announced an enterprise level technology agreement with Aprinta Group ("Aprinta") of Rochester New York US, a leader in the provision of screen printing and promotional product supply to approximately 40,000 US distributors and resellers. This was followed on 5 August 2016 with the announcement of a technology partnership agreement with AI Mastermind, a leading US buying group serving more than 1,000 large promotional product distributors and resellers in the US (together the "Agreements").

The Agreements provide the Company with immediate access to a large number of distributors, resellers and/or their end user customers in the highly fragmented personalised and promotional product, signage and printed wearables industry within the US, a market estimated to be worth approximately $21 billion per annum.

Since Q4 of 2016, the Company has been generating Channl sites in the US for distributors (and their own customers) of our main partners Aprinta and AI Mastermind. I am pleased to report that the current number of sites generated stands at over 66,000.

Each Channl site provides a full e-commerce platform to personalised product distributors, resellers and/or their end user customers, including a product database, product visualisation, cart, order management and production ready artwork functionality at no cost to the reseller or their customers. Our aim is to provide the easiest way to purchase and personalise promotional products on-line. The Company will be remunerated as a percentage of supplier revenue processed through the online trading platform.

During this time we have also been significantly enhancing the user experience and interface:

- Developed a unique and simplified "logo search" facility which enables users to customise their site with a logo sourced from the internet, removing the need for them to provide their own image file
- Re-designed and commercialised the home page design, improving the interface to promote immediate engagement
- On 19 April 2017 we announced a partnership agreement for the supply of print, signage and photo book products with a leading tier one manufacturer in the US, which will naturally complement and expand addition to our current promotional product offering. Details of the provider are commercially sensitive but with a peak output of 100,000 orders per day and manufacturing efficiency that will allow our resellers to compete on price and service. This agreement has the potential to substantially enhance the Channl offering to distributors, resellers and their end user customers.

In February we launched our engagement program which will contact distributors and resellers who have a Channl site through a series of targeted and incentivising digital marketing campaigns, supplemented by call centre based support both from our strategic partners and Company staff, to begin the process of site engagement and activation by the distributors, resellers and their end user customers.

On 19 April 2017 we also announced a partnership agreement with Market Brands LLP, ("Market Brands") a sales organisation of approximately 50 sales staff based in Buffalo, New York State, US, which will be powered by our Channl.com technology, with a target to create tens of thousands of Channl brand stores for small businesses across the US.

As a result the Board remains convinced of the market potential of the solution and we believe the scale of the opportunity is greater than originally perceived. Given the scale of our ambition and the volume of sites created in the US, we today announced a fund raise which will, we believe, help us to achieve transactional throughput through engagement and activation faster.

Customer Focus SaaS Technology

The Company continues to provide technology support through software as a service ("SaaS") to the personalised product distributors and suppliers in the UK and US on a monthly recurring revenue model. Our applications are wide ranging, including a comprehensive ERP system ("Promoserve"), web stores, online search and logo design, personalisation tools and image archiving.

During 2016, Revenue from these services in the UK has been maintained, though a £0.1m decrease was seen in North America, as our result of our closure of the loss making Canadian business in 2015. The remaining US technology business maintained revenue at 2015 levels.

We remain committed to our legacy SaaS clients in the UK, and will particularly look to help our existing distributors migrate their clients online through Channl. The acquisition of certain UK production assets and trade announced today will help to facilitate this service.

Trade Only Exhibitions & Publications

Our Exhibition and Publications business continues to perform well. The January 2016 National Show at the Ricoh Stadium, Coventry, showed another strong performance With over 2,000 delegates and suppliers attending the main event, all being involved in the print, promotional and personalised gift sectors, and with the potential to market and drive additional sales of our SaaS products, the National Show remains an important part of the Group. The recent January 2017 National Show was similarly successful and we therefore expect another solid performance from this business in 2017 and 2018.

Similarly the publications business continues to perform strongly with our two published catalogues, Envoy and Spectrum retaining their position as the leading catalogues in the UK industry. The combined business is profitable, cash generative and provides a strong platform for the UK SaaS business.

Results

Revenue was £0.2m or 4.7% lower at £4.3m (2015 £4.5m) with £0.1m of the reduction in the exhibition and publishing business and £0.1m of technology revenue lost as a result of the closure of the Canadian operations in 2015. However, gross profit was maintained at £3.5m as overall margin increased to 81.0% (2015 78.0%) largely attributable to the strong performance of the exhibitions and publications business.

Administration expenses (before amortisation of intangible assets, share-based payments, exceptional charges and non-recurring administrative expenses) decreased by £0.3m, or 9.6%, to £2.9m (2015 £3.2m), largely as a result of cost reductions effected through restructuring undertaken in 2015.

Operating profit (before amortisation of intangible assets, share-based payments, exceptional charges and non-recurring administrative expenses) of £0.6m (2015 £0.3m) increased by £0.3m largely due to the restructuring which has resulted in a much reduced overhead base. Exceptional charges of £0.1m (principally the redundancy costs of the former Managing Director of Customer Focus) were £0.3m or 83.2% lower (2015 £0.4m), whilst non-recurring administrative expenses in 2016 were zero (2016 £0.7m). Amortisation of intangible assets reduced by £0.1m as assets capitalised in 2011 became fully amortised.

Included within administrative costs are software maintenance and development costs of £0.3m, (2015 £0.3m), as the Group has maintained its support and development of its proprietary software assets. In addition, the Group capitalised £0.3m of software development costs (2015 £0.2m). The current level of expensed and capitalised development costs is representative of an adequate maintenance level of expenditure and continuous improvement of proprietary software assets including Channl.com and artworktooltm.

The resulting operating profit and profit before tax for the period was £0.1m (2015 Loss £1.3m), reflecting a turnaround of £1.4m.

Basic earnings per share were 0.17p (2015 loss per share 2.91p) and fully diluted earnings per share were 0.15p (2015 loss per share 2.91p)

Net cash inflow from operating activities was £0.5m (2015 outflow of £0.7m) and the cash outflow from investment in intangible assets increased by £0.1m to £0.3m (2015 £0.2m) producing an increase in net cash inflow, before financing activities, for the financial year of £1.1m to £0.2m (2015 outflow £0.9m).

In addition, the exercise of EMI employee share options during Q4 of 2016 resulted in a further £0.2m of cash inflow, bringing total net cash inflow to £0.4 for the year (2015 outflow £0.9m).

The Group remains debt free and had cash resources as at 31 December 2016 of £0.7m (2015 £0.4m). In addition, on 30 January 2017 the Company announced the receipt of a notice of exercise in relation to Warrants to subscribe for 1,500,060 ordinary shares of 0.4p each at a price of 36p per share. The Warrants were granted to Zeus Capital Limited, the Company's Financial and Nominated Adviser at the time of the Company's admission to trading on AIM in November 2005. The Company has issued and allotted the requisite shares which were admitted to trading on AIM on 3 February 2017. The exercise of the Warrants resulted in a further cash inflow of £0.5m in February 2017.

**before amortisation of intangible assets, share-based payments, exceptional charges and non-recurring administrative expenses*

Board Changes

On 28 January 2016, I was appointed Non-Executive Chairman, with Richard Sowerby becoming Non-Executive Director, and Martin Varley appointed as Chief Executive Officer. In addition Shaun Parker was appointed to the Board as Chief Operating Officer effectively replacing Vicky Robinson, former MD of Customer Focus. On 25 January 2017, we announced several further board changes. I became Executive Chairman with immediate effect and the following appointments were effected from 1 February 2017:

- Martin Varley appointed President
- Sanjay Lobo joined us and was subsequently appointed to the Board as Managing Director on 3 April 2017 following completion of customary due diligence; and
- Gellan Watt joined as Independent Non Executive Director

In addition it was announced that Richard Sowerby would step down from the Board with effect from 30 April 2017. We thank Richard for his tremendous contribution to the business.

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

Martin remains fully committed to the Company, his primary business interest, in a new role of President. Relinquishing responsibilities for day to day management to Sanjay, Martin will focus his unique skills and contacts to help guide our strategic direction in respect of Channl, and seek to maximise shareholder value from our other software applications that have not yet been commercialised.

Sanjay is a seasoned e-commerce leader with a background of revenue growth through strategic partnerships with large multinational companies and brands. He joins Altitude following seven years in the senior management team of Vistaprint, where he most recently launched Vistaprint Corporate Solutions, which focused on the mid and enterprise market, running sales & marketing for North America and Europe.

Gellan is a global brand strategist of repute, and most recently held the position of Managing Director and Chief Creative Officer of Emerge Group, the twelfth largest independent agency group in the UK. He was placed in Elite Business' Top 15 Media Industry Power Faces in 2015 as well as The Drum's Marketing Power 100 and has been a former Marketing Industry Managing Director of the Year. Following the successful sale of Emerge Group in 2016, he now consults with global agencies, brands and start-up companies on growth and brand strategy.

Outlook

The Group remains absolutely focussed on the generation of Channl.com ecommerce sites for distributors enabling them to serve their end-user customers by helping them to easily conduct their B2B purchases online. Simultaneously we continue to improve and enhance the user experience, capability and overall functionality. Channl.com site generation is being scaled up in the US through our partnership with Aprinta and a new partnership with Market Brands. We are also expanding the product offering into the highly complementary niche of print and photo gifts through a new partnership with a major tier one US provider.

The Board believe these changes will encourage engagement and activation of Channl sites by distributors and their end-user customers, the engagement of whom is still at a formative stage and too early to provide an indication of representative performance. However, we remain confident than ever that the solution is compelling and potentially structurally changing in the $21 billion US personalised and promotional products, signage and printed wearables market ("the US market") and is capable of providing entry into the US print market.

On 17 May we announced a small fund raise of £2.5 million (before expenses) which will ensure the Company has flexibility in funding to significantly increase the number of US Channl.com web sites created for distributors and end users, gain traction in terms of activation and engagement and support the UK launch of Channl through the acquisition of the trade and certain assets of Adproducts.com Limited, a small UK based supplier. The Board remains confident and believe that further migration of the US market to on-line is inevitable, and that our solution can play a significant role therein. We are focused on creating a significant market position and allocating resources to maximise engagement traction.

Peter J Hallett
Executive Chairman
16 June 2017

Strategic Report

Principal activities and business model

The Group operates technology and information business providing services to the promotional merchandising and print industries across North America and the UK.

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 ship" through our SaaS delivered integrated web store and order management solution. 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 National Show continues to be the premier exhibition for the industry in the UK.

Business review

The Group has delivered a profit before tax of £0.1m (2015 Loss £1.3m), and increased net operating cash flow by £1.2m to £0.5m (2015 Outflow £0.7m). This turnaround has been achieved as a result of the substantial restructuring of the business which commenced back in April 2015, and which removed approximately £1.8m of annualised recurring operating costs.

We have now finalised new branding for the "click to ship" model and Channl.com ("Channl"), and as shareholders will be aware from previous communications, our strategic priority is the roll out of our "click to ship", now "Channl" online trading solution in the $21 billion US personalised and promotional products, signage and printed wearables market ("the US market").

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

Financial review

Group revenues reduced by £0.2m to £4.3m (2015: £4.5m). Gross profits were maintained however at £3.5m (2015: £3.5m) which was an increase in gross margin to 81.0% (2015: 78.0%). The impact of the restructuring exercise in 2015 gave rise to a profit before taxation of £0.1m (2015: loss £1.2m). The group capitalized £0.3m of software development (2015: £0.2m).

Taxation

We are carrying a deferred taxation asset of £0.4m in respect of overseas tax losses carried forward which is unchanged from 2015.

Earnings per share

Earnings per share were 0.17p (fully diluted 0.15p) compared to a basic and fully diluted loss for 2015 of 2.91p.

Cash flow

Cash flow from operations for the year was £0.5m (2015: outflow £0.7m) and the Group generated £0.2m cash before the issue of shares of £0.2m (2015 £nil), which produced an increase in cash inflow for the year of £1.3m to £0.4m (2015 Outflow £0.9m). Cash at the year end was £0.7m (2015: 0.4m)

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

During the year the Company issued 1,970,000 shares to employees who chose to exercise their options. This increased the issued share capital from 42,908,465 ordinary shares of 0.4 pence each to 44,878,465 ordinary shares of 0.4pence each. The proceeds from these issues was £205,000. As set out in note 6 the Company issued options to senior management as part of the management incentive scheme. In total, options in relation to 1,000,000 ordinary shares were issued. 600,000 of these share options relate to time served in the business and accrued over three years. Of the balance a third were exercisable on the share price reaching 25 pence, a third on reaching 30 pence and the remainder on reaching 35 pence. During the year share options relating to 1,400,000 ordinary shares were forfeited.

Significant judgments and estimates

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

Key performance indicators

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

	2016	**2015**
	£000	£000
Revenue	£4,323	£4,535
Gross Margin	81.0%	78.0%
Operating profit before share based payments charges, Amortization, exceptional charges and non recurring expenses	565	291
Profit/(loss) before taxation	73	(1,249)
No. of Channl sites (000)	66	—

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 2016:

- a significant deterioration in economic conditions, particularly in USA affecting SME's, the principal target customers for the Group's technology products.
- significant delays and or cost overruns in developing and delivering products to meet customer requirements in the targeted market sectors.
- predatory pricing or other actions by established competitors in our market sectors.
- a significant, adverse movement in the short-term in the US $ exchange rate compared with GBP.
- the propensity of distributors and resllers to migrate orders online through the Channl websites provided

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

Post balance sheet events

On 30 January 2017 the Company announced the receipt of a notice of exercise in relation to Warrants to subscribe for 1,500,060 ordinary shares of 0.4p each at a price of 36p per share. The Warrants were granted to Zeus Capital Limited, the Company's Financial and Nominated Adviser at the time of the Company's admission to trading on AIM in November 2005. The Company has issued and allotted the requisite shares which were admitted to trading on AIM on 3 February 2017. The exercise of the Warrants resulted in a further cash inflow of £0.5m in February 2017.

On 17 May 2017 the Company conducted a placing of 2,025,002 existing ordinary shares of 0.4 pence each in the Company and 4,166,667 new ordinary shares of 0.4 pence (together the "Placing Shares") with new and existing institutional and other investors (the "Placing"). The Placing Shares were sold at a price of 60 pence per share ("Placing Price") and represent, in aggregate, 11.7 per cent. of the issued share capital of the Company. Following the sell down of 1,816,668 ordinary shares of 0.4 pence each ("Ordinary Shares"), Keith Willis now holds 7,171,273 Ordinary Shares which are subject to a 12 month lock-in.

The net proceeds will be used to ensure the Company has flexibility in funding to significantly increase the number of US Channl.com web sites created for distributors and end users, gain traction in terms of their activation and engagement and support the UK launch of Channl.com through a conditional asset purchase agreement entered into in relation to the acquisition of certain assets of AdProducts.com Limited ("AdProducts"), a small UK based supplier of promotional products, for a cash consideration of £0.8 million (subject to a stock valuation adjustment). The asset purchase agreement is conditional on, amongst other things, the receipt of relevant vendor bank consents. The acquisition of AdProducts was completed on 2 June 2017

The acquisition will facilitate the launch of Channl in the UK, enabling distributors and their customers to trade online. AdProducts 2016 unaudited revenue and profit before tax was £3.5m and£0.3m respectively.

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

P J Hallett
Director
16 June 2017

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

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

Directors

Details of the Directors who have held office from 1 January 2016 to the date of this report are listed below:

- Martin Varley
- Richard Sowerby (resigned 30 April 2017)
- Peter Hallett
- Shaun Parker (appointed 14 January 2016)
- Vicky Robinson (resigned 31 January 2016)
- Sanjay Lobo (joined 25 January 2017 appointed to the Board 3 April 2017)
- Gellan Watt (appointed 25 January 2017)

The members of the Board Committees are set out on page 2.Sanjay Lobo and Gellan Watt 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 2016 and their interests in shares and share options is set out in note 5 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 month rolling notice period.

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

Shaun Parker and Sanjay Lobo have service agreements dated 14 January 2016 and 25 January 2017 respectively, each of which is subject to a 6 month rolling notice period.

Substantial shareholders

The Company is informed that at 6 June 2017 shareholders, shareholders holding more than 3% of the Company's issued share capital were as follows:

	Number of Issued Share Capital	% of Issued Shares
Mr Martin Varley	12,572,559	24.73%
Mr Keith T Willis	7,171,273	14.10%
Mr Simon P Taylor	3,018,000	5.94%
Hansa Capital Partners LLP	2,205,000	4.34%
River and Mercantile Asset Management	1,666,667	3.28%

The middle market price of the Company's ordinary shares on 31 December 2016 was 94.50p and the range from 1 January 2016 to 31 December 2016 was 8.00p to 104.50p with an average price of 32.78p.

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, whilst not complying with the Guidelines, is committed to high standards of corporate governance as appropriate to the Company's size and activities and set out below the key governance areas.

The Board, which is headed by the Chairman comprised two executive members and two non-executive members as at 31 December 2016 and at the date of this report four executive members and one non-executive director. On 25 January 2017 Peter Hallett became Executive Chairman and Martin Varley was appointed as President.

Executive Chairman is expected to be a temporary position, on a three day week basis, whilst the appointment of a Chief Finance Officer is sought. It is intended that the role of Chairman returns to a non -executive basis within the new financial year. The Company is also looking to appoint an additional non-executive director.

The Board met regularly throughout the year with ad hoc meetings also being held. In the furtherance of their duties on behalf of the Company, the Directors have access to independent professional advice at the expense of the Company.

The Board has established the following committees:

Audit Committee

The Audit Committee is chaired by Gellan Watt and also comprises Peter Hallett and Martin Varley. It has specific terms of reference and meets with the auditors at least twice a year. The Committee reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies are adopted and internal financial controls and compliance procedures are in place.

Remuneration Committee

The Remuneration Committee, which is chaired by Gellan Watt and comprises Peter Hallett and Martin Varley is responsible for determining the remuneration arrangements of the Executive Directors, for advising the Board on the remuneration policy for senior executives and invites participation in the Company's long-term incentive shares schemes.

Control environment

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

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

- the appropriate delegation of authority to operational management;
- the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;
- financial reporting, within an established financial planning and accounting framework, including the approval by the Board of the annual budget and regular review by the Board of actual results compared with budgets and forecasts;
- reporting on any non-compliance with internal financial controls and procedures; and
- 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 financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditor

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

Going concern

The Group accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group's budget for 2017 and outline projections for the subsequent period, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a good financial position with cash facilities and will therefore be available to meet the Group's foreseeable cash requirements.

Research and development

The Group expended £694,000 during the year (2015: £1,030,000) on research and development of which £282,000 was capitalised (2015:£201,000).

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 2016 and the amount owed to its trade creditors at 31 December 2016, was 32 days (2015: 23 days).

Environment and Health and Safety

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

Appointment of auditor

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

Future developments and post balance sheet events

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

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on 12th July 2017 at the offices of finnCap, 60 New Board Street, London EC2M 1JJ and your attention is drawn to the notice of meeting set out on page 39.

By Order of the Board

P J Hallett
Director
16 June 2017

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 2016 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of changes in equity, the consolidated and parent company balance sheets , the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 13, 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 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 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors Report.

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.

Mark Overfield BSc FCA, Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants, Leeds

16th June 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue			
— continuing		**4,323**	4,535
Cost of Sales		**(823)**	(998)
Gross Profit		**3,500**	3,537
Administrative expenses before share based payment charges, amortisation, exceptional charges and non-recurring expenses		**(2,935)**	(3,246)
Operating Profit before share based payment charges, amortisation, exceptional charges and non-recurring expenses		**565**	291
Share based payment (charges)/credit		**(25)**	38
Amortisation	12	**(401)**	(448)
Exceptional charges	3	**(66)**	(404)
Non-recurring costs	4	**—**	(729)
Total administrative expenses		**(3,427)**	(4,789)
Operating profit/(loss)		**73**	(1,252)
Finance income	8	**—**	3
Profit/(loss) before taxation		**73**	(1,249)
Taxation	9	**—**	—
Profit/(loss) attributable to the equity shareholders of the Company		**73**	(1,249)
Other comprehensive income:			
Items that may not be reclassified subsequently to profit and loss: • Foreign exchange differences		**(16)**	(1)
Total comprehensive profit/(loss) for the year		**57**	(1,250)
Earnings/(loss) per ordinary share attributable to the equity shareholders of the Company:			
— Basic (pence)	10	**0.17p**	(2.91)p
—Diluted (pence	10	**0.15p**	(2.91)p

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
At 01 January 2015	172	6,254	(4,145)	**2,281**
Loss for the year	—	—	(1,249)	**(1.249)**
Foreign exchange differences	—	—	(1)	**(1)**
Total comprehensive income	—	—	(1,250)	**(1,250)**
Transactions with owners recorded directly in equity:				
Share based payment charges	—	—	(38)	**(38)**
Total transactions with owners	—	—	(38)	**(38)**
At 31 December 2015	**172**	**6,254**	**(5,433)**	**993**
Profit for the year	—	—	73	**73**
Foreign exchange differences	—	—	(16)	**(16)**
Total comprehensive income	—	—	57	**57**
Transactions with owners recorded directly in equity				
Shares issued for cash	8	197	—	**205**
Share based payment charges	—	—	25	**25**
Total transactions with owners	8	197	25	**230**
At 31 December 2016	180	6,451	(5,351)	**1,280**

Consolidated Balance Sheet

as at 31 December 2016

	Note	2016 £000	2015 £000
Non current assets			
Property, plant & equipment	11	**22**	42
Intangible assets	12	**818**	937
Goodwill	12	**564**	564
Deferred tax	16	**426**	426
		1,830	1,969
Current assets			
Trade and other receivables	13	**407**	696
Cash and cash equivalents	14	**741**	366
		1,148	1,062
Total assets		**2,978**	3,031
Current liabilities			
Trade and other payables	15	**(1,698)**	(2,038)
Total liabilities		**(1,698)**	(2,038)
Net assets		**1,280**	993
Equity attributable to equity holders of the Company			
Called up share capital	17	**180**	172
Share premium account	17	**6,451**	6,254
Retained earnings	17	**(5,351)**	(5,433)
Total equity		**1,280**	993

The financial statements on pages 18 to 54 were approved by the Board of Directors on 16 June 2017 and signed on its behalf by:

P J Hallett
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit/(loss) for the period	**73**	(1,249)
Amortisation of intangible assets	**401**	448
Depreciation	**26**	78
Net finance credit	**—**	(3)
Share based payment charges/(credit)	**25**	(38)
Operating cash inflow / (outflow) before changes in working capital	**525**	(764)
Movement in trade and other receivables	**289**	91
Movement in trade and other payables	**(355)**	(28)
Operating cash inflow / (outflow) from operations	**459**	(701)
Interest received	**—**	3
Net cash flow from operating activities	**459**	(698)
Cash flows from investing activities		
Purchase of tangible assets	**(7)**	(15)
Purchase of intangible assets	**(282)**	(201)
Net cash flow from investing activities	**(289)**	(216)
Financing activities		
Issue of shares for cash	**205**	—
Net cash flow from financing activities	**205**	—
Net increase in cash and cash equivalents	**375**	(914)
Cash and cash equivalents at the beginning of the year	**366**	1,280
Effect of exchange rate fluctuations on cash held	**—**	—
Cash and cash equivalents at the end of the year	**741**	366

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 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Basis of preparation

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

The Accounts have been prepared under the historical cost convention.

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

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

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

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification andMeasurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods

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

Going concern

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

1 Accounting policies cont'd

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

The current economic conditions create uncertainty particularly over the level of demand for the company's products and services and over the availability of finance which the directors are mindful of.

The financial statements have been prepared on a going concern basis. The directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate. The key conditions are summarized below:

- The Directors have prepared sensitised cash flow forecasts extending to December 2018. These show that the Group has sufficient fund 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 Group continues to develop the product offerings in order to meet the demands of the market and customers. During 2016 the software offering has been developed and integrated into a new offering called Channl, which the Directors are in the process of introducing to the market and prospective customers.
- 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 receipt of cash from the issue of shares to Zeus Capital Limited in January 2017 on the exercise of their warrants.
- The receipt of cash from the Placing in May 2017
- The acquisition of the trade and certain assets of AdProducts in May 2017

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.

Basis of consolidation

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

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

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

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

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

1 Accounting policies cont'd

Foreign currencies

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

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

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

Property, plant and equipment

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

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

Fixtures and fittings
3 to 10 years

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.

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.

1 Accounting policies cont'd

For goodwill the recoverable amount is estimated at each balance sheet date.

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

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which estimates of future cash flows have not been adjusted.

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

Trade and other receivables

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

Classification of financial instruments issued by the Group

The financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

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

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

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

Financial assets

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

Financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank

1 Accounting policies cont'd

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 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. Revenues in respect of software product licences and associated maintenance and support services are typically recognised evenly over the period to which they relate.

Operating segments

The Group is organised as one operating segment:
- To enable the buyers and sellers of products to interact and trade, through the provision of technology, catalogues and exhibition services, predominantly in the promotional merchandising and printing sectors ("Technology and Information").

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Executive Chairman, who is regarded as the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The directors have concluded that there is only one operating segment on the basis of the information presented to the CODM. 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.

1 Accounting policies cont'd

Internally generated intangible assets are amortised over their useful economic life which is 3 to 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leases

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

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

Exceptional items

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

Non-recurring items

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

Post-retirement benefits

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

Share based payments

The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The fair value excludes the effect of non-market based vesting conditions. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

1 Accounting policies cont'd

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. In addition, warrants were issued on the flotation of the business in 2005. The warrants vested immediately on flotation.

Taxation

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

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

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

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

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

Key judgements and estimates

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

Intellectual property –the Group continues to develop its products and services. Where specific expenditure on a product can be identified, where it can be demonstrated to have improved the product and where the future income streams are expected to be increased as a result of the expenditure, it is capitalised and carried as an intangible asset in the period in which it is incurred. The value of this intellectual property is estimated to have a useful life of at least five years. As such, intellectual property intangibles are recognised in the year that the costs are incurred and are being amortised over a five year period from the date of acquisition. The Directors periodically (and at least at the year end and half year) review the carrying value of all intellectual property for potential impairment and reduce the value if they deem any impairment has occurred. At 31 December 2016 the carrying value of intellectual property was £819,000 (2015 £918,000)

Deferred Taxation assets

Deferred taxation assets arise from the losses incurred, in certain businesses in the group. The Directors review the forecasts of each business to assess the recoverability of these assets. In the event that the recoverability of these assets is not probable the asset is not recognized. The period of review to utilise these losses and realise the assets is generally two to three years. At 31 December 2016 the deferred tax asset recognized was £426,000 (2015 £426,000).

2 Segmental information

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

	2016 £000	2015 £000
Turnover (all relates to the provision of services) Technology & Information	**4,323**	4,535
Operating profit before amortisation of intangible assets, exceptional costs, non-recurring items and share based charges Technology & Information	**565**	291
Operating Profit / (loss) Technology & Information	**73**	(1,250)
Depreciation Technology & Information	**26**	78
Amortisation Technology & Information	**401**	448

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 2016 and capital expenditure for the year then ended are as follows:

	2016 £000	2015 £000
Assets Technology & Information	**2,978**	3,031
Liabilities Technology & Information	**1,698**	2,038
Operating Profit / (loss) Technology & Information	**73**	(1,250)
Capital expenditure Technology & Information	**289**	216

2 Segmental information cont'd

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

	Revenue from external customers		Non-current assets	
	2016 £000	2015 £000	**2016 £000**	2015 £000
North America	**1,061**	1,171	13	14
United Kingdom	**3,262**	3,364	1,391	1,529
	4,323	4,535	1,404	1,543

3 Exceptional charges

	2016 £000	2015 £000
Employment termination costs	**66**	404

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

4 Non-recurring expenses

	2016 £000	2015 £000
Non-recurring employment costs	—	511
Non-recurring office costs	—	218
Total non-recurring expenses	—	729

Following the restructuring exercise the Group reduced its overhead base. The non-recurring expenses represent the payroll and office costs incurred in the year until the employment contracts were terminated or the office facility was closed. These costs have been identified and expressed separately to enable a clearer understanding of the financial performance and the underlying results at 31 December 2016.

5 Employees

	2016 £000	2015 £000
Staff costs :		
- Wages and salaries	**1,487**	2,310
- Social security costs	**147**	155
- Other pension costs	**19**	44
- Share based payments charge / (credit)	**25**	(38)
	1,678	2,471
Average number of employees (including directors) during the year		
- Technology & Information	**51**	69

Directors' remuneration and interests

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

	Basic salary £000	Fees paid to Entities owned by Directors £000	Payments made for loss of office £000	Benefits in kind £000	2016 £000	2015 £000
Non-Executive Directors						
Peter Hallett as non-executive	30	—	—	2	**32**	10
Richard Sowerby [1]	13	26	—	—	**39**	60
Executive Directors						
Stephen Yapp [2]	25	—	—	—	**25**	80
Martin Varley [3]	190	—	—	7	**197**	194
Vicky Robinson [4]	51	—	30	—	**81**	67
Shaun Parker [5]	93	—	—	—	**93**	—
	402	26	30	9	**467**	411

[1] Richard Sowerby was an Executive director until January 2016 [2] Stephen Yapp resigned as a director in April 2015 [3] Salary in 2016 includes $nil translated at the average exchange rate (2015 $288,000) [4] Vicky Robinson resigned as a director in January 2016 [5] Shaun Parker was appointed to the Board in January 2016.

5 Employees cont'd

Directors' interests in shares

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

	2016 £000	2015 £000
Martin Varley	**12,547,559**	12,097,559
Peter Hallett	**195,000**	—
Richard Sowerby	**650,000**	150,000

Since the year end Peter Hallett and Gellan Watt have each acquired a further 16,667 ordinary shares, Sanjay Lobo 33,333 ordinary shares and Richard Sowerby a further 300,000 ordinary shares.
None of the Directors had any interest in the share capital of any subsidiary undertaking of the Company at any time during the year.

Directors' interests in contracts

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

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

5 Employees cont'd

Directors' share options

	No of Shares 2015	Granted in Year	Exercised in Year	Forfeited in Year	**No of Shares 2016**
30 December 2011					
Vicky Robinson	400,000	—	—	(400,000)	—
2 October 2013					
Martin Varley	920,000		(920,000)	—	—
Richard Sowerby	800,000	—	(500,000)	—	300,000
1 April 2014					
Vicky Robinson	400,000	—	—	(400,000)	—
1 July 2015					
Peter Hallett	800,000	—	—	—	800,000
21 July 2016					
Shaun Parker	—	800,000	—	—	800,000
	3,320,000	**800.000**	**(1,420,000)**	**(800,000)**	**1,900,000**

The aggregate of realised and unrealised gains on exercise of share options in the year was £1,113,950. This includes a gain of £732,700 made by Martin Varley (the highest paid director). The directors have not sold any such shares in the period from excercise to the date of the finacial statements being approved.

Directors' pension contributions

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

	2016 £000	2015 £000
Martin Varley	**1**	—
Peter Hallett	—	—
Richard Sowerby	—	—
Shaun Parker	—	—
Vicky Robinson	**3**	3
	4	3

6 Share based payments

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

The options 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
1 April 2014**	4	2,445,000	10.55	1 April 2019
1 July 2015**	1	600,000	9.875	1 July 2020
2 July 2015**	1	800,000	9.50	2 July 2020
July 2016**	1	800,000	11.25	July 2021
August 2016	1	200,000	22.00	August 2021

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

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

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

Grant date	Weighted average exercise price 2016 (p)	Number of options 2016	Weighted average exercise price 2015 (p)	Number of options 2015
Outstanding at start of year	9.66	5,070,000	11.35	8,590,000
Granted during the year	13.96	1,000,000	9.66	1,400,000
Exercised	21.44	(1,970,000)	—	—
Forfeited during the year	19.55	(1,400,000)	13.72	(4,120,000)
Cancelled during the year	—	—	14.25	(800,000)
Outstanding at end of the year	11.91	2,700,000	9.66	5,070,000
Exercisable at end of the year	—	300,000	—	550,000

In addition 1,500,060 ordinary share warrants were issued to Zeus Capital Limited on the flotation of the business in 2005. The warrants vested immediately on the flotation of the Group in 2005. These warrants were exercised on 30 January 2017, as described in note 23.

6 Share based payments cont'd

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted during 2016 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

	July 2016	August 2016
Fair value of the option at measurement date (pence)	4.00p	9.00p
Share price at grant date (pence)	11.25p	22.0p
Exercise price (pence)	11.25p	22.0p
Expected volatility (%)	40.0%	40.0%
Average option life (year)	5	5
Expected dividend (%)	—	—
Risk free interest rate (%)	3%	3%

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

Charge to the Consolidated Statement of Comprehensive Income

The charge to the consolidated statement of comprehensive income comprises:

	2016 £000	2015 £000
Share based payment charge/(credit)	**25**	(38)

7 Operating Profit / loss

	2016 £000	2015 £000
Operating loss is stated after charging :		
Depreciation of owned property, plant and equipment	**26**	78
Amortisation of intangible assets	**401**	448
Research and development expenditure expensed as incurred	**412**	800
Operating lease rentals :		
- Land and buildings	**80**	180
Loss/(profit) on currency translation	**11**	(37)
Auditors' remuneration:		
Audit of the Company's annual financial statements	**19**	14
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**20**	14
- Other services relating to taxation	**11**	4

8 Finance income / (expense)

Finance income

	2016 £000	2015 £000
Other interest receivable	—	3

9 Taxation

	2016 £000	2015 £000
Corporation tax	-	-
Deferred tax origination and reversal of timing differences	-	-
Total tax in consolidated statement of income	-	-

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit/(loss) before tax for the period	73	(1,249)
Tax using the UK corporation tax rate of 20% (2015: 20%)	15	(250)
Non-deductible expenses	—	22
Utilisation of unprovided deferred tax asset	(15)	—
Deferred taxation asset arising but not reflected	—	228
Total tax credit	—	—

10 Basic and diluted earnings per ordinary share

	2016	2015
Profit / (loss) (£000)	73	(1,249)
Weighted average number of shares (number '000)	43,252	42,908
Fully diluted average number of shares (number '000)	47,452	42,908
Basic profit / loss per ordinary share (pence)	0.17p	(2.91)p
Diluted prolit / loss per ordinary share (pence)	0.15p	(2.91)p

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.

11 Property, plant and equipment

	Fixtures and fittings £000
Cost	
At 1 January 2015	665
Additions	15
At 31 December 2015	680
Additions	6
At 31 December 2016	686
Depreciation	
At 1 January 2015	560
Charge for the year	78
At 31 December 2015	638
Charge for the year	26
At 31 December 2016	664
Net book value	
At 1 January 2015	105
At 31 December 2015	42
At 31 December 2016	22

12 Intangible assets

	Goodwill £000	Customer related intangibles £000	Intellectual property acquired Intellectual property acquired £000	Intellectual Property-internally generated £000	Total £000
Cost					
At 1 January 2015	918	780	673	1,281	**3,652**
Additions	—	—	—	201	**201**
At 31 December 2015	918	780	673	1,482	**3,853**
Additions	—	—	—	282	**282**
At 31 December 2016	918	780	673	1,764	**4,135**
Amortisation and impairment					
At 1 January 2015	354	676	558	316	**1,904**
Amortisation for the year	—	85	115	248	**448**
At 31 December 2015	354	761	673	564	**2,352**
Amortisation for the year	—	19	—	382	**401**
At 31 December 2016	354	780	673	946	**2,753**
Carrying amounts					
At 1 January 2015	564	104	115	965	**1,748**
At 31 December 2015	564	19	—	918	**1,501**
At 31 December 2016	564	—	—	818	**1,382**

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

	2016 £000	2015 £000
Goodwill		
Envoy Catalogue	192	192
Promoserve Business Systems	79	79
Trade Only/Technologo	293	293
Carrying amounts as at 31 December	564	564

12 Intangible assets (cont.)

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value in use calculations derived from discounted cash flow projections based on budgets and strategic plans covering a three year period, followed by an extrapolation of expected cash flows at a constant growth rate of 0% (2015: 0%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. The discount rate applied was 10% (2015: 10.0%), which the Directors deem to be a market adjusted pre-tax weighted average cost of capital.These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. The value in use calculations did not identify any impairment compared to the CGU carrying value however if the forecast sales are not achieved then this would result in impairment in future years.

The cumulative impairment charge recognised to date is £354,000 (2015: £354,000)

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

13 Trade and other receivables

	2016 £000	2015 £000
Trade receivables (net of impairment of £210,000 (2015: £16,000))	**290**	448
Other receivables	**–**	1
Prepayments and accrued income	**117**	247
	407	696

Trade and other receivables denominated in currencies other than sterling comprise £188,000 (2015: £126,000) of trade receivables denominated in US dollars. The fair values of trade and other receivables are the same as their book values.
Trade receivables that are past due are considered individually for impairment.
The Group uses a monthly ageing as an indicator for impairment

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

	2016 £000	2015 £000
Not Overdue	**65**	61
Under 30 days overdue	**90**	291
Over 30 days but under 60 days overdue	**53**	59
Over 60 days overdue	**82**	37
	290	448

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

14 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents	**741**	366

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £127,000 (2015: £18,000) denominated in US dollars.

15 Trade and other payables

	2016 £000	2015 £000
Current		
Trade payables	**368**	300
Other taxes and social security	**109**	60
Other creditors	—	1
Accruals	**169**	338
Deferred income	**1,052**	1,339
	1,698	2,038

Trade and other payables denominated in currencies other than sterling comprise £165,000 (2015: £19,000) 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:

	2016 £000	2015 £000
Accelerated capital allowances	**(30)**	(30)
Losses	**(396)**	(396)
	(426)	(426)

16 Deferred tax assets Cont'd

Movement in deferred tax year ended 31 December 2016

	As at 1 January 2016 £000	Income Statement £000	As at 31 December 2016 £000
Accelerated capital allowances	(30)	–	(30)
Losses	(396)	–	(396)
	(426)	–	(426)

A deferred tax asset of £426,000 (2015 £426,000) has been recognized in relation to companies where it is considered there is a high probability of utilization in the near future. The directors have concluded that following the restructure of the business, suitable taxable profits are probable in the near future. Due to the insufficient evidence of the availability of suitable taxable profits in the near future there were potential deferred tax assets of £1.8 million in the UK and $4.8 million in the US. These losses have at least 15 years before they expire.

17 Share capital and reserves

	2016 £000	2015 £000
Allotted, called up and fully paid		
- 44,878,465 Ordinary shares of 0.4p each (2015: 42,908,465)	180	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 capital structure of the Group consists of equity comprising issued capital, reserves and retained earnings as set out below. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During 2016, the Group's strategy, which was unchanged from 2015, was to keep debt to a minimum. Net cash at 31 December 2016 was £741,000 (2015: net cash £366,000).

Share option schemes

Executive and employee share options:
The Group operates an HMRC approved executive incentive plan (EMI 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, 1,000,000 (2015: 1,400,000) options in ordinary shares have been granted during the year, 1,400,000 forfeited. 1,970,000 were exercised and nil were cancelled.

Reserves

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

18 Financial instruments disclosure

Financial instruments policy

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

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, mainly comprising US dollars. The Group seeks to remove this risk by invoicing in Sterling. Where this is not possible, the Group utilises US dollars held within its cash balances and also may hedge such transactions through foreign exchange forward contracts. The Group has not hedged such transactions through forward contracts during the year.

Interest rate and currency profile

Financial assets

	2016 £000	2015 £000
Loans and receivables :		
Trade receivables	**290**	448
Cash at bank	**741**	366
	1,031	814

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

18 Financial instruments disclosure cont'd

Financial liabilities

	2016 £000	2015 £000
Other financial liabilities :		
Trade payables	**368**	300
Other short term liabilities	**169**	338
	537	638

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £127,000 (2015: £18,000) which is denominated in US dollars; of trade receivables of £186,000 (2015: £93,000) which is denominated in US dollars; and of other financial liabilities of £165,000 (2015: £34,000) which is denominated in US dollars.

Liquidity risk

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

Maturity profile of financial liabilities

	2016 £000	2015 £000
Due within one year or on demand	**537**	638

Fair value of financial instruments

At 31 December 2016 the difference between the book value and the fair value of the Group's financial assets and liabilities was £nil (2015: £nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2016.

Borrowing facilities

At 31 December 2016 the Group had £nil (2015: £nil) undrawn committed borrowing facilities.

19 Commitments

(a) Capital commitments
There were no capital commitments existing at 31 December 2016 or 31 December 2015.

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

	Land and buildings £000	2016 Other £000	Land and buildings £000	2015 Other £000
Less than one year	—	—	—	—
Between two and five years	**91**	—	249	
	91	—	249	—

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 £19,000 (2015: £44,000).

21 Contingent liabilities

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

22 Related party transactions

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

Richard Sowerby is a director of The Inspired Branding Group Limited ("IBG"). IBG group companies buy services from companies in the Altitude Group under normal commercial terms. In the year sales of £137,000 (2015: £149,000) were made to companies in the IBG group and trade receivables at 31 December 2016 includes £19,000 (2015: £68,000) due from the IBG group of companies.

23 Post Balance Sheet Events

On 30 January 2017 the Company announced the receipt of a notice of exercise in relation to Warrants to subscribe for 1,500,060 ordinary shares of 0.4p each at a price of 36p per share. The Warrants were granted to Zeus Capital Limited, the Company's Financial and Nominated Adviser at the time of the Company's admission to trading on AIM in November 2005. The Company has issued and allotted the requisite shares which were admitted to trading on AIM on 3 February 2017. The exercise of the Warrants resulted in a further cash inflow of £0.5m in February 2017.

On 17 May 2017 the Company conducted a placing of 2,025,002 existing ordinary shares of 0.4 pence each in the Company and 4,166,667 new ordinary shares of 0.4 pence (together the "Placing Shares") with new and existing institutional and other investors (the "Placing").

The Placing Shares were sold at a price of 60 pence per share ("Placing Price") and represent, in aggregate, 11.7 per cent. of the issued share capital of the Company.

Following the sell down of 1,816,668 ordinary shares of 0.4 pence each ("Ordinary Shares"), Keith Willis now holds 7,171,273 Ordinary Shares which are subject to a 12 month lock-in.

The net proceeds will be used to ensure the Company has flexibility in funding to significantly increase the number of US Channl.com web sites created for distributors and end users, gain traction in terms of their activation and engagement and support the UK launch of Channl.com through a conditional asset purchase agreement entered into in relation to the acquisition of certain assets of AdProducts.com Limited ("AdProducts"), a small UK based supplier of promotional products, for a cash consideration of £0.8 million (subject to a stock valuation adjustment). The asset purchase agreement is conditional on, amongst other things, the receipt of relevant vendor bank consents. The acquisition of AdProducts was completed on 2 June 2017

The acquisition will facilitate the launch of Channl in the UK, enabling distributors and their customers to trade online. AdProducts 2016 unaudited revenue and profit before taxation were £3.5m and £0.3m respectively.

Company Balance Sheet

as at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible fixed assets	28	**3**	3
Investments	29	**589**	589
		592	592
Current assets			
Debtors	30	**2,119**	2,457
Creditors: Amounts falling due within one year	31	**(2,276)**	(2,168)
Net current (liabilities)/assets		**(157)**	289
Net assets		**435**	881
Capital and reserves			
Called up share capital	32	**180**	172
Share premium account	33	**6,451**	6,254
Profit and loss account	33	**(6,196)**	(5,545)
Shareholder's funds		**435**	881

The Company reported a loss for the financial year ended 31 December 2016 of £676,000 (2015: £3,463,000).

The balance sheet was approved by the Board of Directors on 16th June 2017 and signed on its behalf by:

P J Hallett
Director

Company Statement of Changes in Equity

as at 31 December 2016

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2015	172	6,254	(2,044)	**4,382**
Loss for the year	—	—	(3,463)	**(3,463)**
Transactions with owners recorded directly in equity:				
- Share based payment credit	—	—	(38)	**(38)**
At 31 December 2015	172	6,254	(5,545)	**881**
Loss for the year	—	—	(676)	**(676)**
Transactions with owners recorded directly in equity:				
- Share based payment charges	—	—	25	**25**
- Issue of shares for cash	8	197	—	**205**
At 31 December 2016	180	6,451	(6,196)	**435**

Notes to the Company Balance Sheet

24 Company accounting policies

Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016 the company has decided to adopt FRS 101 and has undergone transition from reporting under IFRS's adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016. This transition has resulted in reduced disclosure but is not considered to have had a material effect on the loss for the year or equity.

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

The Company also intends to take advantage of these exemptions in financial statements to be issued in following years. Objections may be served in the Company by shareholders holding in aggregate 5 per cent or more of the toal allocated shares in the Company.

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

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

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

25 Company profit and loss account

The company has taken advantage advantage of the exemption to present its own profit and loss account. The loss for the year was £676,000 (2015 £3,463,000)

26 Operating costs

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

27 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed note 5 on page 31.

28 Tangible fixed assets

	Fixtures & Fittings £000
Cost	
At 1 January 2015	12
At 31 December 2015	12
At 31 December 2016	12
Depreciation	
At 1 January 2015	9
At 31 December 2015	9
At 31 December 2016	9
Net book value	
At 1 January 2015	3
At 31 December 2015	3
At 31 December 2016	3

29 Investments

	Shares in subsidiary undertakings £000
Cost At 1 January 2015, 31 December 2015 and at 31 December 2016	907
Impairment At 1 January 2015, 31 December 2015 and at 31 December 2016	318
Net book value At 1 January 2015, 31 December 2015 and at 31 December 2016	589

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

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Holding
Customer Focus Software Limited[1]	England and Wales	Sale of software and marketing services	Ordinary	100%
Customer Focus Exhibitions Limited[1]	England and Wales	Sale of software and marketing services	Ordinary	100%
Customer Focus Software Incorporated	United States	Sale of software and marketing services	Ordinary	100%
Boxcam Limited	England and Wales	Dormant	Ordinary	100%
Promoserve Business Systems Limited[1]	England and Wales	Dormant	Ordinary	100%
Customer Focus Interactive Imaging Limited[1]	England and Wales	Dormant	Ordinary	100%
The Advertising Products Group Limited[1]	England and Wales	Dormant	Ordinary	100%
Trade Only Technology Services Limited	Canada	Dormant	Ordinary	100%

Note 1 – held by a subsidiary undertaking

30 Debtors

	2016 £000	2015 £000
Amounts falling due within one year		
Other debtors	**14**	21
Amounts owed by subsidiary undertakings	**2,105**	2,436
	2,119	2,457

31 Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank overdraft	2,085	1,892
Trade creditors	—	75
Amounts owed to subsidiary undertakings	**117**	—
Accruals and deferred income	**74**	201
	2,276	2,168

Bank overdrafts are denominated in sterling and are repayable on demand. The average effective interest rate on bank overdrafts are nil (2015 nil) as these borrowings are secured by cash balances held within the group and balances are offset for interest purposes.

32 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
44,878,465 (2015:42,908,465) ordinary shares of 0.4p each	**180**	172

On 18 October 2016 1,000,000 ordinary shares at 0.4p each were issues for £0.1425 each. On 24 November 2016 370,000 ordinary shares of 0.4p each were issued for £0.1425 each. On this date a further 550,000 ordinary shares of 0.4p each were issued for £0.004.

33 Reserves

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

34 Commitments

The Company had no capital commitments or operating lease commitments existing at 31 December 2016 or 31 December 2015.

35 Related parties

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

36 Post Balance Sheet Events

On 30 January 2017 the Company announced the receipt of a notice of exercise in relation to Warrants to subscribe for 1,500,060 ordinary shares of 0.4p each at a price of 36p per share. The Warrants were granted to Zeus Capital Limited, the Company's Financial and Nominated Adviser at the time of the Company's admission to trading on AIM in November 2005. The Company has issued and allotted the requisite shares which were admitted to trading on AIM on 3 February 2017. The exercise of the Warrants resulted in a further cash inflow of £0.5m in February 2017.

On 17 May 2017 the Company conducted a placing of 2,025,002 existing ordinary shares of 0.4 pence each in the Company and 4,166,667 new ordinary shares of 0.4 pence (together the "Placing Shares") with new and existing institutional and other investors (the "Placing").

The Placing Shares were sold at a price of 60 pence per share ("Placing Price") and represent, in aggregate, 11.7 per cent. of the issued share capital of the Company.

Following the sell down of 1,816,668 ordinary shares of 0.4 pence each ("Ordinary Shares"), Keith Willis now holds 7,171,273 Ordinary Shares which are subject to a 12 month lock-in.

The net proceeds will be used to ensure the Company has flexibility in funding to significantly increase the number of US Channl.com web sites created for distributors and end users, gain traction in terms of their activation and engagement and support the UK launch of Channl.com through a conditional asset purchase agreement entered into in relation to the acquisition of certain assets of AdProducts.com Limited ("AdProducts"), a small UK based supplier of promotional products, for a cash consideration of £0.8 million (subject to a stock valuation adjustment). The asset purchase agreement is conditional on, amongst other things, the receipt of relevant vendor bank consents. The acquisition will facilitate the launch of Channl in the UK, enabling distributors and their customers to trade online. AdProducts 2016 unaudited revenue was £3.5m with a profit before tax of £0.3m. The acquisition of AdProducts was completed on 2 June 2017

Notice of annual general meeting

Notice is hereby given that the annual general meeting of Altitude Group Plc (the "Company") will be held at the offices of finnCap, 60 New Broad Street, London EC2M 1JJ on 12th July 2017 at 11.00am for the purpose of considering and if thought fit, passing the following resolutions. Resolutions number 1 to 5 will be proposed as ordinary resolutions and resolutions 6 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 2016 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts.
2. To re-elect Sanjay Lobo, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
3. To re-elect Gellan Watt, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
4. To re-appoint Grant Thornton (UK) 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 granted to the directors prior to the passing of this resolution, the directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 551 Companies Act 2006 (the "Act"):

(a) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as "Relevant Securities") up to an aggregate nominal value of £67,793.60 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 £67,793.60 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 2017, 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 5, the directors be and are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 5 above as if section 561(1) of the Act did not apply to any such allotment provided that this authority and power shall be limited to the allotment of equity securities:

(a) in connection with a rights issue (as defined in resolution 6 above); and
(b) otherwise than pursuant to sub-paragraph 6(a) above up to an aggregate nominal amount of £40,676.20 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 2017, 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 £20,338.10 at a price per share (exclusive of expenses) of not less than 0.4 pence and not more than 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange plc, for the five business days immediately preceding the day on which the Ordinary Share is purchased, provided that this authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2017 unless previously revoked, varied or renewed, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is made pursuant to a contract concluded by the Company before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

By order of the board

Peter J Hallett
Executive Chairman
16 June 2017

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 Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA at least 48 hours (excluding non-working days) 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 Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA (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 Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, 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 6:00 p.m on 10 July 2017 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

6. Copies of Directors' service contracts and letters of appointment will be available for inspection at the Registered Office during normal business hours until the conclusion of the AGM and at the place of the AGM 15 minutes prior to and until its conclusion.

Explanatory notes

Resolution 5 – Directors' power to allot Relevant Securities
Under section 551 of the Act, Relevant Securities may only be issued with the consent of the Company's members, unless the members pass a resolution generally authorising the directors to issue shares without further reference to the members. This resolution authorises the general issue of shares up to an aggregate nominal value of £67,793.60, which is equal to approximately one-third 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 2017.

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 £40,676.20, 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 2017.

Resolution 7 – Purchase of own shares
This resolution enables the Company to buy-in its own shares up to £20,338.10, 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 2017.