



Altitude Group plc

Annual Report
2014

Altitude Group plc
Annual Report

31 December 2014
Registered number 05193579

Contents

| | |
|----|--|
| 2 | Directors and Advisers |
| 3 | Chairman's Statement |
| 5 | Strategic Report |
| 7 | Directors' Report |
| 10 | Independent Auditor's Report |
| 11 | Consolidated Statement of Comprehensive Income |
| 12 | Consolidated Balance Sheet |
| 13 | Consolidated Cash Flow Statement |
| 14 | Notes to the Consolidated Financial Statements |
| 32 | Company Balance Sheet |
| 34 | Notes to the Company Balance Sheet |
| 39 | Notice of Annual General Meeting |

Directors and Advisers

Directors

Richard Sowerby (Executive Chairman)²

Richard joined the Board 11 July 2013 as Chief Financial Officer and was appointed Executive Chairman in April 2015. Since July 2011 he has been a Director of Stridage Holdings Limited and a director of Carr-Hill Limited since 2008. He qualified as a Chartered Accountant with KPMG where he spent nine years before leaving to work with SME businesses.

Peter Hallett (Non-executive Director)^{1,2}

Peter joined the board in April 2015 and is an experienced public company director and was until early 2014 Group Chief Financial Officer of both Redcentric plc ("Redcentric"), the AIM-quoted UK network and cloud managed service provider, and Castleton Technology plc ("Castleton"), the AIM-quoted infrastructure and network managed services provider. Castleton was previously named Redstone plc ("Redstone"), from which Redcentric was demerged in April 2013. Peter played an instrumental role in the demerger process, which was the culmination of a successful and complex turnaround of Redstone commencing on his appointment in 2009. In addition Peter was previously finance director of Texas Homecare and First Quench. Peter was appointed to the board committees in April 2015.

Victoria Robinson (Managing Director)^{1,2}

Vicky was appointed to the board in April 2015 and has worked for Altitude for over ten years, most recently been responsible for the successful UK Exhibitions, Technology and Information businesses. She has an MBA from Manchester Business School and has over 20 years' experience within the markets that Altitude operates. Vicky was appointed to the board committees in April 2015.

Martin Varley (Group Commercial 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.

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

Advisers

Registrars

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

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Principal bankers

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

Solicitors

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

Nominated Adviser and Stockbrokers

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

Registered office

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

Chairman's Statement

Throughout 2014 we have continued to make good progress both operationally and strategically while investing significant time and resources in reshaping the Group. The business now has a clearly defined strategy, management structure and has invested in the people and our core technology in order to deliver this.

The principal highlights of the year were:

- Revenue up 6%
- Loss before tax of £1.49 million before share based payment charges (2013: loss of £2.05million).
- Net cash at 31 December 2014 of £1.28 million (2013: £0.45m)
- Receipt of £2.0m in cash from the redemption of the vendor loan note outstanding from the sale to the MBO team in 2011 of the Promotional Marketing Division.
- Successful embedding of the new management structure and processes.

Strategic update and market review

The Group has reviewed its strategic objectives for the near term and remains positive on the outlook for the software-as-a-service ("SaaS") business and our related product offerings, particularly in North America and the UK where we believe there are considerable opportunities.

This is supported by research study by Goldman Sachs who forecast global SaaS revenues to exceed \$106 billion in 2016 an increase of 21% over projected 2015 spending levels with spending on cloud computing infrastructure and platforms growing at a 30% CAGR from 2013 through to 2018 compared with 5% growth for the overall enterprise IT. Specifically, IBIS World, the industry research provider noted that in the US the promotional products industry has rebounded from steep recessionary losses to become a \$13.8bn market in 2014, as rising US corporate profit rates boosted advertising budgets and newly formed businesses turned to industry operators to help endorse their brand, service or products. The majority of industry revenue is generated through the distribution of specialty advertising on everyday items like mugs, magnets, calendars and t-shirts. These findings are encouraging for Altitude's SaaS cloud-based offering for the promotional product, print and signage industries, which has both horizontal and vertical components.

We are beginning to see the benefits from the personnel changes made during and since the year end. In addition, the Group invested significantly in the core technology over the past eighteen months with development attention primarily on a number of features for some key clients.

Future priorities will be to further enhance the scalability, performance of the solutions and move toward merging functionality onto a single platform.

In the UK, we are also pleased that our exhibition and publication businesses remain industry leading and consistently deliver a good user experience.

Performance review

The Group operating loss before taxation and share based payment charges was £1.49m (2013: loss of £2.05m) on revenues, which increased by 6% to £4.44m (2013: £4.20m). As previously mentioned, in 2014 it was the continued investment in our software and resources which gave rise to our losses in the period. During the year we have expensed £0.69m (2013: £0.65m) of software development costs in addition to £0.48m (2013: £0.38m) which has been capitalised in the year. In addition we have invested in resources to drive revenues in 2015 and 2016 with headcount rising from 70 in December 2013 to 83 in December 2014 with growth focused on sales and service staff.

Cash flow was positive in the year with the MBO loan settled for £2m in the first half of the year. The group closed the year with £1.28m of net cash balances.

Technolog

Following a year of investing heavily in key people, sales grew 20% with most of the increase from recurring revenue, which will carry over into 2015.

Chairman's Statement (continued)

We have also established relationships with potential re-sellers for the Technologo tools to their customer base throughout Europe. This is a relatively new approach that has generated interest from participating service providers. Ours is an add on that makes their services more attractive to their clients and prospects, while at the same time generating revenue from sources that were uneconomical for us to target directly. This provides a low risk opportunity for us and will be explored further in the upcoming year. In 2015 we are going to enhance our offering by integrating Technologo with our HTML5 online designer product, ArtworkTool.

US

The US operation made further progress in 2014 with sales up like for like in USD by 22% and customer numbers increasing by 14%. Key customer relationships were opened up with major distributor groups and the number of suppliers supporting our platforms increased substantially in the year. This included over 200 new e-commerce sites using our STORE solution sites for a top 40 US based distributor.

SignStore.net was launched in August at the SGIA show and generated interest in a potential US market of 25,000 sign makers.

We invested in enhancing the stability and functionality of our core technology platforms and in April 2014 PromoServe 5.0 was released, an advanced business management system for both distributors and suppliers in the print and promotional products industries. Hosted in Amazon Web Services and accessed via Citrix, Version 5.0 delivered 500 new features and ensured availability and scalability for companies of all sizes.

The team was also strengthened significantly with the appointment of a new President and also a VP of Sales and Marketing later in the year to drive sales into 2015.

UK

Growth in sales has been seen in all three areas of the UK business, technology, publications and exhibitions. Over one third of the promotional products industry now uses one or more of our products or services.

The number of technology customers has grown by 10% during 2014 and the churn rate remained consistently below 1%. As a result the average lifetime value of a customer has increased significantly over the course of the year. There has also been continued investment in additional sales resource to facilitate growth in the ERP software solution.

Despite a downwards trend in the print and publications industry, there has been another increase in sales for the publications section of the business as our publications remain industry leaders. Spectrum catalogue users exceeded 500 again for the third consecutive year.

The 2015 National Show was very successful with revenues and profits increasing for the eighth consecutive year. This has again been followed by a high rebooking rate for the 2016 exhibition.

Innovation

Earlier this year we reported the creation of an incubator function to maximise the opportunities from innovation, a separately defined business unit led by Martin Varley. The incubator function has been focusing on Artworktool.com, a solution that allows users to easily create and share graphics and print-ready artwork using any device with a suitable browser.

People

Whilst there were no changes to the Board during the year, with effect from 28 April 2015 Stephen Yapp resigned from the Board and I was appointed Executive Chairman from that date. I would like to thank Stephen for the support he has given me since I joined the Group. Also on 28 April 2015 Peter Hallett joined the Board as a

non-executive director. Peter brings a wealth of experience having served as a director of a number of quoted and entrepreneurial businesses. I feel that he will strengthen our corporate governance as well as help our strategic approach in the future. In addition Vicky Robinson was appointed to the Board as Managing Director. This appointment ensures that we have a day-to-day leader in the business who has been with the Group in senior management positions for over ten years and has extensive knowledge and experience of our products, markets and customers.

Outlook

With an embedded management team and a clear business roadmap, our SaaS business has begun to make steady progress, whilst the catalogue and exhibition business continues to deliver a solid performance.

Following the changes to the management structure indicated above we have embarked on a review of our back office operations and have restructured some of our operations accordingly. In May 2015 we moved operations from our Canada office into the USA and UK facilities, making use of existing resource to deliver both savings and an improved customer experience. This structure makes it simpler for customers to buy multiple products from the group through a single point of contact. These initiatives allow us maintain investment in the recruitment and development of our sales force across the Group. This new structure will ensure that we can drive sales in local markets whilst supporting our products and customers globally under a more central, efficient and cost effective structure.

Overall your Group continues to perform in line with expectations, which gives the Board confidence in its ability to deliver shareholder value in the coming years.

Richard Sowerby
Executive Chairman

8 June 2015

Strategic Report

Principal activities and business model

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

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

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

Business review

As highlighted in the Chairman's statement on pages 3 and 4 the Group has continued to make good progress both operationally and strategically while investing significant time and resources in reshaping the Group. Our results for the year reflect the investments in both product and structure which we remain confident will deliver benefits in the medium term.

Financial review

Group revenues increased by £0.24m to £4.44m (2013: £4.20m). Gross profits increased by £0.26m to £3.47m (2013: £3.21m). Gross margins improved to 78.1% from 76.4% in 2013. The improvement in gross margin reflects the reduction in the costs of the exhibition as well as the increased revenue on fixed online service costs.

The operating loss before share based payment charges was £1.49m (2013: loss of £2.05m). Software development expenditure expensed against revenues increased to £0.69m compared with £0.65m in 2013 as we continue to invest in our core products.

Net finance income of £0.09m (2013: £0.24m) was almost entirely the result of the interest received on the loan notes receivable outstanding from the sale of the Promotional Marketing Division. The balance of £2m was settled in the year explaining the decrease in the sums received in 2014.

Taxation

We are carrying a deferred taxation asset of £426,000 in respect of overseas tax losses carried forward which is unchanged from 2013.

Earnings per share

Basic loss per share was 3.64p, compared with an underlying loss per share of 4.10p in 2013.

Cash flow

The Group has reported a net cash outflow from operating activities of £0.65m (2013: outflow £0.79m), which compares with equivalent pre-tax loss of £1.57m.

The principal contributors to the difference were amortisation and depreciation charges amounting to £0.58m, and the share based payments charge of £0.13m. Net working capital provided an inflow of £0.17m.

Cash flow before financing activities in the year was an outflow of £1.17m (2013: outflow £1.21m). £2.0m was received during the year from repayments of the loan note outstanding from the sale of the Promotional Marketing Division in 2011.

Overall, there was a net increase in cash of £0.83m in the year resulting in net cash balances at the year-end of £1.28m.

Treasury

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

Share capital

There were no changes made to the number of shares in issue during the year which stood at 42,908,465 ordinary shares of 0.4 pence each. As set out in note 5 the Company issued options to senior management as part of the management incentive scheme. In total options 2,445,000 ordinary shares were issued at an exercise price of 10.55 pence. 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 it reaching 35 pence.

Significant judgements and estimates

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

Strategic Report (continued)

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 2014:

- 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.

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

Richard Sowerby
Executive Chairman
8 June 2015

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Dividend policy

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

Directors

Details of the Directors who have served on the Board and on Board Committees are set

out on page 2. In addition Stephen Yapp served as a Director, and Chairman, throughout the financial year. Stephen resigned on 28th April 2015 from the board and its associated committees.

Martin Varley 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 2014 and their interests in shares and share options is set out in note 4 on page 20.

Policy on remuneration of Executive Directors and senior executives

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

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

Substantial shareholders

The Company is informed that, at 21 May 2015, shareholders holding more than 3% of the Company's issued share capital were as follows:

| Substantial shareholders | Number of Shares | % of Issued Share Capital |
|--------------------------------|------------------|---------------------------|
| MR Varley | 11,472,559 | 26.74% |
| KT Willis | 9,940,275 | 23.17% |
| Hansa Capital Partners LLP | 2,750,000 | 6.41% |
| Cavendish Asset Management | 2,012,850 | 4.69% |
| Octopus Asset Management | 1,944,444 | 4.53% |
| SP Taylor | 1,724,725 | 4.02% |
| Duncan Lawrie Asset Management | 1,666,000 | 3.88% |
| Charles Stanley & Co | 1,530,000 | 3.57% |

The middle market price of the Company's ordinary shares on 31 December 2014 was 16.00p and the range from 1 January 2014 was 9.62 to 16.00p with an average price of 13.3p.

Directors' Report (continued)

Corporate Governance

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

The Board, which is headed by the Executive Chairman comprised two executive members as at 31 December and at the date of this report. Stephen Yapp was the Executive Chairman until April 2015, which incorporates the role of Chief Executive. On 28th April 2015, Richard Sowerby took up the Executive Chairman position. The Company considers the combined role to be appropriate given the Group's size and structure. The Board met regularly throughout the year with ad hoc meetings also being held. In the furtherance of their duties on behalf of the Company, the Directors have access to independent professional advice at the expense of the Company.

The Board has established the following committees:

Audit Committee

The Audit Committee consisted of three executive directors throughout the year and is chaired by Martin Varley, has specific terms of reference and meets with the auditors at least three times a year. The Committee reviews the financial statements prior to their recommendation to the Board for approval and assists the Board in ensuring that appropriate accounting policies are adopted and internal financial controls and compliance procedures are in place. The membership of the Audit Committee changed in April 2015 and now consists of 2 executive directors and 1 non-executive director.

Remuneration Committee

The Remuneration Committee, which consisted of three executive directors throughout the year is chaired by Richard Sowerby and 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. The membership of the Remuneration Committee changed in April 2015 and now consists of 1 non-executive director, 2 executive directors and the chairman.

Control environment

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

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

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

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

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

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

Company law requires the directors to prepare Group and Parent Company financial

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

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

Going concern

The Group accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group's budget for 2015 and outline projections for the subsequent period, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position with sufficient borrowing facilities and will therefore be available to meet the Group's foreseeable cash requirements. Further consideration can be seen on page 14 in the basis of preparation.

Research and development

The Group expended £1,168,000 during the year (2013: £1,038,000) on research and development of which £475,000 was capitalised (2013: £386,000).

Employee involvement

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

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

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

Financial instruments

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

Directors' indemnities

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

Supplier payment policy and practice

The Group's operating companies determine terms and conditions of payment for the supply of goods and services. Payment is then made in accordance with these terms, subject to the terms and conditions being met by suppliers. The ratio, expressed in days, between the amount invoiced to the Group by its trade suppliers during the year to 31 December 2014 and the amount owed to its trade creditors at 31 December 2014, was 40 days (2013: 41 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

A resolution to reappoint KPMG LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 1pm on 30 June 2015 at WH Ireland, 24 Martin Lane, London EC4R 0DR and your attention is drawn to the notice of meeting set out on page 39.

By Order of the Board

Richard Sowerby
Executive Chairman

8 June 2015

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

We have audited the financial statements of Altitude Group plc for the year ended 31 December 2014, set out on pages 11 to 38. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us

to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Lindsey Crossland,
Senior Statutory Auditor

for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
1 the Embankment
Neville Street
Leeds
LS1 4DW
8 June 2015

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

| | Note | 2014 £000 | 2013 £000 |
|--|------|--------------|--------------|
| Revenue | | | |
| - continuing | | 4,440 | 4,201 |
| Cost of sales | | (971) | (991) |
| Gross profit | | 3,469 | 3,210 |
| Administrative costs | | (5,124) | (5,391) |
| Operating loss before share based payment charges | | | |
| Share based payment charges | 5 | (168) | (128) |
| Operating loss | | | |
| Finance income | 7 | 89 | 242 |
| Finance expenses | 7 | - | (1) |
| Loss before taxation | | (1,566) | (1,940) |
| Taxation | 8 | - | 182 |
| Loss attributable to the equity shareholders of the Company | | | |
| Other comprehensive income: | | | |
| Items that may not be reclassified subsequently to profit and loss: | | | |
| - Foreign exchange differences | | (-) | (-) |
| Total comprehensive loss for the year | | | |
| Loss per ordinary share attributable to the equity shareholders of the Company: | | | |
| - Basic (pence) | 9 | (3.64)p | (4.10)p |
| - Diluted (pence) | 9 | (3.64)p | (4.10)p |

Statement of Changes in Equity

for the year ended 31 December 2014

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---|-----------------------|-----------------------|---------------------------|---------------|
| At 1 January 2013 | 172 | 6,254 | (1,117) | 5,309 |
| Total comprehensive loss for the period | - | - | (1,758) | (1,758) |
| Transactions with owners recorded directly in equity: | | | | |
| - Share based payment charges | - | - | 128 | 128 |
| At 31 December 2013 | 172 | 6,254 | (2,747) | 3,679 |
| Comprehensive loss for the period | - | - | (1,566) | (1,566) |
| Transactions with owners recorded directly in equity: | | | | |
| - Share based payment charges | - | - | 168 | 168 |
| At 31 December 2014 | 172 | 6,254 | (4,145) | 2,281 |

Consolidated Balance Sheet

as at 31 December 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|----------------|----------------|
| Non-current assets | | | |
| Property, plant & equipment | 10 | 105 | 159 |
| Intangible assets | 11 | 1,184 | 1,187 |
| Goodwill | 11 | 564 | 564 |
| Long-term receivable | 12 | - | 2,000 |
| Deferred tax | 16 | 426 | 426 |
| | | 2,279 | 4,336 |
| Current assets | | | |
| Trade and other receivables | 13 | 787 | 1,009 |
| Cash and cash equivalents | 14 | 1,280 | 450 |
| | | 2,067 | 1,459 |
| Total assets | | 4,346 | 5,795 |
| Current liabilities | | | |
| Trade and other payables | 15 | (2,065) | (2,116) |
| Total liabilities | | (2,065) | (2,116) |
| Net assets | | 2,281 | 3,679 |
| Equity attributable to equity holders of the Company | | | |
| Called up share capital | 17 | 172 | 172 |
| Share premium account | 17 | 6,254 | 6,254 |
| Retained earnings | 17 | (4,145) | (2,747) |
| Total equity | | 2,281 | 3,679 |

The financial statements on pages 14 to 31 were approved by the Board of Directors on 8 June 2015 and signed on its behalf by:

Richard Sowerby
Executive Chairman

Consolidated Cash Flow Statement

for the year ended 31 December 2014

| | 2014 £000 | 2013 £000 |
|---|--------------|----------------|
| Cash flows from operating activities | | |
| Loss for the period | (1,566) | (1,758) |
| Amortisation of intangible assets | 478 | 447 |
| Depreciation | 102 | 100 |
| Net finance credit | (89) | (241) |
| Impairment of loan note receivable | - | 400 |
| Corporation tax credit | - | (182) |
| Share based payment charges | 168 | 128 |
| Operating cash outflow before changes in working capital | (907) | (1,106) |
| Movement in trade and other receivables | 222 | 42 |
| Movement in trade and other payables | (48) | 6 |
| Operating cash outflow from operations | (733) | (1,058) |
| Interest received | 89 | 242 |
| Interest paid | - | (1) |
| Income tax received | - | 31 |
| Net cash flow from operating activities | (644) | (786) |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (51) | (38) |
| Purchase of intangible assets | (475) | (386) |
| Net cash flow from investing activities | (526) | (424) |
| Financing activities | | |
| Loan note repayment received | 2,000 | 900 |
| Net cash flow from financing activities | 2,000 | 900 |
| Net increase/(decrease) in cash and cash equivalents | 830 | (310) |
| Cash and cash equivalents at the beginning of the year | 450 | 760 |
| Effect of exchange rate fluctuations on cash held | - | - |
| Cash and cash equivalents at the end of the year | 1,280 | 450 |

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 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Basis of preparation

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

The Accounts have been prepared under the historical cost convention.

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

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

The Directors monitor accounting standards developments and consider the most appropriate time to adopt them in the Group Accounts. The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect for periods commencing on or after 1 January 2015.

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 Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and the Directors have considered this when preparing these financial statements. These have been prepared on a going concern basis, notwithstanding the loss for the period ended 31 December 2014. The Directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate, and that the carrying value of intangibles remains supported by future cash flows. The key conclusions are summarised below

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

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

1 Accounting policies (continued)

Basis of consolidation

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

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

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

Foreign currencies

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

i) Transactions and balances

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

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

ii) Group companies

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

Property, plant and equipment

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

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

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

Intangible assets – Goodwill

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

Acquired intangible assets – Business combinations

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

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

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

1 Accounting policies (continued)

Impairment

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

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

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

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

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

Trade and other receivables

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

Classification of financial instruments issued by the Group

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

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

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

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

Financial assets

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

Financial liabilities

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

Cash and cash equivalents

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

Revenue recognition

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

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

1 Accounting policies (continued)

Operating segments

The Group is organised into one main business segment:

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

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

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

Research and development

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

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

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

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

its ability to use or sell the intangible asset;

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

the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Leases

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

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

Non-recurring items

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

Post-retirement benefits

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

Share based payments

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

1 Accounting policies (continued)

Taxation

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

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

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

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

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

Key judgements and estimates

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

Intangible fixed assets (other than goodwill)

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

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

2 Segmental information

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

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Turnover | | |
| Technology & Information | 4,440 | 4,201 |
| Operating loss before amortisation of intangible assets, non-recurring items and share based payments | | |
| Technology & Information | (1,075) | (839) |
| Operating loss | | |
| Technology & Information | (1,655) | (2,181) |
| Depreciation | | |
| Technology & Information | 102 | 100 |
| Amortisation | | |
| Technology & Information | 478 | 447 |

2 Segmental information (continued)

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

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

The segment assets and liabilities at 31 December 2014 and capital expenditure for the year then ended are as follows:

| | 2014 | 2013 |
|----------------------------|--------------|-------|
| | £000 | £000 |
| Assets | | |
| Technology & Information | 4,346 | 5,795 |
| Liabilities | | |
| Technology & Information | 2,065 | 2,116 |
| Capital expenditure | | |
| Technology & Information | 523 | 426 |

3 Non-recurring administrative expenses

| | Note | 2014 | 2013 |
|----------------------------------|------|-------------|------|
| | | £000 | £000 |
| Legal costs re licensing dispute | a | - | 268 |
| Impairment of loan note | b | - | 400 |
| Employment termination costs | c | - | 31 |
| Non-recurring employment costs | d | - | 68 |
| | | - | 767 |

Notes:

- a. Costs related to successfully defending a claim by Advertising Specialty Institute. Inc regarding a licensing dispute arising from the Technologo acquisition.
- b. Impairment of the loan note receivable from the MBO team in light of the offer to settle in cash following the year end
- c. Costs incurred in relation to termination of employment
- d. Non-recurring remuneration costs of people who left the business in 2014, and therefore will no longer be incurred.

4 Employees

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Staff costs : | | |
| - Wages and salaries | 2,761 | 2,208 |
| - Social security costs | 203 | 155 |
| - Other pension costs | 43 | 21 |
| - Share based payments | 168 | 128 |
| | 3,175 | 2,512 |
| Average number of employees (including directors) during the year | | |
| - Technology & Information | 83 | 70 |

Directors' remuneration and interests

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

| | Basic salary £000 | Fees paid to 3rd parties for services £000 | Bonus paid £000 | Benefits in kind £000 | Total 2014 £000 | Total 2013 £000 |
|-------------------------------|----------------------|---|--------------------|-----------------------------|-----------------------|-----------------------|
| Non-executive Directors | | | | | | |
| Colin Cooke ¹ | - | - | - | - | - | 8 |
| Executive Directors | | | | | | |
| Stephen Yapp ² | 120 | - | 10 | - | 130 | 59 |
| Richard Sowerby | 12 | 48 | 10 | - | 70 | 24 |
| Martin Varley ³ | 185 | - | 10 | - | 195 | 186 |
| David Dannhauser ⁴ | - | - | - | - | - | 65 |
| | | | | | 395 | 342 |

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

² Stephen Yapp was appointed Executive Chairman in September 2013 having previously been classified as a non-executive Director

³ Salary includes \$285,000 translated at the average exchange rate

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

Directors' interests in shares

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

| | 2014 Number of Shares | 2013 Number of Shares |
|---------------------|--------------------------|--------------------------|
| Executive Directors | | |
| Stephen Yapp | 170,000 | - |
| Martin Varley | 11,472,559 | 11,472,559 |
| Richard Sowerby | - | - |

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

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

Directors' interests in contracts

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

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

5 Share based payments

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

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

| Grant date | Employees entitled | Number of options | Exercise price (p) | Expiry date |
|-------------------|--------------------|-------------------|--------------------|------------------|
| 30 December 2011* | 10 | 1,450,000 | 0.4 | 30 December 2016 |
| 11 June 2012 | 5 | 775,000 | 21.25 | 11 June 2017 |
| 4 December 2012 | 1 | 350,000 | 16.88 | 4 December 2017 |
| 2 October 2013 | 3 | 4,240,000 | 14.25 | 2 October 2018 |
| 1 April 2014 | 4 | 2,445,000 | 10.55 | 1 April 2019 |

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

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

| | Weighted average exercise price 2014 (p) | Number of options 2014 | Weighted average exercise price 2013 (p) | Number of options 2013 |
|--------------------------------|--|---------------------------|--|---------------------------|
| Outstanding at start of year | 11.67 | 6,145,000 | 6.65 | 2,175,000 |
| Granted during the year | 10.55 | 2,445,000 | 14.25 | 4,240,000 |
| Lapsed during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Outstanding at end of the year | 11.35 | 8,590,000 | 11.67 | 6,415,000 |
| Exercisable at end of the year | - | 1,188,958 | - | - |

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted during 2014 and 2013 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

| | 2014 | 2013 |
|--|--------|--------|
| Fair value at measurement date (pence) | 10.55p | 14.25p |
| Share price at grant date (pence) | 10.55p | 14.25p |
| Exercise price (pence) | 10.55p | 14.25p |
| Expected volatility (%) | 40.0% | 40.0% |
| Average option life (year) | 5 | 5.0 |
| Expected dividend (%) | - | - |
| Risk free interest rate (%) | 3% | 3% |

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

5 Share based payments (continued)

Charge to the Consolidated Income Statement

The charge to the income statement comprises:

| | 2014 | 2013 |
|-----------------------------|-------------|------|
| | £000 | £000 |
| Share based payment charges | 168 | 128 |

6 Operating loss

| | 2014 | 2013 |
|---|---------------------|--------------|
| | £000 | £000 |
| | (continuing) | (continuing) |
| Operating loss is stated after charging : | | |
| Depreciation of owned property, plant and equipment | 102 | 100 |
| Amortisation of intangible assets | 478 | 447 |
| Research and development expenditure expensed as incurred | 690 | 652 |
| Operating lease rentals : | | |
| - Land and buildings | 160 | 113 |
| - Other | 10 | 5 |
| Impairment of loan note receivable | - | 400 |
| Profit/(loss) on currency translation | (26) | 59 |
| Auditors' remuneration: | | |
| Audit of the Company's annual financial statements | 14 | 14 |
| Amounts receivable by auditors and their associates in respect of: | | |
| - Audit of financial statements of subsidiaries pursuant to legislation | 23 | 23 |
| - Other services relating to taxation | 8 | 8 |

7 Finance income/(expense)

| | | |
|---------------------------|-------------|------|
| Finance income | 2014 | 2013 |
| | £000 | £000 |
| Other interest receivable | 89 | 242 |

| | | |
|-----------------------|-------------|------|
| Finance expense | 2014 | 2013 |
| | £000 | £000 |
| Bank interest expense | - | 1 |

8 Taxation

| | | |
|------------------------------------|-------------|------|
| Recognised in the income statement | 2014 | 2013 |
| | £000 | £000 |

| | | |
|---|---|-------|
| Current tax credit | | |
| Corporation tax refund in respect of previous periods | - | - |
| Deferred tax origination and reversal of timing differences | - | (182) |
| Total tax in income statement | - | (182) |

| | | |
|--|----------------|---------|
| Reconciliation of effective tax rate | 2014 | 2013 |
| | £000 | £000 |
| Loss before tax for the period | (1,566) | (1,940) |
| Tax using the UK corporation tax rate of 20% (2013: 20%) | (313) | (388) |
| Non-deductible expenses | 28 | 28 |
| Utilisation of losses | - | - |
| Tax rate differences | - | - |
| Adjustment in respect of previous years | - | - |
| Deferred taxation asset arising but not reflected | 285 | 91 |
| Other differences | - | 87 |
| Total tax credit | - | (182) |

9 Basic and diluted earnings per ordinary share

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

| | | |
|--|----------------|---------|
| | 2014 | 2013 |
| Loss (£000) | (1,566) | (1,758) |
| Weighted average number of shares (number '000) | 42,908 | 42,908 |
| Fully diluted average number of shares (number '000) | 42,908 | 42,908 |
| Basic loss per ordinary share (pence) | (3.64)p | (4.10)p |
| Diluted loss per ordinary share (pence) | (3.64)p | (4.10)p |

10 Property, plant and equipment

| | Fixtures and fittings £000 |
|----------------------------|----------------------------------|
| Cost | |
| At 1 January 2013 | 580 |
| Additions | 37 |
| At 31 December 2013 | 617 |
| Additions | 48 |
| At 31 December 2014 | 665 |
| Depreciation | |
| At 1 January 2013 | 358 |
| Charge for the year | 100 |
| At 31 December 2013 | 458 |
| Charge for the year | 102 |
| At 31 December 2014 | 560 |
| Net book value | |
| At 1 January 2013 | 222 |
| At 31 December 2013 | 159 |
| At 31 December 2014 | 105 |

11 Intangible assets

| | Goodwill £000 | Customer related intangibles £000 | Intellectual Property £000 | Total £000 |
|------------------------------------|------------------|---|----------------------------------|---------------|
| Cost | | | | |
| At 1 January 2013 | 918 | 780 | 1,093 | 2,791 |
| Additions | - | - | 386 | 386 |
| At 31 December 2013 | 918 | 780 | 1,479 | 3,177 |
| Additions | - | - | 475 | 475 |
| At 31 December 2014 | 918 | 780 | 1,954 | 3,652 |
| Amortisation and impairment | | | | |
| At 1 January 2013 | 354 | 372 | 253 | 979 |
| Amortisation for the year | - | 152 | 295 | 447 |
| At 31 December 2013 | 354 | 524 | 548 | 1,426 |
| Amortisation for the year | - | 152 | 326 | 478 |
| At 31 December 2014 | 354 | 676 | 874 | 1,904 |
| Carrying amounts | | | | |
| At 1 January 2013 | 564 | 408 | 840 | 1,812 |
| At 31 December 2013 | 564 | 256 | 931 | 1,751 |
| At 31 December 2014 | 564 | 104 | 1,080 | 1,748 |

Amortisation charges are included within administrative costs

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

| | 2014 £000 | 2013 £000 |
|-------------------------------------|--------------|--------------|
| Goodwill | | |
| Envoy Catalogue | 192 | 192 |
| Promoserve Business Systems | 79 | 79 |
| Technologo | 293 | 293 |
| Carrying amounts as at 31 December | 564 | 564 |
| Intellectual property | | |
| Technologo | 204 | 357 |
| Trade Only | 876 | 574 |
| Carrying amounts as at 31 December | 1,080 | 931 |
| Customer related intangibles | | |
| Versatilia | 12 | 20 |
| Technologo | 66 | 118 |
| The Logo Network | 26 | 118 |
| Carrying amounts as at 31 December | 104 | 256 |

11 Intangible assets (continued)

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value in use calculations derived from discounted cash flow projections based on budgets and strategic plans covering a three year period, followed by an extrapolation of expected cash flows at a constant growth rate of 3% (2013: 3%). The growth rates reflect the long-term growth rates for the product lines of the cash generating units. For those intangibles with a lesser business risk associated with them, the discount rate applied was 7.5% (2013: 7.5%), which the Directors deem to be a market adjusted pre-tax weighted average cost of capital. For those intangibles where the strategic plans have a greater associated business risk the discount rate applied was 15.0%. These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions. The value in use calculations did not identify any impairment compared to the CGU carrying value.

The cumulative impairment charge recognised to date is £354,000 (2013: £354,000)

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

12 Long-term receivable

| | | |
|---------------------------|----------------|-------|
| 2016 Loan note receivable | 2014 | 2013 |
| | £000 | £000 |
| Opening balance | 2,000 | 3,300 |
| Payments received | (2,000) | (900) |
| Impairment | - | (400) |
| Closing balance | - | 2,000 |

The loan note was repaid in the year.

13 Trade and other receivables

| | | |
|--|-------------|-------|
| | 2014 | 2013 |
| | £000 | £000 |
| Trade receivables (net of impairment of £19,000 (2013: £60,000)) | 486 | 741 |
| Other receivables | 4 | - |
| Prepayments and accrued income | 297 | 268 |
| | 787 | 1,009 |

Trade and other receivables denominated in currencies other than sterling comprise £156,000 (2013: £192,000) of trade receivables denominated in US dollars. The fair values of trade and other receivables are the same as their book values.

Trade receivables that are past due are considered individually for impairment. The Group uses a monthly ageing as an indicator for impairment.

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

| | | |
|--|-------------|------|
| | 2014 | 2013 |
| | £000 | £000 |
| Not Overdue | 139 | 269 |
| Under 30 days overdue | 294 | 368 |
| Over 30 days but under 60 days overdue | 53 | 70 |
| Over 60 days overdue | - | 34 |
| | 486 | 741 |

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

14 Cash and cash equivalents

| | 2014 | 2013 |
|---------------------------|--------------|------|
| | £000 | £000 |
| Cash and cash equivalents | 1,280 | 450 |

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £105,000 (2013: £60,000) denominated in US dollars and £5,000 (2013: £27,000) denominated in Canadian dollars.

15 Trade and other payables

| | 2014 | 2013 |
|---------------------------------|--------------|-------|
| | £000 | £000 |
| Current | | |
| Trade payables | 243 | 331 |
| Other taxes and social security | 134 | 135 |
| Other creditors | 6 | - |
| Accruals and deferred income | 1,682 | 1,650 |
| | 2,065 | 2,116 |

Trade and other payables denominated in currencies other than sterling comprise £42,000 (2013: £40,000) of trade payables denominated in US dollars.

16 Deferred tax assets

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

| | 2014 | 2013 |
|--------------------------------|--------------|-------|
| | £000 | £000 |
| Accelerated capital allowances | (30) | (30) |
| Losses | (396) | (396) |
| | (426) | (426) |

Movement in deferred tax year ended 31 December 2014

| | As at 1 January 2014 £000 | Income Statement £000 | As at 31 December 2014 £000 |
|--------------------------------|---------------------------------|-----------------------------|-----------------------------------|
| Accelerated capital allowances | (30) | - | (30) |
| Losses | (396) | - | (396) |
| | (426) | - | (426) |

17 Share capital and reserves

| | 2014 | 2013 |
|--|-------------|------|
| | £000 | £000 |
| Allotted, called up and fully paid | | |
| - 42,908,465 Ordinary shares of 0.4p each (2013: 42,908,465) | 172 | 172 |

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During 2014, the Group's strategy, which was unchanged from 2013, was to keep debt to a minimum. Net cash at 31 December 2014 was £1,280,000 (2013: net cash £450,000).

Share option schemes

Executive and employee share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a savings related share option scheme (SAYE scheme). Details are set out in note 5. The schemes award share options to Executive Directors, senior executives and employees with a vesting period of three years. Under the EMI scheme, 2,445,000(2013: 4,240,000) options in ordinary shares have been granted during the year.

| | Share capital | Share premium | Retained earnings |
|-----------------------------|----------------------|----------------------|--------------------------|
| | £000 | £000 | £000 |
| At 1 January 2013 | 172 | 6,254 | (1,117) |
| New shares issued | | | - |
| Result for the period | - | - | (1,699) |
| Foreign exchange difference | - | - | (59) |
| Share based payment charges | - | - | 128 |
| At 31 December 2013 | 172 | 6,254 | (2,747) |
| Result for the period | - | - | (1,566) |
| Foreign exchange difference | - | - | - |
| Share based payment charges | - | - | 168 |
| At 31 December 2014 | 172 | 6,254 | (4,145) |

18 Financial instruments disclosure

Financial instruments policy

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

Financial assets and liabilities

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

Credit risk

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

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

Interest rate risk

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

Currency risk

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

Interest rate and currency profile

Financial assets

| | 2014 | 2013 |
|--------------------------------------|--------------|-------|
| | £000 | £000 |
| Loans and receivables : | | |
| Trade receivables | 486 | 741 |
| Other receivables and accrued income | 301 | 270 |
| Cash at bank | 1,280 | 450 |
| Loan notes 2016 | - | 2,000 |
| | 2,067 | 3,461 |

The Group's banking facilities allow for the offset of bank overdrafts against cash at bank. The net amount of the cash at bank and bank overdraft is put on overnight deposit. The overnight deposit rate at 31 December 2014 was 0.3%.

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

18 Financial instruments disclosure (continued)

Financial liabilities

| | 2014 | 2013 |
|-------------------------------|--------------|-------|
| | £000 | £000 |
| Other financial liabilities : | | |
| Trade payables | 243 | 331 |
| Other short term liabilities | 1,822 | 1,785 |
| | 2,065 | 2,116 |

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

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £105,000 (2013: £60,000) which is denominated in US dollars and £5,000 (2013: £27,000) which is denominated in Canadian Dollars; of trade receivables of £156,000 (2013: £198,000) which is denominated in US dollars; and of other financial liabilities of £42,000 (2013: £235,000) which is denominated in US dollars.

Maturity profile of financial liabilities

| | 2014 | 2013 |
|----------------------------------|--------------|-------|
| | £000 | £000 |
| Due within one year or on demand | 2,065 | 2,116 |

Fair value of financial instruments

At 31 December 2014 the difference between the book value and the amortised cost of the Group's financial assets and liabilities was £nil (2013: £nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2014.

Borrowing facilities

At 31 December the Group had £nil (2013: £nil) undrawn committed borrowing facilities.

19 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2014 or 31 December 2013.

(b) Operating leases commitments

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

| | 2014 | | 2013 | |
|----------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Less than one year | 15 | - | 66 | 5 |
| Between two and five years | 178 | - | 216 | - |
| | 193 | - | 282 | 5 |

20 Pensions

The Group operates a defined contribution pension scheme for its employees. The pension cost charge for the year represents contributions payable by the Group to the scheme and other personal pension plans and amounted to £43,000 (2013: £21,000).

21 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £nil (2013: £nil).

22 Related party transactions

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

Richard Sowerby is a director of Stridage Holdings Limited. Stridage acquired the promotional merchandising businesses from the Company in 2011 from which the 2016 loan note was outstanding at the beginning of the year. At 31 December 2014 the balance outstanding on the loan note was £nil (2013: £2,000,000) and interest payments were made to the Company of £89,000 during the year (2013: £242,000). In addition Stridage group companies buy services from companies in the Altitude Group under normal commercial terms. In the year sales of £160,000 were made to companies in the Stridage group and trade receivables at 31 December 2014 includes £80,000 due from the Stridage group of companies.

Company Balance Sheet

At 31 December 2014

| | Note | 2014 £000 | 2013 £000 |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Tangible fixed assets | 26 | 3 | - |
| Investments | 27 | 589 | 589 |
| | | 592 | 589 |
| Current assets | | | |
| Debtors | 28 | 5,027 | 3,589 |
| Debtor due after more than one year | 29 | - | 2,000 |
| | | 5,027 | 5,589 |
| Creditors – amounts falling due within one year | 30 | (1,237) | (1,098) |
| | | 3,790 | 4,491 |
| Net current assets | | 3,790 | 4,491 |
| Net assets | | 4,382 | 5,080 |
| Capital and reserves | | | |
| Called up share capital | 31 | 172 | 172 |
| Share premium account | 32 | 6,254 | 6,254 |
| Profit and loss account | 32 | (2,044) | (1,346) |
| | | 4,382 | 5,080 |

The balance sheet was approved by the Board of Directors on 8 June 2015 and signed on its behalf by:

Richard Sowerby
Executive Chairman

Company Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2014

| | 2014 | 2013 |
|---|--------------|-------|
| | £000 | £000 |
| Loss for the financial year | (866) | (595) |
| Charge in relation to share based payment | 168 | 10 |
| Net reduction to shareholders' funds | (698) | (585) |
| Opening shareholders' funds | 5,080 | 5,665 |
| Closing shareholders' funds | 4,382 | 5,080 |

Notes to the Company Balance Sheet

23 Company accounting policies

Basis of preparation

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

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

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

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

Investments

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

Cash and liquid resources

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

Taxation

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

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

FRS20 share based payments

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

24 Operating costs

The audit fee for the Company was £14,000 (2013: £14,000). Other fees payable to the auditors and their associates for corporation tax services were £4,000 (2013: £4,000).

25 Employees

The only employees of the Company were the Directors.

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed note 4 on page 20.

26 Tangible fixed assets

Fixtures and fittings
£000

Cost

| | |
|----------------------------|-----------|
| At 1 January 2014 | 8 |
| Additions | 4 |
| At 31 December 2014 | 12 |

Depreciation

| | |
|----------------------------|----------|
| At 1 January 2014 | 8 |
| Charge in the year | 1 |
| At 31 December 2014 | 9 |

Net book value

| | |
|---------------------|---|
| At 31 December 2014 | 3 |
| At 1 January 2014 | - |

27 InvestmentsShares in subsidiary undertakings
£000**Cost**

At 1 January 2014 and at 31 December 2014

907

Impairment

At 1 January 2014 and at 31 December 2014

318

Net book value

At 31 December 2014 and at 1 January 2014

589

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

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

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

Note 1 – held by a subsidiary undertaking

28 Debtors

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Other debtors | 30 | 14 |
| Amounts owed by subsidiary undertakings | 4,997 | 3,575 |
| | 5,027 | 3,589 |

29 Debtors due after more than one year

| 2016 Loan note receivable | 2014 £000 | 2013 £000 |
|---------------------------|--------------|--------------|
| Opening balance | 2,000 | 3,300 |
| Payments received | (2,000) | (900) |
| Impairment | - | (400) |
| Closing balance | - | 2,000 |

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

30 Creditors: Amounts falling due within one year

| | 2014 £000 | 2013 £000 |
|------------------------------|--------------|--------------|
| Bank overdrafts | 673 | 1,020 |
| Trade creditors | 22 | 32 |
| Accruals and deferred income | 542 | 46 |
| | 1,237 | 1098 |

31 Share capital

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Allotted, called up and fully paid | | |
| - 42,908,465 Ordinary shares of 0.4p each (2013: 42,908,465) | 172 | 172 |

32 Reserves

| | Share premium account £000 | Profit and loss account £000 |
|---|----------------------------------|------------------------------------|
| At 1 January 2014 | 6,254 | (1,346) |
| Loss for the period | - | (866) |
| Share based payment charge (see note 5) | - | 168 |
| At 31 December 2014 | 6,254 | (2,044) |

33 Commitments

The Company had no capital commitments or operating lease commitments existing at 31 December 2014 or 31 December 2013.

34 Contingent liabilities

The Company has guaranteed the bank overdrafts of certain of its subsidiary undertakings at 31 December 2014 of £nil (2013: £nil).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Altitude Group Plc (the “Company”) will be held at the offices of WH Ireland, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR on 30 June 2015 at 1pm for the purpose of considering and if thought fit, passing the following resolutions. Resolutions number 1-5 will be proposed as Ordinary Resolutions and Resolutions 6 and 7 will be proposed as Special Resolutions.

ORDINARY BUSINESS

1. To receive the Company’s annual accounts for the financial year ended 31 December 2014 together with the last Directors’ Report, the last Directors’ Remuneration Report and the Auditors’ Report on those accounts.
2. To re-elect Martin Varley who retires by rotation, as a director of the Company.
3. To elect Victoria Robinson, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
4. To elect Peter Hallett, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
5. To re-appoint KPMG LLP as auditor of the Company and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

5. *Authority to allot shares*

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

- (a) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as “Relevant Securities”) up to an aggregate nominal value of £57,211.28 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the Articles of Association of the Company); and further
- (b) to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £57,211.28 in connection with an offer of such securities by way of a rights issue,

PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2015, save that the Directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities or equity securities (as the case may be) to be allotted after the expiry of such period and the Directors of the Company may allot Relevant Securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

6. *Disapplication of pre-emption rights*

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

- (a) in connection with a rights issue (as defined in resolution 5 above); and
- (b) otherwise than pursuant to sub-paragraph 6(a) above up to an aggregate nominal amount of £34,326.77

and shall, unless previously renewed, varied or revoked by the Company in a general meeting, expire at the earlier of the conclusion of the next annual general meeting and 30 September 2015, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

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

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

provided that this authority shall expire at the earlier of the conclusion of the next annual general meeting and 30 September 2015, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is made pursuant to a contract concluded by the Company before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

BY ORDER OF THE BOARD

RICHARD SOWERBY

Executive Chairman and Company Secretary
8 June 2015

REGISTERED OFFICE:

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

NOTES:

1. A member of the Company entitled to attend and vote at the AGM convened by this notice may appoint one or more proxies (who need not be members of the Company) to exercise any of these rights on his behalf (although two proxies of the same individual member may not both count towards a quorum). If a member appoints more than one proxy, each proxy must exercise the rights attached to different shares. The appointment of a proxy will not preclude a member for attending and/or voting at the meeting should he subsequently decide to do so.
2. A proxy form is enclosed. To be effective, an instrument appointing a proxy must be returned so as to reach the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3DA at least 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3DA (whose CREST ID is 7RA11) by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any corporation which is a member of the Company may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A certified copy of the board resolution of the corporation appointing the relevant persons as the representatives must be deposited at the office of the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3DA, prior to the commencement of the meeting.
5. As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 6:00pm on 28 June 2015 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of Directors' service contracts and letters of appointment will be available for inspection at the Registered Office during normal business hours until the conclusion of the AGM and at the place of the AGM 15 minutes prior to and until its conclusion.

EXPLANATORY NOTES

Resolution 6 – Directors' power to allot Relevant Securities

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

Resolution 7 – Disapplication of pre-emption rights on equity issues for cash

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

Resolution 8 – Purchase of own shares

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



Altitude Group plc

Altitude Group plc

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