Altitude Group PLC

Registered number 05193579

Annual Report 2018

ALTITUDE
GROUP PLC

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Directors & Advisers

Directors

Peter Hallett (Non-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. In addition, Peter was previously finance director of Texas Homecare and First Quench.

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

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

Deborah Wilkinson (Chief Operating Officer)
Deborah joined the Board on 9 October 2018. Deborah has over 14 years of experience in the promotional merchandise industry having been Head of Technology at Customer Focus Software Ltd and 11 years with Altitude Group. Deborah is responsible for launching our leading SaaS order management systems and online design applications.

Martin Varley (Non-executive Director)[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.

Keith Edelman (Non-executive Director) [1,2]
Keith joined the Board on 5 December 2018 and brings extensive commercial experience and a background in consumer facing businesses. Keith is currently Chairman of Revolution Bars Group plc and Pennpetro Energy plc, and a non-executive director of Headlam Group plc and the London Legacy Development Corporation.

In his executive career Keith was a director of consumer companies including Ladbroke Group plc, Carlton Communications plc and Storehouse plc. His last executive appointment, which ended in 2008, was Managing Director of Arsenal Holdings plc where he was responsible for the move from Highbury to Emirates Stadium. Since 2009 Mr Edelman has held several non-executive roles including Safestore plc, Superdry plc, J E Beale plc and Thorntons plc.

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

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Chairman's Statement

I am pleased to report that the Group has made considerable progress in its development strategically, financially and operationally in the year to 31 December 2018. It has been a busy year and one of change and operational expansion under the capable leadership of Nichole Stella who joined the Group in Q4 2017 and was appointed CEO in June 2018.

During the year we continued to focus on developing and enhancing our relationship with Advertising Industry Mastermind (AIM), the largest and fastest growing promotional products distributor member group in the US with an 8% share of a $23 billion market, providing its members with services and solutions to make their businesses more efficient through the use of our combined e-commerce trading platform, cloud-based CRM and order management system.

As 2018 progressed we experienced increasing numbers of AIM customers migrate to our white labelled AIMPro platform and request enhanced services from Altitude, encouraging us to think more strategically about the relationship. In January 2019 we acquired AIM for $5.0 million. The acquisition will have multiple benefits, including:

- Securing access for Altitude to the annual c.$1.9 billion AIM revenue throughput pipeline in perpetuity.
- Enabling Altitude to increase margin by meeting the demand for technology, marketing and sales service packages through the development of tiered service programs for both distributor members and suppliers.
- Accelerating the disruption of the promotional product marketplace which is highly fragmented and currently inefficient

AIM Smarter, as it is now called, will be our main focus in developing and growing the Group going forward. We are excited about the opportunity and potential that will be transformational for the Group. Even in the short space of time since the acquisition was completed much progress has been made. 150 supplier partners have already been contracted to the new tiered packages and we are investing in and growing our team in the US to facilitate and manage the strong demand for service.

Results

In the year ended 31 December 2018, the Company achieved revenues of £6.6m (2017: £6.1m) and an adjusted operating loss (before share-based payment charges, amortization of intangible assets, depreciation of tangible assets and exceptional charges) of £0.8m (2017: Profit £0.3m). Losses arose predominately from increased operating cost investment in the United States.

Financing development

The development of our relationship with AIM and the accelerated roll out of AIMPro was funded by a placing, announced on 28 February 2018, raising £1.5 million at a price of 60p per Ordinary Share.

In addition, to finance the Acquisition of AIM and provide working capital to substantially grow the business, in January 2019, we completed a successful equity placing raising £9.0 million (gross) at a price of 68p per Ordinary Share. Due to significant demand from institutional investors, both existing and new, the fundraise was over-subscribed and scaled up from the £7.0 million we had originally set out to secure.

Board Changes

During the year there has been significant change to the Board:

Graeme Couturier was appointed to the Board as Chief Financial Officer on 13 April 2018. We are delighted to have welcomed him to the Board at a time when the development of our finance function will be critical to us realizing our growth potential.

Following Graeme's appointment, it was announced that I would step back to Non-Executive Chairman, and Nichole Stella be appointed Chief Executive Officer with effect from 5 June 2018. Nichole's knowledge of the promotional products industry, especially in the US, has and will continue to help us successfully execute on the exciting and disruptive opportunity following the acquisition of AIM.
Martin Varley retired from the role of Executive President on the 30 June 2018 stepping down to the role of Non-Executive Director.

On 9 October 2018, Shaun Parker resigned from his position as Chief Operational Officer to pursue other opportunities and was replaced by Deborah Wilkinson who has over 14 years' experience in the

Chairman's Statement

Technology at Customer Focus Software Ltd and 11 years with Altitude Group.

On 5 December 2018 Keith Edelman was appointed to the Board as a Non-Executive Director. Keith brings extensive commercial experience coupled with a background in consumer facing businesses.

Keith is currently Chairman of Revolution Bars Group plc and Pennpetro Energy plc, and a non-executive director of Headlam Group plc and the London Legacy Development Corporation.

Accounting reference date

Following the acquisition of AIM, the Board is considering changing the Group's year end accounting reference date from 31 December to 31 March. Such a change in accounting reference date would bring the Group more in line with the US promotional product industry and would provide a better accounting cut-off date for auditable visibility of revenue due from those suppliers on calendar year settlement terms. The Group will provide a further update in relation to this in due course.

The Future

The business has been through significant change over the last 18 months and is now positioned for rapid growth. We have put together a strong management team to drive that growth and acquired AIM which provides multiple opportunities and enormous potential. In the first 4 months since the acquisition we are seeing that potential starting to be realized.

Peter J Hallett
Non-Executive Chairman
7 June 2019

promotional merchandise industry having been Head of

Chief Executive's Statement

I joined the Company in Q4 2017 as President of US operations and was appointed as Group CEO in June 2018. During the year, we invested in our operations in order to accelerate the building of a significant business opportunity with our strategic partner Advertising Industry Mastermind Group LLC through the utilisation of the AIMPro Tech Suite ("AIMPro") platform by its' members.

The roll out of AIMpro required the expansion of our US and UK workforce to increase customer support capacity for both sides of the supply chain. This was achieved.

The strategic and financial benefits of our growing relationship with AIM became increasingly apparent and in January of the current year we acquired the business, which has now become the core focus of the Group strategy.

As a result, we are adding top talent across all facets of the team in the US including sales, marketing and project management positions. Headcount in the US is currently 32. By year end, we anticipate headcount to increase further to c.40 US based team members. In particular, we are delighted to have appointed Stacey McConnell as Vice President of Member Services who has over 20 years' experience at top 40 distributor companies, including 4Imprint and AIA Corporation, and Cathy Cummings as Head of Vendor Relations who has over 18 years' experience with 4Imprint and AIA Corporation.

We are also delighted that Jamie Coggeshall, the founder of AIM, agreed to remain as President of AIM for a period of three years from completion of the acquisition.

In the UK, we continue to provide various software applications to the promotional industry on a monthly recurring revenue software as a service (SaaS) revenue model, though our focus is to increasingly move all applications to a share of throughput revenue model. In May 2019, the UK division also launched an enhanced service package to a loyal base of current UK customers, with a broader launch planned in the second half of 2019. We are optimistic for the potential of this launch as there are currently no similar services available to UK distributors. We will provide a progress report as more information becomes available.

Results

Group revenues increased by £0.5m to £6.6m (2017: £6.1m). The increase was primarily due to a full year contribution from ADP, delivering incremental revenue of £1.6m (7 months contribution in 2017). The underlying reduction of £1.1m was principally attributable to legacy publications and exhibitions activity in the UK and legacy SaaS software in the US. The reduction in the US was predominantly due to the expiration of an agreement with a large sign manufacturing group. However, revenues generated from transactional throughput contributed £0.1m.

Gross profit decreased by £0.3m to £4.0m (2017: £4.3m). ADP contributed incremental gross profit of £0.9m. The underlying gross margin reduction was attributable to legacy publications and exhibitions activity in the UK and SaaS software in the US.

Adjusted administration expenses* increased by £1.4m, or 41% to £4.8m (2017: £3.4m) driven by the scaling up operations in the US (£0.9m) and recognising a full year of ADP costs (£1.0m), offset by cost reductions across the business (£0.5m).

Adjusted operating loss* increased by £1.8m to £0.8m (2017: £0.9m profit).

Exceptional costs of £0.4m (2017: £0.3m) principally comprise employment termination costs, consultancy and legal costs. Share based payment charges increased by £0.6m to £0.7m (2017: £0.1m). In addition, amortisation of intangible assets and depreciation of tangible assets increased by £0.4m to £0.8m, principally due to a £0.2m charge in respect of old intangible assets.

Included within administrative costs are software maintenance and development costs of £0.4m (2017: £0.4m) as the Group has maintained its support and development of its proprietary software assets. In addition, the Group capitalised £0.8m of software development costs (2017: £0.5m). 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 the AIM Tech Suite, Channl.com, Promoserve and artworktooltm.

The resulting operating loss and loss before tax for the period was £2.8m (2017: £0.1m profit).

The taxation credit for the year arises in respect of tax credits receivable on qualifying research and development expenditure in 2016 and 2017. The tax credits were received in cash on 11 January 2019.

Cash outflow from operations excluding working capital was £0.8m (2017: Inflow £0.6m) largely reflecting the scale up of US operations during 2018. An increase in working capital resulted in an additional outflow of £1.3m (2017: Outflow £0.9m), arising predominately from the net impact of not holding a UK National Show in January 2019 and an increase in Ad Products inventory. The absence of show preparation impacted working capital by £0.6m in 2018 through a reduction in accrued income to £0.3m (2017: £0.7m) and a decrease in show creditors to £0.1m (2017: £0.3m). In addition, inventory in AdProducts increased by £0.2m to £1.7m (2017: £1.5m), and there was a one-off increase in receivables due to the £0.4m R&D tax credit claim.

Net cash outflow from investing activities amounted to £1.1m (2017: £1.4m) comprised of capital expenditure on tangible and intangible assets of £0.3m and £0.8m respectively. Financing activities generated £1.6m (net of expenses) from the issue of shares for cash (2017: £2.9m).

Total net cash outflow was £1.5m (2017: £1.2m inflow).

The Group remains debt free and had cash resources as at 31 December 2018 of £0.4m (2017: £2.0m). As noted above the Group received a cash repayment of £0.4m from HMRC in respect of R&D tax credits on 11 January 2019, which had been expected to be have been processed by 31 December 2018. In addition, on 15 January 2019 the Company issued further equity capital, raising approximately £8.4m (net of expenses) to fund the acquisition of Advertising Industry Mastermind Group LLC and provide working capital to increase US operational resource. The Group’s cash balance as at 30 April 2019 was £3.8m

**Before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges*

Summary of progress since the acquisition of Advertising Industry Mastermind Group LLC

On 15 January 2019 we acquired the Advertising Industry Mastermind Group LLC business for a total consideration of $5.0m, of which $3.5m was payable in cash at completion, $0.75m was paid into escrow for a period of 24 months, $0.5m represented conditional deferred consideration (based on the achievement of membership retention targets) and $0.25m is held as a contingent fund. The balance of consideration of $0.75m was satisfied by the issue of 860,294 consideration shares to the vendor. Post-acquisition the business trading name was changed to AIM Smarter LLC (“AIM”).

To fund the acquisition and provide working capital for the planned growth in the US, the Group raised £9.0 million (gross) through a placing of 14,095,589 new Ordinary Shares at a price of 68 pence per share.

The acquisition of AIM is strategically significant and transformative for Altitude. It is the largest and fastest-growing promotional products distributor member group in the $23 billion US market for promotional products, with a total estimated transaction value across the membership base of c.$1.9 billion annually (as declared by members), representing approximately 8.3% of the market. Over the last 5 years AIM has delivered a 74% CAGR for the number of members and 87% in respect of members' aggregate annual revenue. At acquisition AIM was comprised of 1,917 members (out of approximately 23,000 distributors across the US) and membership numbers have grown by a further 191 or 10.0% since acquisition to 2,108 currently.

Besides securing access for Altitude to the annual c.$1.9 billion AIM revenue throughput pipeline, the acquisition of AIM significantly and immediately delivers two major strategic benefits:

It enables Altitude to offer additional added value services, leveraging its existing applications and expertise, to help members and supplier partners grow their businesses, whilst at the same time increasing our revenues.

It enables Altitude to immediately leverage the entire AIM order flow in partnership with key selected contracted suppliers, regardless of whether the order is placed through the AIMPro platform.

The basic and fully diluted loss per share was (4.38p) (2017: Earnings 0.25p and 0.24p respectively).

deliver enhanced value add programs, formalization of agreements with key industry suppliers as part of our Preferred Supplier Partner Program, and responding to demand from our AIM members, we have added enhanced "paid for" sales support services.

AIM Supplier Partners

Acquiring AIM enables Altitude to formalize agreements and partnerships with suppliers that are both collaborative and reciprocal. Through technology and marketing programs we can assist in growing sales across our partner suppliers and thus immediately leverage the entire AIM purchase order flow to contracted suppliers, regardless of whether the order is placed through the AIMPro platform.

Our supplier partner focus has been:

- Strengthening and securing high performance partner suppliers and purposefully reducing those who dilute performance of the supply chain
- Developing "Gold", "Platinum" and "Diamond" tiered packages of unique marketing, technology and trending data insight services for suppliers, which will increase their revenue from the AIM members
- Agreeing contracts with existing AIM preferred suppliers onto either of the new tiers

Excellent progress has been made with a total of 149 supplier partners contracted to the new tiered packages, with the majority effective from Q2 2019. First billings commenced in April 2019.

We believe that the current total and product range of the 149 currently contracted key supplier partners achieves critical mass for the Preferred Supplier Partner Program providing a significant degree of transaction coverage and revenue potential.

AIMPro Tech Suite

Given our new focus as outlined above, the utilization of the AIMPro Tech Suite is no longer the key KPI of our financial success. We therefore do not intend to continue the high-level focus on this indicator. The platform is however important in developing and maintaining the historically high levels of member retention and assist us in developing a unique data set of industry statistics to develop both our supplier and distributor network providing an effective method of calibrating our supplier revenue.

Nevertheless, sales order throughput totalling over $31.0m, from over 400 members was captured in the first 4.5 months of 2019, with the weekly average rising from $1.0m per week in March to over $2.0m per week in April (2018 full year sales order throughput totalled $19.9m, averaging $383k per week). We anticipate the weekly average sales order throughput to continue to rise as capture more data in the coming months. The information provided, allows us to track trends across the membership and deliver this information back to our members in the form of Trend Reports, assisting them in their buying decisions. The data also allows us to track sales across current supplier partners and negotiate the addition of new supplier partners based on member buying habits.

Additionally, we have over 2900 live distributor member websites and online company stores for their clients.

AIM Operational Progress

In the four months since integration we have maintained clear focus on three key areas; expansion of the US team to

AIM Members

Acquiring AIM provides the Group with member revenue and the opportunity of managing and maximizing this important new revenue source.

AIM membership has continued to grow in the post-acquisition period, adding a further 191 members bringing the total membership to 2,108 from 1,917 at acquisition, an increase of 10.0%. Aggregate member revenues are estimated at $1.9 billion.

Post-acquisition, the member services team has been focused on stellar customer service delivery and the development, launch and execution of membership upgrade options from the standard monthly package to enhanced tiered service packages. These options were developed in partnership with our members to assist them in maximizing their business potential.

The tiered packages were "beta" launched in March 2019 through day to day contact with members seeking additional assistance. Full marketing for the packages launched in mid-April to great response from the members. To date 51 members have already upgraded to one of the packages, and billing commenced on 1st May 2019.

Outlook

We have made substantial progress throughout the year as we developed our relationship with AI Mastermind, providing its members with access to our white labelled AIMPro platform. In January 2019 we acquired AIM, the largest promotional product supplier distributor member group in the US, securing access to its $1.9 billion throughput pipeline, presenting a huge opportunity for us to deliver great services and value to our members and shareholders alike.

This acquisition is strategically significant and transformative and has now become the core focus of our strategy as we look to expand our US team, formalizing agreements with key industry suppliers as part of our Preferred Supplier Partner Programme and responding to demand from our AIM members.

Just four months post the acquisition of AIM, we are very pleased with progress, with both supplier and member adoption. We look to the future with confidence.

Nichole Stella
Chief Executive
7 June 2019

Strategic Report

Principal activities and business model

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

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

Altitude's ultimate success depends on its ability to influence and direct the promotional product purchases of a large numbers of distributors towards a significant number of preferred suppliers, by effectively creating a market. Altitude derives revenue from transaction fees levied on preferred suppliers in respect of purchase orders placed on suppliers by the distributors. This was a principle reason for the acquisition of the assets and business of our most significant trading partner, Advertising Industry Mastermind Group LLC ("AIM"), the largest promotional products distributor organization member group in the US, on 15th January 2019.

The acquisition of AIM significantly enhances the prospects of the Group, by providing a direct relationship with AIM's circa 2,000 members, who's aggregate revenues exceed $1.9 billion per annum, by increasing our influence on the sourcing of member purchasing and selection of preferred suppliers and providing the opportunity to upsell AIM members to enhanced service packages comprising Altitude's technology applications.

Outside of technology, in the UK the group operates a promotional product supply business and a catalogues business each serving the UK promotional products industry.

Business review

The Group has delivered a loss before tax of £2.8m (2017 £0.1m profit), with net operating cash outflow of £2.1m (2017 outflow £0.3m) reflecting the scale up of US operations during 2018, which are detailed in the Financial Review below.

Operationally the loss before tax arose from an increase in operating expenses in the US as we scaled up management resource to generate and support the growth in AIMPro usage, and an anticipated deterioration in UK exhibitions and publications business and loss of a legacy SaaS contract in the US.

Shareholders will be aware from previous communications and as explained above, of the strategic significance of the acquisition of AIM. Our strategic priority is driving revenue from, and delivering value to, both sides of the AIM supply chain, increasing member order volumes and value to, and growing, our preferred supplier partnerships.

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

Financial review

Group revenues increased by £0.5m to £6.6m (2017: £6.1m). The increase was primarily due to a full year contribution from ADP, delivering incremental revenue of £1.6m (7 months contribution in 2017). The underlying reduction of £1.1m was attributable to legacy publications and exhibitions activity in the UK and legacy software in the US. The reduction in the US was predominantly due to the expiration of an agreement with a large sign manufacturing group. However, revenues generated from transactional throughput contributed £0.1m.

Gross profit decreased by £0.3m to £4.0m (2017: £4.3m). ADP contributed incremental gross profit of £0.9m. The underlying gross margin reduction was attributable to legacy publications and exhibitions activity in the UK and legacy software in the US. Gross margin decreased to 60.6% (2017: 70.9%) due to the increased proportion of lower margin ADP activities.

Adjusted administration expenses increased by £1.4m, or 41% to £4.8m (2017: £3.4m) driven by the scaling up operations in the US (£0.9m) and recognising a full year of ADP costs (£1.0m), offset by cost reductions across the business (£0.5m).

Operating loss before share-based payment charges, amortisation, depreciation and exceptional charges was £0.8m (2017 £0.9m profit).

Loss before taxation was £2.8m (2017: £0.1m profit). The group capitalized £0.8m of software development (2017: £0.5m).

£0.8m (2017: Inflow £0.6m) largely reflecting the scale up of US operations during 2018. An increase in working capital resulted in an additional outflow of £1.3m (2017: Outflow £0.9m), arising predominately from the net impact of not holding a UK National Show in January 2019 and an increase in Ad Products inventory. The absence of show 2019 preparation impacted working capital by £0.6m in 2018 through a reduction in accrued income to £0.3m (2017: £0.7m) and a decrease in show creditors to £0.1m (2017: £0.3m). In addition, inventory in AdProducts increased by £0.2m to £1.7m (2017: £1.5m), and there was a one-off increase in receivables due to the £0.4m R&D tax credit claim.

Net cash outflow from investing activities amounted to £1.1m (2017: £1.4m) comprised of capital expenditure on tangible and intangible assets of £0.3m and £0.8m respectively. Financing activities generated £1.6m (net of expenses) from the issue of shares for cash (2017: £2.9m).

Total net cash outflow was £1.5m (2017: £1.2m inflow).

Taxation

We are carrying a deferred taxation asset of £0.4m in respect of overseas tax losses carried forward which is unchanged from 2017.

Earnings per share

The basic and fully diluted loss per share was (4.38p) (2017: Earnings 0.25p and 0.24p respectively).

Cash flow

Cash outflow from operations for the year was £2.1m (2017: outflow £0.3m) reflecting the scale up of US operations during 2018. Net cash outflow from investing activities amounted to £1.1m (2017 £1.4m). Financing activities generated £1.6m (net of expenses) from the issue of shares for cash (2017 £2.9m), resulting in a net cash outflow for the year of £1.5m (2017: £1.2m inflow) and giving a year-end cash balance of £0.4m (2017: £2.0m).

Treasury

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

Share capital

On 16 March 2018, 2,500,000 ordinary shares of 0.4p each were issued for consideration of £0.60p per share. On 6 June 2018, 250,000 and 600,000 ordinary shares of 0.4p each were issued for consideration of 11.95p and 10.55p per share respectively. On 7 June 2018 416,665 ordinary shares of 0.4p each were issued and on 16 October 2018, 77,777 ordinary shares of 0.4p each were issued for consideration of 11.95p per share

The share issues above increased the issued share capital from 50,845,192 to 54,689,634 ordinary shares of 0.4 pence each. The proceeds from these issues was £1,652,000.

As set out in note 5 the Company issued EMI & Unapproved options to senior management as part the management incentive scheme. 575,000 (2017: 843,190) EMI options in ordinary shares have been granted during the year, 55,558 (2017: 605,095) EMI options have been forfeited, 1,344,442 (2017: 300,000) EMI options were exercised and nil were cancelled. In addition, 1,450,000 (2017: 485,228) unapproved options in ordinary shares have been granted during the year, nil (2017: 47,609) unapproved options have been forfeited, and nil were exercised or cancelled (2017: nil).

Of the net 625,000 EMI & unapproved share options issued, 312,500 of these share options relate to time served in the business and accrued over three years. Of the remaining 1,012,500 a third were exercisable on the share price between 84 pence and 200 pence, a third on reaching between 114 pence and 250 pence and the remainder on reaching between 144 pence and 300 pence. On 25 June 2018 the Group issued incentive warrants over 2,000,000 ordinary shares of 0.4p each, with an exercise price of 90 pence to Torch Partners Corporate Finance Limited on their appointment as long-term Financial Advisors to the Group.

The term of the incentive warrants is 10 years, expiring on 25 June 2028. Half of the warrants relate to continuous association with the Group and accrue over three years. Of the balance one third will be exercisable on the share price reaching 300 pence, one third on reaching 400 pence and the remainder on reaching 500 pence.

Strategic Report

Cash outflow from operations excluding working capital was

On 1 August 2018 the Group issued incentive warrants over 30,000 ordinary shares of 0.4p each, with an exercise price of 60 pence to Vicki Tirpack Consulting LLC on their appointment as contractors to the Group. The term of the incentive warrants is 5 years, expiring on 1 August 2023. Half of the warrants relate to continuous association with the Group and accrue over three years. Of the balance one third will be exercisable on the share price reaching 115 pence, one third on reaching 150 pence and the remainder on reaching 195 pence

Post balance sheet events

On 15 January 2019, the Company announced a conditional placing of 13,235,295 new Ordinary Shares ("the Placing"), and the issue of 860,294 Ordinary Shares ("the Consideration Shares") at a price of 68 pence per Ordinary Share, raising gross cash proceeds of £9 million from the placing and to additionally provide US$0.75m of the consideration to the vendor of Advertising Industry Mastermind LLC.

5,334,525 of the shares were immediately issued on existing shareholder authority and admitted to trading on 16 January 2019 ("the First Placing"), and the remaining 7,900,770 shares were admitted on 1 February 2019 ("the Second Placing"), following a General Meeting held on 31 January 2019 to obtain shareholder authority for the issue of these shares. The 860,294 Consideration Shares were admitted on 27 February 2019 following receipt of an Independent Valuation Report of the non-cash consideration required under the Companies Act 2006.

The proceeds from the Placing and the Consideration shares will be used to:

- Fund the acquisition of the membership-based trade group of independent promotional product distributors business of Advertising Industry Mastermind Group LLC, for a maximum consideration of US$5.0 million, comprising US$4.25 million payable in cash from the First Placing and US$0.75 million to be satisfied by the issue of the Consideration Shares. US$0.75 million of the cash consideration is to be held in escrow for a period of 24 months as a contingent fund.
- The sterling equivalent of proceeds applied as the cash consideration for the acquisition amounted £3.4 million.
- The balance of the issue proceeds of £5.6m will provide additional working capital to increase US operational resource (£5.1m) and pay the transaction expenses of £0.6 million

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:

	2018 £000	2017 £000
Revenue	6,603	6,106
Gross Margin	60.6%	70.9%
Operating (loss)/profit before share-based payments charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges	(837)	908
(Loss)/profit before taxation	(2,768)	125

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 2018:

- 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 AIM distributor members to migrate orders to AIM preferred suppliers
- the propensity of AIM distributor members to upgrade membership to include enhanced marketing and sales support services
- deteriorating retention of the membership base of the acquired AIM business

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. We manage development projects closely and ensure that we continue to offer services that meet our customer needs. Historically operations in the USA have been funded from the UK, exposing the group to adverse short-term exchange rate movements. US operations are forecast to become self-funding in H2 2019, mitigating the risk from short term exchange rate fluctuations. AIM is the largest distributor member organisation in the USA, with circa 8% market share in a very fragmented market. We assess the risk of predatory pricing from other established competitors to be low as they do not possess the scale or geographic coverage necessary influence the market as a whole. AIM members are incentivised to order from AIM preferred suppliers through the provision of significant discounts. Since the acquisition of AIM we have not seen any deterioration in member numbers and growth has continued in line with historic trends.

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

Peter J Hallett
Non-executive Chairman
7 June 2019

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Dividend policy

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

Directors

Details of the Directors who have held office from 1 January 2018, to the date of this report, unless indicated otherwise, are listed below:

- Martin Varley
- Peter Hallett
- Shaun Parker (resigned 9 October 2018)
- Gellan Watt
- Nichole Stella
- Graeme Couturier (joined 7 March 2018, appointed to the Board 13 April 2018)
- Deborah Wilkinson (appointed 9 October 2018)
- Keith Edelman (joined 26 November 2018, appointed to the Board on 5 December 2018)

The members of the Board Committees are set out on page 3. Deborah Wilkinson and Keith Edelman 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 2018 and their interests in shares and share options is set out in notes 4 and 5.

The policy of the Remuneration Committee is to provide competitive, market- based packages which encourage and reward performance in a manner consistent with the long-term interests of the Company and shareholders.

Remuneration packages may comprise a basic salary together with benefits-in-kind (such as car allowance and medical insurance), a non-pensionable annual performance bonus, pension benefits based solely on basic salary and, where appropriate, participation in a share incentive plan.

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

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

Nichole Stella, Graeme Couturier and Deborah Wilkinson each have service agreements dated 13 September 2017, 13 April 2018 and 9 October 2018 respectively, each of which is subject to a six month rolling notice period.

Keith Edelman is appointed for a three-year term from 26th November 2018, subject to a one month notice period.

Substantial shareholders

The Company is informed that at 30 April 2019 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	12,279,618	17.85%
Mr Keith T Willis	6,726,273	9.78%
Hargreaves Lansdown	5,079,882	7.39%
Killik	4,955,020	7.20%
Mr Simon P Taylor	3,465,251	5.04%
Chelverton Asset Management	2,952,132	4.29%
Schroder Investment Management	2,647,058	3.85%
Cavendish Asset Management	2,324,585	3.38%

The middle market price of the Company's ordinary shares on 31 December 2018 was 72.50p and the range from 1 January 2018 to 31 December 2018 was 58.00p to 107.00p with an average price of 79.64p.

Corporate Governance

In accordance with AIM rule 26 the Group has adopted the Quoted Companies Alliance's Corporate Governance Code. The statement of compliance with the Quoted Companies Alliance's Corporate Governance Code can be found on our website. The Board 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 three executive members and four non-executive members as at 31 December 2018 and at the date of this report.

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

The Board has established the following committees:

Audit Committee

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

Remuneration Committee

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

Control environment

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

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

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

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

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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

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

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

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

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

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

Directors' Report

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 2019 and outline projections for the subsequent period, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a good financial position with cash facilities and will therefore be available to meet the Group's foreseeable cash requirements.

Research and development

The Group expended £900,000 during the year (2017: £900,000) on research and development of which £769,000 was capitalised (2017: £529,000).

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 17 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 2018 and the amount owed to its trade creditors at 31 December 2018 was 69 days excluding inventory in transit at the year-end (2017: 74 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 1st July 2019 at the offices of finnCap, 60 New Board Street, London EC2M 1JJ and your attention is drawn to the notice of meeting set out on page 61.

By Order of the Board

Peter J Hallett
Non-executive Chairman
7 June 2019

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Altitude Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated and Company balance sheets, the Consolidated cash flow statement, notes to the consolidated financial statements and notes to the company balance sheet, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

- Overall group materiality: £100,000, which represents 1.5% of the Group's revenue;
- Key audit matters identified are improper revenue recognition, and non-current assets carrying value exceeds fair value; and
- We have assessed the components within the group and performed a combination of full scope audit procedures and specified audit procedures.
- The components subject to a full scope audit and specified audit procedures cover 92% and 8% of the consolidated revenue respectively.

Key audit matters

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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition The group financial statements record Revenue of £6.6m for the year ended 31 December 2018. The group has a number of different revenue streams with revenue either being recognised at a point in time or over the period of the service performed. There is a risk that revenue will be recorded when the underlying transaction has not occurred. This risk is greater with respect of transactions where the cash has not been received. We therefore identified improper revenue recognition as a significant risk, and which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Documenting our understanding of the systems and controls in place around the recording of revenue. • Assessing the revenue recognition accounting policies to confirm that they are consistent with IFRS 15 'Revenue from contracts with customers' and appropriate for the business. • Confirming on a sample basis that revenue is recognised in accordance with the group's revenue recognition policy. • Performing detailed substantive testing on a sample of revenue transactions from each revenue stream by tracing transactions to supporting documentation to confirm the occurrence of the revenue transaction. The group's accounting policy on revenue recognition is shown in note 1 – Revenue recognition to the financial statements and related disclosures are included in note 2. **Key observations** Based on our audit work, the revenue was recorded in accordance with the group's accounting policies and IFRS 15 'Revenue from contracts with customers.'
Non-current assets carrying value exceeds fair value The group financial statements record goodwill, other intangible assets and property, plant and equipment of £0.6m, £1.1m and £0.3m respectively as at 31 December 2018. Management has undertaken its annual impairment review based on discounted cash flows in relation to cash generating units that include goodwill and where there are indicators of impairment in accordance with IAS 36 'Impairment of assets'. There are significant judgements in the discounted cash flow calculations including forecast operating cashflows, capital expenditure and discount rates. We therefore identified non-current assets carrying value exceeds fair value as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining management's analysis of the application of IAS 36 'Impairment of assets' and challenging the methodology used to perform the assessment of the impairment of goodwill, other intangible assets and property, plant and equipment, including identification of cash generating units. • Challenging management's assumptions used in their discounted cash flow model including, the forecast cashflows and discount rate. • Performing sensitivity analysis over the key assumptions used in the impairment model . • Assessing the adequacy of the disclosure in the financial statements in accordance the requirements of IAS 36 'Impairment of assets.' The group's accounting policy on valuation of non-current assets is shown in note 1 'Impairment' to the financial statements and related disclosures are included in note 11.. **Key observations** Based on our audit work, the valuation of non-current assets was calculated in accordance with the group's accounting policies and IAS 36 'Impairment of assets.'

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

Our application of materiality

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

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£100,000 which is 1.5% of the Group's revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator of the group and is a stable base. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect increased revenues following a full year impact of the acquisition of the trade of Adproducts.com Limited during the year	£75,000 which was capped at 75% of total group materiality. This equates to approximately 1% of the company's total assets. This benchmark is considered the most appropriate given that the activities of the parent company primarily comprise being a holding company and its major activities relate to non-current assets included in the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 due to the increase in the company's total assets.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality
Communication of misstatements to the audit committee	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

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

- Evaluation of the identified components by the group audit team to assess the significance of that component and to determine the planned audit response based on a measure of materiality.
- Performing audit procedures to a level of materiality appropriate to the individual component. For components subject to a full scope audit approach response materiality was capped at 75% of group materiality.
- The components subject to a full scope audit approach and specified procedures audit procedures cover 92% and 8% of the consolidated revenue respectively.

Other information

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

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

We have nothing to report in this regard

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error .

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of report

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.

Mark Overfield BSc, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
7 June 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue			
— continuing		**6,603**	**6,106**
Cost of Sales		(2,600)	(1,775)
Gross Profit		**4,003**	**4,331**
Administrative expenses before share-based payment charges and amortisation of intangible assets, depreciation of tangible assets and exceptional charges		(4,840)	(3,423)
Operating (loss)/profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges		**(837)**	**941**
Share-based payment charges	5	(736)	(79)
Depreciation and amortisation	9, 10	(790)	(416)
Exceptional charges	3	(397)	(321)
Total administrative expenses		(6,764)	(4,206)
Operating (loss)/profit		**(2,761)**	**125**
Finance charges		(7)	—
(Loss)/profit before taxation		**(2,768)**	**125**
Taxation credit	7	423	—
(Loss)/profit attributable to the equity shareholders of the Company		**(2,345)**	**125**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss: • Foreign exchange differences		(56)	18
Total comprehensive (loss)/profit for the year		**(2,401)**	**143**
(Loss)/Earnings per ordinary share attributable to the equity shareholders of the Company:			
— Basic (pence)	8	(4.38p)	0.25p
—Diluted (pence)	8	(4.38p)	0.24p

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Share Capital £000	Share Premium £000	Retained Losses £000	Total £000
At 1 January 2017	**180**	**6,451**	**(5,351)**	**1,280**
Profit for the year	—	—	125	125
Foreign exchange differences	—	—	18	18
Total comprehensive income	**—**	**—**	**143**	**143**
Transactions with owners recorded directly in equity				
Shares issued for cash	23	2,912	—	2,935
Share-based payment charges	—	—	79	79
Total transactions with owners	**23**	**2,912**	**79**	**3,014**
At 31 December 2017	**203**	**9,363**	**(5,129)**	**4,437**
Loss for the year			(2,345)	(2,345)
Foreign exchange differences			(56)	(56)
Total comprehensive loss			**(2,401)**	**(2,401)**
Transactions with owners recorded directly in equity				
Shares issued for cash	16	1,637	—	1,653
Share-based payment charges	—	—	736	736
Total transactions with owners	**16**	**1,637**	**736**	**2,389**
At 31 December 2018	**219**	**11,000**	**(6,794)**	**4,425**

Consolidated Balance Sheet

as at 31 December 2018

	Note	2018 £000	2017 £000
Non current assets			
Property, plant & equipment	9	319	100
Intangible assets	10	1,108	1,059
Goodwill	10	564	564
Deferred tax	15	426	426
		2,417	**2,149**
Current assets			
Inventory	11	1,734	1,518
Trade and other receivables	12	914	1,446
Corporation tax receivable		454	—
Cash and cash equivalents	13	420	1,963
		3,522	4,927
Total assets		**5,939**	**7,076**
Current liabilities			
Trade and other payables	14	(1,514)	(2,639)
Total liabilities		**(1,514)**	**(2,639)**
Net assets		**4,425**	**4,437**
Equity attributable to equity holders of the Company			
Called up share capital	16	219	203
Share premium account	16	11,000	9,363
Retained losses	16	(6,794)	(5,129)
Total equity		**4,425**	**4,437**

The financial statements on pages 22 to 63 were approved by the Board of Directors on 7th June 2019 and signed on its behalf by:

P J Hallett
Director
Registered number: 05193579

Consolidated Cash Flow Statement

for the year ended 31 December 2018

	2018 £000	2017 £000
Cash flows from operating activities		
(Loss)/profit for the period	**(2,345)**	**125**
Amortisation of intangible assets	723	383
Depreciation	67	38
Share-based payment charges	736	79
Operating cash (outflow)/inflow before changes in working capital	**(819)**	**625**
Movement in inventory	(216)	(392)
Movement in trade and other receivables	78	(1,039)
Movement in trade and other payables	(1,125)	489
Operating cash (outflow)/inflow from operations	**(2,082)**	**(318)**
Interest received	—	—
Net cash flow from operating activities	**(2,082)**	**(318)**
Cash flows from investing activities		
Purchase of tangible assets	(283)	(56)
Purchase of intangible assets	(769)	(591)
Purchase of certain assets and business undertaking of AdProducts.com Limited	—	(748)
Net cash flow from investing activities	**(1,052)**	**(1,395))**
Financing activities		
Issue of shares for cash (net of expenses)	1,591	2,935
Net cash flow from financing activities	**1,591**	**2,935**
Net (decrease)/increase in cash and cash equivalents	(1,543)	1,222
Cash and cash equivalents at the beginning of the year	**1,963**	**741**
Effect of exchange rate fluctuations on cash held	—	—
Cash and cash equivalents at the end of the year	**420**	**1,963**

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 2018 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.

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018. As a result, the Group has changed its accounting policy for revenue recognition to be in line with IFRS 15.

The Group has applied IFRS 15 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18. Had the Group not applied IFRS15 in this financial period, there would have been no material difference to the reported results.

The Group has also adopted IFRS 9 in these financial statements, with effect from 1 January 2018. IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. No differences arose on the transition to IFRS 9.

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:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 40: Transfers of investment property
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 9: Prepayment features with negative compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS 2014-2016 Cycle
- IFRS 17 Insurance contracts
- IFRS 16 Leases

Other than in respect of IFRS 16 – Leases, the application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. IFRS 16 will not come into effect until our 2019 year end, therefore the impact assessment will be assessed nearer the time. However, it is likely to result in the current operating leases being recognised on the Balance Sheet (see note 18).

1 Accounting policies cont'd

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

Going concern

The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and Chairman's statement. In addition, note 17 to the financial statements include the company's objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

- The Directors have prepared sensitised cash flow forecasts extending to December 2020. These show that the Group has sufficient funds available to meet its trading requirements.
- On 15 January 2019, the Company announced a placing of 13,235,295 new Ordinary Shares in the Company to raise £9.0 million at a price of 68 pence per Ordinary Share 5,334,525 of which were admitted to trading on 17 January 2019, and 7,900,770 admitted to trading on 1 February 2019
- The Group's year to date financial performance is materially in line with management expectations and 2019 projections
- The Group does not have external bank borrowing, 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.
- On 17 January 2019 the Group acquired Advertising Industry Mastermind Group LLC, the largest and fastest-growing promotional products distributor member group in the US, with 1,917 members (out of approximately 23,000 distributors across the US)
- The total estimated transaction value across the AIM membership base is approximately US$1.7 billion annually, providing the Group with significant and material earnings potential in respect of enhanced marketing and sales support services that can be readily provided from the Group's existing technological and commercial resources
- The markets in which the business operates are not considered to be at significant risk due in any global economic recession.
- There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.

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

1 Accounting policies cont'd

Basis of consolidation

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

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

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

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

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

Foreign currencies

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

i) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

ii) Group companies

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

Property, plant and equipment

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

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

Fixtures and fittings
3 to 10 years

1 Accounting policies cont'd

Intangible assets — Goodwill

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

Acquired intangible assets — Business combinations

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

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

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

Research and development

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate
- the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development

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

Impairment

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

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

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

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

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

1 Accounting policies cont'd

Trade and other receivables

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

Classification of financial instruments issued by the Group

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

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

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

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

Financial assets

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

After initial recognition, these are measured at amortised cost using the effective interest rate method. Discounting is omitted where the effect if immaterial. All of the Group's financial assets fall into this category.

Impairment of financial assets

The group accounts for impairment of financial assets using the expected credit loss ("ECL") model as required by IFRS 9. The group considers a broad range of information when assessing credit risk and measuring expected losses, including past events, current conditions, reasonable and supportable forecasts that effect the expected collectability of the future cash flows of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits together with other short-term highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

1 Accounting policies cont'd

Revenue recognition

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

When assessing revenue recognition against IFRS15, the Group assess the contract against the five steps of IFRS15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

This process includes the assessment of the performance obligations within the contract and the allocation of contract revenue across these performance obligations once identified. Revenue is recognised either at a point in time or over time, when, or as, the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group has a number of different revenue streams. Revenue from trade exhibitions, catalogues, promotional products (through AdProducts) and other services is recognised when the company has delivered its obligations to its customers, normally when an exhibition takes place, or the catalogue or promotional product is delivered, or when that service has been provided to the customer. Revenues in respect of software product licences and associated maintenance and support services are typically recognised evenly over the period to which they relate.

In comparative periods, revenue is recognised at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business and is shown net of Value Added Tax.

The difference between the amount of income recognised and the amount invoiced on a particular contract is included in the statement of financial position as deferred income. Amounts included in deferred income due within one year are expected to be recognised within one year and are included within current liabilities.

In the current year, the Group has applied IFRS 15 - Revenue from Contracts with Customers which was mandatorily effective for accounting periods beginning on or after 1st January 2018. The adoption of IFRS 15 has not had any material impact on the disclosures or amounts reported in these financial statements.

Operating segments

The Group is currently organised as two operating segments:

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

- The sale of promotional products (AdProducts)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive, who is regarded as the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The directors have concluded that there are two operating segments on the basis of the information presented to the CODM. This position will be monitored as the Group develops and particularly as AdProducts is integrated vertically with the Technology and Information business and the US business grows in importance through the acquisition of AIM.

Inventory

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

1 Accounting policies cont'd

Leases

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

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

Exceptional items

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

Non-recurring items

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

Post-retirement benefits

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

Share based payments

The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

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

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

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

1 Accounting policies cont'd

Taxation

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

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

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

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

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

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

Key judgements and estimates

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

Intellectual Property

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

The value of this intellectual property is estimated to have a useful life of at least five years. As such, intellectual property intangibles are recognised in the year that the costs are incurred and are being amortised over a five year period from the date of acquisition. The Directors periodically (and at least at the year end and half year) review the carrying value of all intellectual property for potential impairment and reduce the value if they deem any impairment has occurred. At 31 December 2018 the carrying value of intellectual property was £1,108,000 (2017 £1,026,000)

Deferred Taxation assets

Deferred taxation assets arise from the losses incurred, in certain businesses in the group. The Directors review the forecasts of each business to assess the recoverability of these assets and the tax rates that are expected to apply in the period when the asset is realised. In the event that the recoverability of these assets is not probable the asset is not recognized. The period of review to utilise these losses and realise the assets is generally two to three years. At 31 December 2018 the deferred tax asset recognized was £426,000 (2017 £426,000). The directors have taken into account the assumptions in the forecasts including the growth assumptions of the US business and associated sensitivity analysis when determining the level of deferred tax asset to be recognised.

1 Accounting policies cont'd

Valuation of inventory

The group holds a significant amount of goods held for resale, which are recorded at the lower of cost and net realisable value. The net realisable value is impacted by a number of factors including the condition of the goods and the general economic conditions. The calculation of the stock provision requires the directors to make judgments and estimates in relation to the realisable value of these promotional products. At the year end the goods for resale had a book value of £1.7m (2017: £1.5m).

2 Segmental information

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

	2018 £000	2017 £000
Turnover		
Technology & Information	2,889	3,969
AdProducts (sale of goods)	3,714	2,137
	6,603	**6,106**
Operating profit before amortisation of intangible assets, exceptional and share-based charges		
Technology & Information	(904)	551
AdProducts	67	357
	(837)	**908**
Operating (loss)/profit		
Technology & Information	(2,757)	(207)
AdProducts	(4)	332
	(2,761)	**125**
Depreciation		
Technology & Information	14	27
AdProducts	53	11
	67	**38**
Amortisation	690	383
Technology & Information	33	—
AdProducts	**723**	**383**

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 2018 and capital expenditure for the year then ended are as follows. This information has not been disclosed by reporting segment as the information by segment is not regularly reported to the chief operating decision maker.

	2018 £000	2017 £000
Assets	5,939	7,076
Liabilities	1,514	2,639
Operating (loss)/profit	(2,761)	125
Capital expenditure	1,052	647

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	
	2018 £000	2017 £000	2018 £000	2017 £000
North America	498	899	97	23
United Kingdom	6,105	5,207	2,320	2,265
	6,603	6,106	2,417	2,288

The group derives revenue from the transfer of goods and services over time and at a point in time as detailed in the table below.

	Revenue from external customers		
	Technology & information	Sale of goods	Total
Revenue from external customers	2,889	3,714	6,603
Timing of revenue recognition			
At a point in time	925	3,714	4,639
Over time	1,964	—	1,964

Revenues from the sale of goods are in respect of the Ad Products business. Revenue is recognised on dispatch of goods to the customer. Technology and information revenues are primarily derived from the provision of online services and applications. Revenues are recognised evenly over life of a contract as customers receive/consume the benefits of the software services/applications provided on an ongoing basis. Revenues recognised at a point in time are comprised of variable, throughput related revenues and advertising revenues arising from legacy exhibitions and publications activity.

3 Exceptional charges

	2018 £000	2017 £000
Employment termination costs	180	272
Legal, acquisition and consultancy costs	149	49
Other costs	68	—
	397	321

The exceptional charges relate to the costs of terminating employment arising from restructuring exercises undertaken. Legal, acquisition and consultancy costs arise from the acquisition of AI Mastermind and continued restructuring of legacy UK publications and exhibitions business.

4 Employees

	2018 £000	2017 £000
Staff costs :		
- Wages and salaries	3,196	2,032
- Social security costs	231	168
- Other pension costs	47	44
- Share based payments charge	736	63
	4,210	2,307

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

- Technology & Information	101	76

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	Payments made for loss of office £000	Benefits in kind £000	2018 £000	2017 £000
Martin Varley	*Non-executive President*	30	—	14	44	71
Gellan Watt	*Non-executive*	15	—	—	15	13
Richard Sowerby[1]	*Non-executive*	0	—	—	—	8
Peter Hallett	Non-*executive Chairman*	80	—	5	85	82
Nichole Stella[2]	*Executive*	177	—	3	180	48
Shaun Parker[3]	*Executive*	73	—	—	73	95
Sanjay Lobo [4]	*Executive*	0	—	1	1	240
Graeme Couturier[5]	*Executive*	75	—	—	75	—
Deborah Wilkinson[6]	*Executive*	25		2	27	
Keith Edelman[7]	*Non-executive*	2	—	—	2	—
					502	557

[1] Richard Sowerby resigned as a director on 30 April 2017 [2] Nichole Stella emoluments are paid in US dollars. [3]Shaun Parker resigned as a director on 9 October 2018 [4] Sanjay Lobo resigned as a director on 22 September 2017 [5]Graeme Couturier joined the Board on 13 April 2018 [6]Deborah Wilkinson was appointed a Director on 9 October 2018 [7]Keith Edelman was appointed a Director on 5 December 2018

4 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:

	2018	2017
Martin Varley	12,132,559	12,632,559
Peter Hallett	231,337	211,667
Gellan Watt	—	16,667
Nichole Stella	24,000	—
Graeme Couturier [1]	28,369	—
Deborah Wilkinson [2]	532,300	—

[1]Graeme Couturier joined the Board on 13 April 2018. [2]Deborah Wilkinson was appointed a Director on 9 October 2018. The shareholding was established as an employee prior to appointment to the Board

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.

4 Employees cont'd
Directors' share options

	Type	No of Shares 2017	Granted in Year	Exercised in Year	Forfeited in Year	No of Shares 2018
1 July 2015						
Peter Hallett	EMI	800,000	—	—	—	800,000
15 June 2016						
Shaun Parker	EMI	800,000	—	(744,442)	(55,558)	—
8 February 2017						
Gellan Watt	EMI	238,095	—	—	—	238,095
25 September 2017						
Nichole Stella	Unapproved	437,609	—	—	—	437,609
6 June 2018						
Nichole Stella	Unapproved	—	1,000,000	—	—	1,000,000
Graeme Couturier	EMI	—	400,000	—	—	400,000
Graeme Couturier	Unapproved	—	250,000	—	—	250,000
		2,275,704	1,650,000	(744,442)	(55,558)	3,125,704

The aggregate of realised and unrealised gains on exercise of share options in the year was circa £368,000. The current directors have not sold any such shares in the period from exercise to the date of the financial statements being approved, save for Deborah Wilkinson who sold 25,000 shares and 55,000 shares on the 16 and 17 of July 2018, and was not a director at that time, at a price of 93p and 92p respectively.

Directors' pension contributions

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

	2018 £000	2017 £000
Martin Varley	1	1
Peter Hallett	3	1
Nichole Stella	15	—
Shaun Parker	3	1
Sanjay Lobo	1	1
Graeme Couturier	3	—
Deborah Wilkinson	1	—
Keith Edelman	—	—
	26	4

5 Share based payments

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

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

Grant date	Type	Employees entitled	Number of options	Exercise price (p)	Expiry date
1 July 2015 [1]	EMI	1	800,000	9.50	1 July 2020
25 August 2016 [1]	EMI	1	200,000	22.00	25 August 2021
8 February 2017 [2]	EMI	1	238,095	84.00	8 February 2022
25 September 2017 [3]	Unapproved	1	437,609	60.00	25 September 2022
16 February 2018 [4]	EMI	1	100,000	62.50	16 February 2023
6 June 2018	EMI [5] Unapproved [5]	1 2	400,000 1,250,000	60.00 Nil	6 June 2023 6 June 2023
1 August 2018	EMI [6] Unapproved [7]	2 3	75,000 200,000	60.00 60.00	1 August 2023 1 August 2023

1 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

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

3 These unapproved share options relate to time served in the business and accrue over three years

4 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 84 pence, a third on reaching 114 pence and the remainder on reaching 144 pence.

5 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 200 pence, a third on reaching 250 pence and the remainder on reaching 300 pence

6 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 100 pence, a third on reaching 130 pence and the remainder on reaching 160 pence

7 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 115 pence, a third on reaching 150 pence and the remainder on reaching 195 pence

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

Movement	Weighted average exercise price 2018 (p)	Number of options 2018	Weighted average exercise price 2017 (p)	Number of options 2017
Outstanding at start of year	24.11	3,075,704	11.91	2,700,000
Granted during the year	23.09	2,025,000	71.67	1,328,418
Exercised	11.33	(1,344,442)	14.25	(300,000)
Forfeited during the year	11.95	(55,558)	75.00	(652,714)
Outstanding at end of the year	28.37	3,700,704	24.11	3,075,704
Exercisable at end of the year	25.48	1,601,996	13.30	2,111,732

5 Share based payments cont'd

Share Warrants

On 25 June 2018 the Group issued incentive warrants over 2,000,000 ordinary shares of 0.4p each, with an exercise price of 90 pence to Torch Partners Corporate Finance Limited on their appointment as long-term Financial Advisors to the Group. The term of the incentive warrants is 10 years, expiring on 25 June 2028. Half of the warrants relate to continuous association with the Group and accrue over three years. Of the balance one third will be exercisable on the share price reaching 300 pence, one third on reaching 400 pence and the remainder on reaching 500 pence.

On 1 August 2018 the Group issued incentive warrants over 30,000 ordinary shares of 0.4p each, with an exercise price of 60 pence to Vicki Tirpack Consulting LLC on their appointment as contractors to the Group. The term of the incentive warrants is 5 years, expiring on 1 August 2023. Half of the warrants relate to continuous association with the Group and accrue over three years. Of the balance one third will be exercisable on the share price reaching 115 pence, one third on reaching 150 pence and the remainder on reaching 195 pence.

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 for options accruing continued service and non-market based performance conditions and the Monte Carlo model for options subject to market based performance conditions. Details of the fair value of share options granted during 2018 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

	August 2018 EMI & Unapproved Options	June 2018 Incentive Warrants	June 2018 Unapproved Options	June 2018 EMI Options	February 2018 EMI Options
Fair value of the option at measurement date (pence)	51.78p	35.35p	69.85p	44.88p	27.58p
Share price at grant date	93.00p	96.00p	91.50p	91.50p	62.50p
Exercise price	60.00p	90.00p	Nil	60.00p	62.50p
Expected volatility (%)	60.0%	60.0%	60.0%	60.0%	60.0%
Average option life (year)	5	5	5	5	5
Expected dividend (%)	—	—	—	—	—
Risk free interest rate (%)	3%	3%	3%	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:

	2018 £000	2017 £000
Share based payment charge	736	79

6 Operating Profit

	2018 £000	2017 £000
Operating (loss)/profit is stated after charging :		
Depreciation of owned property, plant and equipment	67	38
Amortisation of intangible assets	723	383
Research and development expenditure expensed as incurred	131	371
Operating lease rentals :		
- Land and buildings	256	144
Loss/(profit) on currency translation	2	(3)
Cost of inventories recognised as an expense	1,220	1,266
Auditors' remuneration:		
Audit of the Company's annual financial statements	25	21
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	33	30
- Other services relating to taxation	42	2
- All other assurance services	3	3

7 Taxation

	2018 £000	2017 £000
Corporation tax credit	423	—
Deferred tax origination and reversal of timing differences	—	—
Total tax credit in consolidated statement of income	423	—

Reconciliation of effective tax rate

	2018 £000	2017 £000
(Loss)/profit before tax for the period	(2,761)	60
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	(525)	11
Non-deductible expenses	20	—
Utilisation of unprovided deferred tax asset	—	(11)
Deferred taxation asset arising but not reflected	505	—
Research & Development Tax credits	423	
Total tax credit	423	—

8 Basic and diluted earnings per ordinary share

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

	2018	2017
(Loss)/profit attributable to the equity shareholders of the Company (£000)	(2,345)	125
Weighted average number of shares (number ‘000)	53,579	49,045
Fully diluted average number of shares (number ‘000)	55,065	51,133
Basic profit per ordinary share (pence)	(4.38p)	0.25p
Diluted profit per ordinary share (pence)	(4.38p)	0.24p

In the current year the effects of share options that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they are anti-dilutive for the current year.

In the prior year the calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. Additional shares were issued post year end as part of the share placing (note 7).

9 Property, plant and equipment

	Fixtures and fittings £000
Cost	
At 1 January 2017	689
Additions	56
Acquisitions (note 4)	60
At 31 December 2017	805
Additions	283
At 31 December 2018	1,088
Depreciation	
At 1 January 2017	664
Charge for the year	38
At 31 December 2017	702
Charge for the year	67
At 31 December 2018	769
Net book value	
At 1 January 2017	22
At 31 December 2017	100
At 31 December 2018	319

10 Intangible assets

	Goodwill £000	Customer related intangibles £000	Intellectual property acquired £000	Intellectual Property-internally generated £000	Total £000
Cost					
At 1 January 2017	918	780	673	1,764	4,135
Additions	—	—	—	591	591
Acquisitions	—	33	—	—	33
At 31 December 2017	918	813	673	2,355	4,759
Additions	—	—	—	769	769
At 31 December 2018	918	813	673	3,124	5,528
Amortisation and impairment					
At 1 January 2017	354	780	673	946	2,753
Amortisation for the year	—	—	—	383	383
At 31 December 2017	354	780	673	1,329	3,136
Amortisation for the year	—	33	—	687	720
At 31 December 2018	354	813	673	2,016	3,865
Carrying amounts					
At 1 January 2017	564	—	—	818	1,382
At 31 December 2017	564	33	—	1,026	1,623
At 31 December 2018	564	—	—	1,108	1,672

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

	2018 £000	2017 £000
Goodwill		
Envoy Catalogue	192	192
Promoserve Business Systems	79	79
Trade Only/Technologo	293	293
Carrying amounts as at 31 December	564	564

10 Intangible assets cont'd

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value in use calculations derived from discounted cash flow projections based on budgets and strategic plans covering a two year period, followed by an extrapolation of expected cash flows at a constant growth rate of between 0% and 20% depending on the business (2017: 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% (2017: 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 (2017: £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.

11 Inventory

	2018 £000	2017 £000
Goods in transit	270	439
Raw Materials	26	20
Finished goods	1,438	1,059
	1,734	1,518

The cost of inventories recognised as an expense during the year in respect of continuing operations was £1.2m (2017 £1.3m).

The cost of inventories recognised as an expense includes £nil (2017 £nil) in respect of write-downs of inventory to net realisable value.

12 Trade and other receivables

	2018 £000	2017 £000
Trade receivables net of impairment of £244,000 (2017: £162,000)	657	1,002
Prepayments and accrued income	257	444
	914	1,446

Trade and other receivables denominated in currencies other than sterling comprise £322,000 (2017: £221,000) of trade receivables denominated in US dollars. The fair values of trade and other receivables are the same as their book values.

The Group estimates the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions. In adopting IFRS 9 the Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses.

12 Trade and other receivables cont’d

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

	2018 £000	2017 £000
Not Overdue	511	477
Under 30 days overdue	78	264
Over 30 days but under 60 days overdue	27	92
Over 60 days overdue	40	169
	657	1,002

Reconciliation of movement in loss allowance:

31 December 2018	Expected credit loss rate	Gross carrying amount £000	Lifetime expected credit loss £000
Not Overdue	0.2%	512	1
Under 30 days overdue	11.0%	88	10
Over 30 days but under 60 days overdue	19.0%	33	6
Over 60 days overdue	84.7%	268	227
Lifetime expected credit loss		901	244

1 January 2018	Expected credit loss rate	Gross carrying amount £000	Lifetime expected credit loss £000
Not Overdue	0.1%	477	0
Under 30 days overdue	2.9%	272	8
Over 30 days but under 60 days overdue	4.1%	97	4
Over 60 days overdue	47.2%	318	150
Lifetime expected credit loss		1,164	162

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

13 Cash and cash equivalents

	2018 £000	2017 £000
Cash and cash equivalents	420	1,963

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £66,000 (2017: £189,000) of which £43,000 was denominated in US dollars, £14,000 in Canadian dollars and £9,000 denominated in euros.

14 Trade and other payables

	2018 £000	2017 £000
Current		
Trade payables	748	1,314
Other taxes and social security	243	285
Accruals	209	340
Deferred income	314	700
	1,514	2,639

Trade payables denominated in currencies other than sterling comprise £113,000 (2017 £87,000) of trade payables denominated in US dollars.

15 Deferred tax assets

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

	2018 £000	2017 £000
Accelerated capital allowances	(30)	(30)
Losses	(396)	(396)
	(426)	(426)

15 Deferred tax assets cont'd

Movement in deferred tax year ended 31 December 2018:

	As at 1 January 2018 £000	Income Statement £000	As at 31 December 2018 £000
Accelerated capital allowances	(30)	—	(30)
Losses	(396)	—	(396)
	(426)	—	(426)

A deferred tax asset of £426,000 (2017 £426,000) has been recognized in relation to companies where it is considered there is a high probability of utilization in the near future. The directors have concluded that following the restructure of the business, suitable taxable profits are probable in the near future. Due to the insufficient evidence of the availability of suitable taxable profits in the near future there are potential deferred tax assets of £2.9m in the UK and
$6.1m in the US that have not been recognised. These losses have at least 15 years before they expire.

16 Share capital and reserves

	2018 £000	2017 £000
Allotted, called up and fully paid		
- 54,689,634 Ordinary shares of 0.4p each (2017: 50,845,192)	219	203

On 16 March 2018, 2,500,000 ordinary shares of 0.4p each were issued for consideration of £0.60p per share. On 6 June 2018, 250,000 and 600,000 ordinary shares of 0.4p each were issued for consideration of 11.95p and 10.55p per share respectively. On 7 June 2018 416,665 ordinary shares of 0.4p each were issued and on 16 October 2018, 77,777 ordinary shares of 0.4p each were issued for consideration of 11.95p per share

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The capital structure of the Group consists of equity comprising issued capital, reserves and retained earnings as set out below. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During 2018, the Group's strategy, which was unchanged from 2017, was to keep debt to a minimum. Net cash at 31 December 2018 was £420,000 (2017: net cash £1,963,000).

16 Share option and warrant schemes cont'd

The Group operates an HMRC approved executive incentive plan (EMI scheme) and an unapproved executive incentive plan. Details are set out in note 5. The schemes award share options to Executive Directors, senior executives and employees with a vesting period of three years. Under the EMI scheme, 575,000 (2017: 843,190) options in ordinary shares have been granted during the year, 55,558 (2017: 605,095) options have been forfeited, 1,344,442 (2017: 300,000) options were exercised and nil were cancelled. Under the Unapproved scheme, 1,450,000 (2017: 485,228) options in ordinary shares have been granted during the year, nil (2017: 47,609) options have been forfeited, and nil were exercised or cancelled (2017: nil).

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.

17 Financial instruments disclosure

Financial instruments policy

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

Financial assets and liabilities

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

Credit risk

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

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

Interest rate risk

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

Currency risk

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

Interest rate and currency profile

Financial assets

	2018 £000	2017 £000
Loans and receivables:		
Trade receivables	901	1,002
Cash at bank	420	1,963
	1,321	2,965

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

17 Financial instruments disclosure cont'd

Financial liabilities

	2018 £000	2017 £000
Other financial liabilities:		
Trade payables	748	1,314
Other short-term liabilities	209	340
	957	1,654

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

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £66,000 (2017: £189,000) of which £43,000 was denominated in US dollars, £14,000 in Canadian dollars and £9,000 denominated in euros; trade receivables of £322,000 (2017: £221,000) denominated in US dollars; and other short term liabilities of £104,000 (2017: £32,000) which are denominated in US dollars.

Liquidity risk

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

Maturity profile of financial liabilities

	2018 £000	2017 £000
Due within one year or on demand	957	1,654

Fair value of financial instruments

At 31 December 2018 the difference between the book value and the fair value of the Group's financial assets and liabilities was £nil (2017: £nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2018.

Borrowing facilities

At 31 December 2018 the Group had £nil (2017: £nil) undrawn committed borrowing facilities.

18 Commitments

(a) Capital commitments
The Group had placed contracts for future capital expenditure of £0.1m at 31 December 2018 (2017: £nil).

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

	2018 Land and buildings £000	2018 Other £000	2017 Land and buildings £000	2017 Other £000
Less than one year	256	24	255	—
Between two and five years	157	89	238	—
	413	113	493	—

19 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 £119,000 (2017: £44,000).

20 Contingent liabilities

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

21 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.

The AdProduct business sells products and logistical and fulfilment services on an arms-length basis to ICE (London) Limited, a company substantially owned and controlled by Mrs Joanne Varley, wife of Martin Varley. In 2018, sales of £69,000 (2017: £13,000) were made to ICE Elegant Gifts Limited ("ICE") and trade receivables at 31 December 2018 include £39,000 (2017 £15,000) due from ICE. In addition, the Group share a small London Office on an informal basis, the lease of which is held by ICE. The Group reimburse ICE for 50% of the third-party rent and running costs of the office. In 2018, the Group incurred costs totalling £49,000 (2017 £34,000) in respect of the office and trade payables at 31 December 2018 include £13,000 (2017 £5,000) due to ICE.

During the year services were provided by Klehr Harrison Harvey Branzbur LLP (a firm controlled by the partner of Nichole Stella), on an arms-length basis, to the Group totalling £100,000 (2017: £3,000). At the year end, an amount of £9,000 (2017: £3,000) was owed to Klehr Harrison Harvey Branzbur LLP.

22 Post Balance Sheet Events

On 15 January 2019, the Company announced a conditional placing of 13,235,295 new Ordinary Shares ("the Placing"), and the issue of 860,294 Ordinary Shares ("the Consideration Shares") at a price of 68 pence per Ordinary Share, raising gross cash proceeds of £9 million from the placing and to additionally provide US$0.75m of the consideration to the vendor of Advertising Industry Mastermind LLC.

5,334,525 of the shares were immediately issued on existing shareholder authority and admitted to trading on 16 January 2019 ("the First Placing"), and the remaining 7,900,770 shares were admitted on 1 February 2019 ("the Second Placing"), following a General Meeting held on 31 January 2019 to obtain shareholder authority for the issue of these shares. The 860,294 Consideration Shares were admitted on 27 February 2019 following receipt of an Independent Valuation Report of the non-cash consideration required under the Companies Act 2006.

The proceeds from the Placing and the Consideration shares will be used to:

- Fund the acquisition of the membership-based trade group of independent promotional product distributors business of Advertising Industry Mastermind Group LLC, for a maximum consideration of US$5.0 million, comprising US$4.25 million payable in cash from the First Placing and US$0.75 million to be satisfied by the issue of the Consideration Shares. US$0.75 million of the cash consideration is to be held in escrow for a period of 24 months as a contingent fund
- The sterling equivalent of proceeds applied as the cash consideration for the acquisition amounted £3.4 million
- The balance of the issue proceeds of £5.6m will provide additional working capital to increase US operational resource (£5.1m) and pay the transaction expenses of £0.6 million

23 Acquisition of the Advertising Industry Mastermind Group LLC business

As noted above, on 15 January 2019 the Group acquired the Advertising Industry Mastermind Group LLC business for a total consideration of $5.0m, of which $3.5m was payable in cash at completion, US$0.75m was paid into escrow for a period of 24 months, US$0.5m represented conditional deferred consideration (based on the achievement of membership retention targets) and US$0.25m is held as a contingent fund. The balance of consideration of $0.75m was satisfied by the issue of 860,294 consideration shares to the vendor. Post-acquisition the business trading name was changed to AIM Smarter LLC ("AIM")

The transaction has been accounted for in 2019 using the acquisition method of accounting.

The directors are in the process of valuing the acquired assets and liabilities including the acquired intangible assets.

24 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long term borrowings £000	Lease liabilities £000	Total £000
1 January 2018	111	591	702
Cash-flows:			
Repayment	22	184	206
Proceeds	-	-	-
Non-cash:			
Acquisition	-	-	-
Fair value	-	-	-
Reclassification	-	-	-
31 December 2018	89	407	496

Company Balance Sheet

as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible fixed assets	29	—	—
Investments	30	589	589
		589	**589**
Current assets			
Debtors	31	5,344	3,181
Creditors: Amounts falling due within one year	32	(2,702)	(1,275)
Net current assets / (liabilities)		2,642	1,906
Net assets		**3,231**	**2,495**
Capital and reserves			
Called up share capital	33	219	203
Share premium account	33	11,000	9,363
Profit and loss account	33	(7,988)	(7,071)
Shareholder's funds		**3,231**	**2,495**

The Company reported a loss for the financial year ended 31 December 2018 of £1,612,000 (2017: £954,000).

The balance sheet was approved by the Board of Directors on 7th June 2019 and signed on its behalf by:

P J Hallett
Director
Registered number: 05193579

Company Statement of Changes in Equity

as at 31 December 2018

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2017	**180**	**6,451**	**(6,196)**	**435**
Loss for the year	—	—	(954)	(954)
Transactions with owners recorded directly in equity:				
- Share based payment credit	—	—	79	79
- Issue of shares for cash	23	2,912	—	2,935
Total transactions with owners	**23**	**2,912**	**79**	**3,014**
At 31 December 2017	**203**	**9,363**	**(7,071)**	**2,495**
Loss for the year	—	—	(1,612)	(1,612)
Transactions with owners recorded directly in equity:				
- Share based payment charges	—	—	695	695
- Issue of shares for cash	16	1,637	—	1,653
Total transactions with owners	**16**	**1,637**	**695**	**2,348**
At 31 December 2018	**219**	**11,000**	**(7,988)**	**3,231**

Notes to the Company Balance Sheet

25 Company accounting policies

Basis of preparation

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

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

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

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

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

26 Company profit and loss account

The company has taken advantage of the section 408 Companies Act 2006 exemption to present its own profit and loss account. The loss for the year was £1,612,000 (2017 £954,000)

27 Operating costs

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

28 Employees

The only employees of the Company were the Directors.

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

29 Tangible fixed assets

	Fixtures & Fittings £000
Cost	
At 1 January 2017	12
At 31 December 2017	12
At 31 December 2018	12

Depreciation	
At 1 January 2017	9
At 31 December 2017	12
Charge for the year	—
At 31 December 2018	12

Net book value	
At 1 January 2016	3
At 31 December 2016	—
At 31 December 2017	—

30 Investments

	Shares in subsidiary undertakings £000
Cost At 1 January 2017, 31 December 2017 and at 31 December 2018	907
Impairment At 1 January 2017, 31 December 2017 and at 31 December 2018	318
Net book value At 1 January 2017, 31 December 2017 and at 31 December 2018	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%
Altitude Group Incorporated	United States	Sale of software and marketing services	Ordinary	100%
Boxcam Limited	England and Wales	Dormant	Ordinary	100%
Promoserve Business Systems Limited [1]	England and Wales	Dormant	Ordinary	100%
Customer Focus Interactive Imaging Limited [1]	England and Wales	Printing of Promotional Products	Ordinary	100%
The Advertising Products Group Limited [1]	England and Wales	Dormant	Ordinary	100%
Trade Only Technology Services Limited	Canada	Dormant	Ordinary	100%

[1] held by a subsidiary undertaking

31 Debtors

	2018 £000	2017 £000
Amounts falling due within one year		
Other debtors	6	4
Amounts owed by subsidiary undertakings	5,338	3,177
	5,344	3,181

32 Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Bank overdraft	2,529	1,203
Trade and other creditors	108	—
Accruals and deferred income	65	72
	2,702	1,275

Bank overdrafts are denominated in sterling and are repayable on demand. The Group are able to offset overdrawn accounts with accounts that are in credit. The average effective interest rate on bank overdrafts are nil (2017 nil) as these borrowings are secured by cash balances held within the group and balances are offset for interest purposes.

33 Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
54,689,634 (2017: 50,845,192) ordinary shares of 0.4p each	219	203

On 16 March 2018, 2,500,000 ordinary shares of 0.4p each were issued for consideration of £0.60p per share. On 6 June 2018, 250,000 and 600,000 ordinary shares of 0.4p each were issued for consideration of 11.95p and 10.55p per share respectively. On 7 June 2018 416,665 ordinary shares of 0.4p each were issued and on 16 October 2018, 77,777 ordinary shares of 0.4p each were issued for consideration of 11.95p per share

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 2018 or 31 December 2017.

35 Related parties

The related party transactions with key personnel are set out in note 21.

36 Post Balance Sheet Events

On 15 January 2019, the Company announced a conditional placing of 13,235,295 new Ordinary Shares ("the Placing"), and the issue of 860,294 Ordinary Shares ("the Consideration Shares") at a price of 68 pence per Ordinary Share, raising gross cash proceeds of £9 million from the placing and to additionally provide US$0.75m of the consideration to the vendor of Advertising Industry Mastermind LLC.

5,334,525 of the shares were immediately issued on existing shareholder authority and admitted to trading on 16 January 2019 ("the First Placing"), and the remaining 7,900,770 shares were admitted on 1 February 2019 ("the Second Placing"), following a General Meeting held on 31 January 2019 to obtain shareholder authority for the issue of these shares. The 860,294 Consideration Shares were admitted on 27 February 2019 following receipt of an Independent Valuation Report of the non-cash consideration required under the Companies Act 2006.

The proceeds from the Placing and the Consideration shares will be used to:

- Fund the acquisition of the membership-based trade group of independent promotional product distributors business of Advertising Industry Mastermind Group LLC, for a maximum consideration of US$5.0 million, comprising US$4.25 million payable in cash from the First Placing and US$0.75 million to be satisfied by the issue of the Consideration Shares. US$0.75 million of the cash consideration is to be held in escrow for a period of 24 months as a contingent fund
- The sterling equivalent of proceeds applied as the cash consideration for the acquisition amounted £3.4 million
- The balance of the issue proceeds of £5.6m will provide additional working capital to increase US operational resource (£5.1m) and pay the transaction expenses of £0.6 million

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 1 July 2019 at 11.00 a.m. for the purpose of considering and if thought fit, passing the following resolutions. Resolutions number 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 8 will be proposed as special resolutions.

Ordinary business

1. To receive the Company's annual accounts for the financial year ended 31 December 2018 together with the last Directors' Report, the last Directors' Remuneration Report and the Auditors' Report on those accounts.
2. To re-elect Deborah Wilkinson who has been appointed to the Board since the last annual general meeting and who retires in accordance with the articles of association of the Company, as a director of the Company.
3. To re-elect Keith Edelman, who has been appointed to the Board since the last annual general meeting and retires in accordance with the articles of association of the Company, as a director of the Company.
4. To re-elect Martin Varley who retires in accordance with the articles of association of the Company, as a director of the Company.
5. To re-appoint Grant Thornton (UK) LLP as auditor of the Company and to authorise the directors to fix their remuneration.

Special business

6. Authority to allot shares

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

(a) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as "**Relevant Securities**") up to an aggregate nominal value of £91,713.60 representing approximately one third of the Company's issued share capital to such persons at such times and generally on such terms and conditions as the directors may determine (subject always to the Articles of Association of the Company); and further

(b) to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £91.713.60 representing approximately one third of the Company's issued share capital in connection with an offer of such securities by way of a rights issue,

provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2019, save that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities or equity securities (as the case may be) to be allotted after the expiry of such period and the directors of the Company may allot Relevant Securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

7. Disapplication of pre-emption rights

THAT, subject to and conditional upon the passing of the resolution 6, 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 6 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);

(b) otherwise than pursuant to sub-paragraph 7(a) above up to an aggregate nominal amount of £27,514 representing approximately 10 per cent of the Company's issued ordinary share capital and

(c) 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 2019, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

8. Purchase of the Company's own shares

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 639(4) of the Act) of ordinary shares of 0.4 pence each in the capital of the Company ("Ordinary Shares") on such terms as the directors think fit up to an aggregate nominal amount of £27,514 at a price per share (exclusive of expenses) of not less than 0.4 pence and not more than 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange plc, for the five business days immediately preceding the day on which the Ordinary Share is purchased, provided that this authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2018 unless previously revoked, varied or renewed, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is made pursuant to a contract concluded by the Company before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

By order of the board:

Graeme Couturier Company Secretary

7 June 2019

Registered office:

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

Explanatory Notes

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at 6.00 p.m. on 27 June 2019 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting in accordance with Regulation 41 of the Uncertificated Securities Regulations 2001. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Appointment of proxies

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

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

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

5. The notes to the proxy form explain how to direct your proxy how to vote on each or withhold their vote. To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to
Neville Registrars Limited, Neville House, Steelpark Road,
Halesowen, West Midlands B62 8HD; and
   - received by Neville Registrars Limited, Neville House, Steelpark Road,
Halesowen, West Midlands B62 8HD no later than 11.00 a.m. on 27 June 2019.

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

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

10. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD.

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

Termination of proxy appointment

12. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD.

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

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

15. The revocation notice must be received by Neville Registrars Limited, Neville House, 18 Steelpark Road, Halesowen, West Midlands B62 8HD no later than 11.00 a.m. on 27 June 2019.

Explanatory Notes

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

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

Submission of proxy electronically

18. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST 64 Manual. The message, regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by the latest time(s) for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to the appointee by other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representative

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

Documents on display

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

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