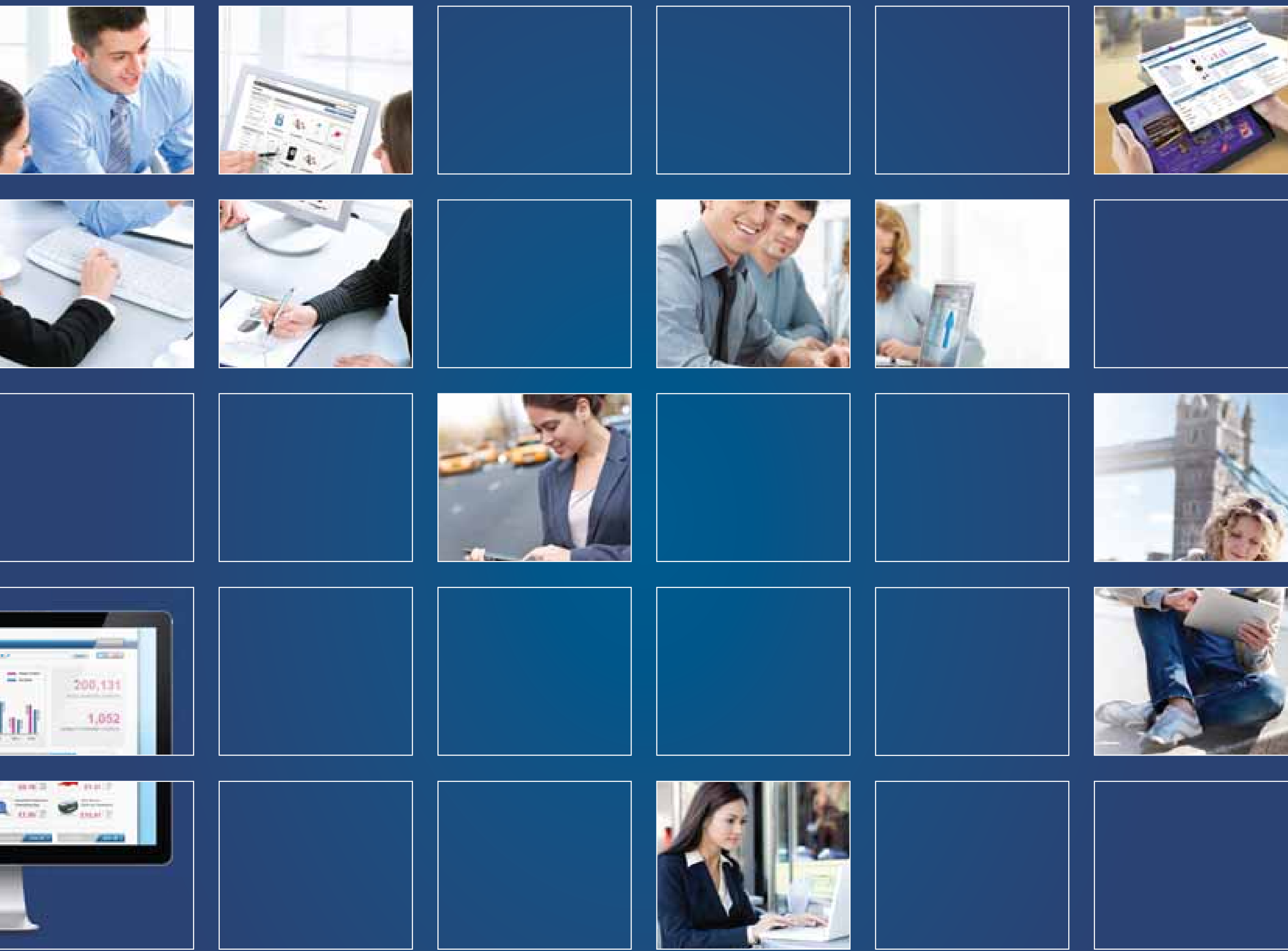
Altitude Group plc



Annual Report
2012

Altitude Group plc
Annual Report

31 December 2012
Registered number 05193579

Contents

Directors and Advisers

Directors

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

Martin Varley (Chief Executive Officer)
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has over 25 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market.

David Dannhauser
(Chief Financial Officer)
David joined the Board as a Non-Executive Director on 11 May 2011. He has 26 years of experience as a public company director, most recently as Group Finance Director of Eleco Plc for 16 years. He is a Chartered Accountant and a Fellow of the Institute of Directors.

Colin Cooke (Non-Executive Director)[1,2]
Colin retired as Chairman and from the Board of Directors on 26 April 2013.

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

Advisers

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

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

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

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

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

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

Chairman's Statement

Group Overview

The Group has made further good progress in 2012 in line with the strategy of concentrating on its Technology and Information business and developing its presence in North American markets through Trade Only Inc. in USA and Trade Only Technology Services in Canada.

The Trade Only solutions include a fully integrated business management platform for the Promotional Products and Print sectors allowing manufacturers and distributors in the supply chain to transact their business more efficiently. Offered as Software as a Service model ("SaaS"), the Trade Only technology enables small business customers to access software tools without the need for them to have substantial technical knowledge or expensive hardware resources in-house.

Performance Review

The Group operating loss before non-recurring items, amortisation of intangible assets and share based payment charges was £0.40m (2011: loss £0.15m) on revenues increased by 15% to £4.07m (2011: £3.54m). The operating loss reflects the continued expenditure on developing the scale and capacity of the USA operations as well as the significant ongoing expensed software development cost, where £0.47m has been expensed in 2012 (2011 £0.43m)

The Group balance sheet remains strong and was debt free at 31 December 2012 with a net cash balance of £0.76m (2011 £0.29m). With investing activities of £0.45m against an operating cash inflow of £0.18m, the improvement during the year principally reflects the £0.7m of repayments received against the 2016 loan note receivable, outstanding from the sale in 2011 of the Promotional Marketing Division.

Technology and Information

Overall in 2012, the division made an operating loss before non-recurring items, amortisation of intangible assets and share based payment charges of £0.40m (2011: loss £0.15m). Expenditure on enhancing the functionality and user experience of the technology platforms and their applicability to a broader range of users, which was significantly increased in 2011, has been maintained during 2012 and was marginally higher than in the previous year at £0.47m.

During the year we increased the depth of our customer services, development and marketing resources in the USA and more recently strengthened the senior management team with the appointment of Alan Patrick as President and Chief Operating Office and Julie Henderson as Financial Controller respectively.

In early 2012 Trade Only was selected by EmbroidMe, the world's leading franchise for embroidered garments and promotional products, to provide our fully integrated point of sale ("POS"), web store, customer relationship manager ("CRM") and order management solution to its franchisee base across the USA, Canada, EMEA and Australia. As further endorsement of our technology Trade Only was later in the year selected by Signarama, another division of United Franchise Group, to provide its customerfocus.com solution to Signarama franchisees. Both these installations have been brought to completion during the early part of 2013 and are now entering the revenue generation phase.

By the year-end annualised recurring software revenues of the North America businesses had been developed to £0.8m to add to UK recurring revenues of £1.4m.

Board Changes

In February 2013, I joined the Board as Chairman designate and assumed the position of Chairman upon Colin Cooke's retirement from the Board on 26 April 2013. On behalf of my colleagues and shareholders, I would like to extend our gratitude to Colin for his contribution since his appointment in 2005, in particular during the period of the last two years as the Company has refocused its strategy.

In March 2013, David Dannhauser, who was appointed to the Board as a non-executive director in May 2011, was appointed Chief Financial Officer.

The recent Board changes and the senior management appointments made in the USA have put into place a management team around Martin Varley as CEO to meet the needs of the Company's continued development.

Strategy

Our core objective is to capitalise on the unrivalled functionality of the technology platforms the Group offers to the promotional products, print and other similar industries. The opportunities in these sectors are substantial and in addition we will continue to broaden the use of the tools by SME's more generally providing further growth potential. In the medium term, the greatest emphasis will be given to expanding the business in USA but other opportunities, such as developing international sales of the Technologo™ virtual sampling technology, will also be explored.

In pursuing these objectives we will aim to remain a debt free company.

People

The staff have shown great endeavour in addressing our fast paced expansion into additional markets in the USA and their commitment is much appreciated.

We added later on in the year senior level resource in the California office including our new USA based President and COO, Alan Patrick and local FC Julie Henderson to lead the next phase of the business' development. I am delighted to welcome them and all of the new team members and to thank them all for their enthusiasm and drive in meeting the demands placed upon them.

Outlook

We enjoyed another strong performance from our cash generative UK Exhibition and Information business and as a result a 3.5% increase in revenues from the 2013 Trade Only National Show. We are delighted to have already pre-sold more than 80% of the space for the eighth annual event taking place on 22nd and 23rd January 2014.

The level of recurring revenues in North America is increasing all the while and with the installation phase being concluded for major accounts such as EmbroidMe and Signarama during the second quarter of this year, we should see further significant growth.

As further progress is made within the niches that include promotional products, print and corporate clothing and this business develops scale, we will be in a position to progress our longer-term plans directed at the provision of SaaS tools targeted at the estimated 27m and 2.5m small businesses in the USA and UK respectively.

During the last two years, the Group's objectives have been refocused to areas providing considerable long-term opportunity to create meaningful shareholder value. In 2013, we will develop further our USA operations but the emphasis will be on progressing longer-term revenue opportunities. The customer base continues to expand, we carry no net debt and will benefit from increasing visibility of recurring revenues. As I assume the position of Chairman, the Company is well placed to capitalise on the opportunities before it and we will continue to refine our strategy for building on the progress made and delivering on the potential for growth.

Stephen Yapp
Chairman
14 May 2013

Operating and Financial Review

2012 was an important year for our company with excellent progress made towards the strategy of delivering our Software as a Service ("SaaS") technology solutions to small businesses in the USA and UK.

The SaaS offering enables small business customers to access enterprise level software tools without the need for them to have substantial technical knowledge or manage expensive hardware resources in-house. The recurring revenue that results from these subscriptions provides high levels of visibility for future revenues.

We continued to focus on the promotional and print sectors and invested in further innovative user experience enhancements, integrations with complementary technology providers, and launched Version 2.0 of the Trade Only VISION™ business management system that included new features such as a Business Intelligence dashboard and social media data feeds.

The agreement to provide a Web2print solution for leading sign franchise Signarama, a US company that is a division of the United Franchise Group, provided an ideal launch for our Customer Focus technology offering. The solution will allow customers of Signarama to find their nearest store, choose, design and approve a sign online using our proprietary integrated solutions. Signarama franchisees can benefit from being able to offer their customers the most interactive online designer available, encouraging increased customer loyalty and engagement.

Technology and Information

	2012 £m	2011 £m	% change
Sales	4.07	3.54	15%
Gross margin	79.8%	74.4%	7%
Operating loss before non-recurring items, amortisation of intangible assets and share based payment charges	(0.40)	(0.15)	
Operating loss after non-recurring items, amortisation of intangible assets and share based payment charges	(0.98)	(0.82)	
Software development expenditure	0.47	0.43	9%

The UK Exhibition business made great progress again in 2012. Revenues were again increased for the 6th consecutive year at the January 2013 Trade Only National Show and was followed by early rebooking for the 2014 event and more than 80% of the available area has now been pre-sold.

Within the UK Trade Only business, in addition to providing our software platforms, which offer unrivalled functionality for distributors and suppliers to transact business, we also provide a number of more traditional tools for suppliers and distributors to work closely with each other. These include the PPD magazine, which we have now been publishing for almost 6 years whilst enjoying the largest distribution of any trade publication for this sector. Additionally we publish comprehensive product catalogues featuring best seller products from leading suppliers. Sales of the market leading 'Spectrum' catalogue held firm and anticipate it again making a significant contribution to revenues in 2013. The Envoy catalogue, which is based on a geographically limited distribution so that no two distributors in the same region use the catalogue, also showed good results in 2012.

In this first full year of the Trade Only Inc. business in California, USA, we recruited and trained team members in the key customer facing functions of Education, Customer Support and Technical Help Desks. We additionally recruited highly skilled designers and developers to support the North America customers and time zones. In May, we moved to more appropriate premises in Costa Mesa, CA where we now occupy a modern office facility in a location that has a better catchment area for the quality of team members we will want to recruit as the business grows.

Operating and Financial Review (continued)

The Toronto based Technologo business benefitted from additional exposure through investment in marketing resource alongside the attendance at exhibitions and events shared with other the Trade Only businesses. Further investment was made in optimising the market leading solution for the continued increase in usage, as well as providing the first 3D virtual samples delivered as HTML for easy integration into product portals. By the year end, Technolgo was enjoying an average of 50,000 unique users each month from 180 countries processing over 1 million virtual samples. There is substantial opportunity for this business and its recurring revenues to grow over the next 2-3 years.

Just prior to the year end we agreed terms with North American Publishing Company ("NAPCO") for them to become a reseller of Trade Only solutions. Their substantial reach into our target market provides us with the ability to communicate with a far wider audience thanks to their respected print publications, innovative networking events and popular promomarketing.com web site.

We continued to invest in senior management resource with the appointment of Alan Patrick as President and Chief Operating Officer of the Trade Only Inc business, in the USA. The formation of an Executive Committee made up of the leaders of each business ensures best practices are shared, development resources maximised and cross selling opportunities explored.

We continued to work on the general launch of the www.customerfocus.com solution aimed at the substantial SME markets in the USA and UK, the Signarama contract mentioned above is our 'proof of concept' and we are encouraged that the functionality offered is substantially superior to any other SaaS solution of a similar price.

Whilst we maintained focus on the longer term strategy of increasing the customer base exponentially, we also benefitted from the growing awareness of our solutions within larger potential users that would benefit from our legacy enterprise level solutions. As a result of the preparation work carried out by the team in the second half of 2012, we expect to bring revenue on stream from these larger installs in H2 2013.

Financial review

Results for the year and key performance indicators

Group revenues from the Technology and Information businesses increased by 15% to £4.07m (2011: £3.54m). Gross profits increased by 23% to £3.25m (2011: £2.63m), as gross margins improved to 79.8% from 74.4% in 2011.

The operating loss before amortisation ("LBITA") before non-recurring administrative expenses and share based payment charges was £0.40m (2011: £0.15m). Software development expenditure increased to £0.47m compared with £0.43m in 2011.

Net finance income of £0.29m (2011: £0.15m) was almost entirely the result of the interest received on the loan notes receivable outstanding from the sale of the Promotional Marketing Division, the outstanding balance of which was reduced to £3.3m by the end of the year.

The principal risks and uncertainties in the business that might bear on its future development and performance are:

- 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.

Corporate activity

Having acquired in 2011 the trade and certain assets Technologo and the trade and certain assets of The Logo Network and integrated them into our North American operations, during the current year the management and customer servicing teams at the Trade Only Inc. operations in California and Trade Only Technology Services in Toronto were further developed to meet the expansion of their business activities.

Also, in addition to the software development expensed, further investment was made in acquiring intellectual property to enhance our software functionality with £0.28m expended (2011: £0.20m)

Taxation

There was a small repayment of corporation tax in the year, resulting from an R&D tax credit, and the tax credit also reflects recognition of a deferred tax asset of £118,000 in respect of overseas tax losses carried forward.

Earnings per share

Basic loss per share was 1.17p, compared with an underlying 1.33p in 2011. In 2011, the reported loss per share of 0.58p included the earnings per share of 0.75p per arising from discontinued operations.

Cash flow

The Group has reported a net cash inflow from operations, of £0.17m (2011: outflow £0.98m including from discontinued operations), which compares with equivalent pre-tax loss of £0.69m. The principal contributors to the difference were amortisation and depreciation charges amounting to £0.45m and the share based payments charge of £0.11m.

Free cash flow in the year was an outflow of £0.27m (2011: outflow £1.30m).

£0.70m was received during the year from repayments made against the loan note outstanding from the sale of the Promotional Marketing Division in 2011. £0.41m was raised from subscription proceeds under exercised share options.

Overall, there was a net increase in cash of £0.47 in the year resulting in net cash balances at the year-end of £0.76m.

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 not in Sterling 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.

Martin Varley
Chief Executive Officer
14 May 2013

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal activities and review
The Group operates in the UK and North American promotional merchandise and marketing and print sectors.

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

Financial results
The Group's financial results and position are set out in the Consolidated Income Statement, other primary statements and in the Notes to the Consolidated Financial Statements on pages 12 to 32.

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.

Martin Varley retires by rotation at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election. Stephen Yapp, 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 2012 and their interests in shares and share options is set out in note 4 on page 21.

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

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

Substantial shareholders
The Company is informed that, at 4 April 2013, 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	11,062,559	25.78%
KT Willis	9,940,275	23.17%
Hansa Capital Partners LLP	2,750,000	6.41%
Killik and Co LLP	2,613,851	6.09%
Octopus Asset Management	1,944,444	4.53%
Six Sis AG	1,755,500	4.09%
Cavendish Asset Management	1,554,506	3.62%
S.P. Taylor	1,292,739	3.01%

The middle market price of the Company's ordinary shares on 31 December 2012 was 17.12p and the range from 1 January 2012 was 16.88p to 30.00p with an average price of 21.23p.

Corporate Governance
Although companies listed on AIM are not required to comply with the Combined Code on Corporate Governance, 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 Chairman who is non-executive, comprised one other non-executive and one executive member as at 31 December 2012 and one non-executive and two executive members at the date of this report. The Board met regularly throughout the year with ad hoc meetings also being held. In the furtherance of their duties on behalf of the Company, the Directors have access to independent professional advice at the expense of the Company.

The Board has established the following committees:

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

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

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

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

The systems include:

the appropriate delegation of authority to operational management;

the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;

financial reporting, within an established financial planning and accounting framework, including the approval by the Board of the annual budget and regular review by the Board of actual results compared with budgets and forecasts;

reporting on any non-compliance with internal financial controls and procedures; and

review of reports issued by the external auditors.

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

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and 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 Financial 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 judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable UK GAAP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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

Directors' Report (continued)

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 2013 and outline projections for the subsequent period, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

Research and development
The Group expended £468,000 during the year (2011: £431,000) on research and development.

Donations
Charitable donations in the year were £1,811 (2011: £1,200) provided to local charities. There were no political donations.

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 2012 and the amount owed to its trade creditors at 31 December 2012, was 37 days (2011: 36 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..

Re-appointment of auditor
A resolution to reappoint KPMG Audit Plc 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 11:00 am on 11 June 2013 at Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR and your attention is drawn to the notice of meeting set out on page 39.

By Order of the Board

David Dannhauser
Company Secretary
14 May 2013

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 2012, set out on pages 12 to 38. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 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 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.

Jeremy Gledhill,
Senior Statutory Auditor

for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants
1 the Embankment
Neville Street
Leeds
LS1 4DW

14 May 2013

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	**2012 £000**	2011 £000
Revenue			
- continuing		**4,074**	3,539
Cost of sales		**(822)**	(905)
Gross profit		**3,252**	2,634
Administrative costs		**(4,233)**	(3,457)
Operating loss before amortisation of intangible assets, non-recurring administrative expenses and share based payment charges		**(398)**	(145)
Amortisation of intangible assets		**(370)**	(249)
Non-recurring administrative expenses	3	**(105)**	(428)
Share based payment charges		**(108)**	(1)
Operating loss		**(981)**	(823)
Finance income	7	**296**	152
Finance expenses	7	**(3)**	(1)
Loss before taxation		**(688)**	(672)
Taxation	8	**186**	116
Loss from continuing operations		**(502)**	(556)
Profit from discontinued operations		**-**	314
(Loss)/profit attributable to the equity shareholders of the Company		**(502)**	(242)
Loss/(earnings) per ordinary share attributable to the equity shareholders of the Company:			
- Basic	9	**(1.17p)**	(0.58)p
- Diluted	9	**(1.17p)**	(0.58)p

Statement of Changes in Equity

for the year ended 31 December 2012

	Share capital £000	**Share premium £000**	**Retained earnings £000**
At 31 January 2011	153	5,293	(463)
New shares issued	18	921	-
Result for the period	-	-	(242)
Foreign exchange difference	-	-	(15)
Share based payment charges	-	-	12
At 31 December 2011	171	6,214	(708)
New shares issued	1	40	-
Result for the period	-	-	(502)
Foreign exchange difference	-	-	(15)
Share based payment charges	-	-	108
At 31 December 2012	**172**	**6,254**	**(1,117)**

Consolidated Balance Sheet

as at 31 December 2012

	Note	**2012 £000**	2011 £000
Non-current assets			
Property, plant & equipment	10	**222**	136
Intangible assets	11	**1,248**	1,332
Goodwill	11	**564**	564
Long-term receivable	12	**3,300**	4,000
Deferred tax	16	**244**	90
		5,578	6,122
Current assets			
Trade and other receivables	13	**1,084**	1,125
Cash and cash equivalents	14	**760**	294
		1,844	1,419
Total assets		**7,422**	7,541
Current liabilities			
Trade and other payables	15	**(2,113)**	(1,864)
Total liabilities		**(2,113)**	(1,864)
Net assets		**5,309**	5,677
Equity attributable to equity holders of the Company			
Called up share capital	17	**172**	171
Share premium account	17	**6,254**	6,214
Retained earnings	17	**(1,117)**	(708)
Total equity		**5,309**	5,677

The financial statements on pages 12 to 32 were approved by the Board of Directors on 14 May 2013 and signed on its behalf by:

Martin Varley
Chief Executive Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	2012 £000	2011 £000
Operating activities		
Loss for the period	**(502)**	(242)
Amortisation of intangible assets	**370**	273
Depreciation	**76**	41
Loss on disposal of discontinued operations	**-**	10
Net finance credit	**(293)**	(147)
Net foreign exchange losses	**(6)**	2
Corporation tax credit	**(186)**	(116)
Share based payment charges	**108**	11
Operating cash outflow before changes in working capital	**(433)**	(168)
Movement in inventories	**-**	(570)
Movement in trade and other receivables	**52**	(679)
Movement in trade and other payables	**266**	276
Operating cash outflow from operations	**(115)**	(1,141)
Interest received	**296**	152
Interest paid	**(3)**	(5)
Income tax received	**-**	14
Net cash flow from operating activities	**178**	(980)
Investing activities		
Purchase of tangible assets	**(162)**	(115)
Purchase of intangible assets	**(286)**	(203)
Acquisition of subsidiary and business undertakings	**-**	(1,622)
Payment of deferred consideration	**-**	(176)
Disposal of subsidiary undertakings	**-**	928
Net cash flow from investing activities	**(448)**	(1,188)
Financing activities		
Issue of new ordinary shares	**41**	939
Loan note repayment received	**700**	-
Repayment of obligations under finance leases	**-**	(9)
Net cash flow from financing activities	**741**	930
Net increase in cash and cash equivalents	**471**	(1,238)
Cash and cash equivalents at the beginning of the year	**294**	1,533
Effect of exchange rate fluctuations on cash held	**(5)**	(1)
Cash and cash equivalents at the end of the year	**760**	294

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 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Basis of preparation

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

The Accounts have been prepared under the historical cost convention.

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

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

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

The Directors monitor accounting standards developments and consider the most appropriate time to adopt them in the Group Accounts. The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into affect for periods commencing on or after 1 January 2013.

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

Going concern

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

The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and the Directors have considered this when preparing these financial statements. These have been prepared on a going concern basis, notwithstanding the loss for the period ended 31 December 2012. The Directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate, and that the carrying value of intangibles remains supported by future cash flows. The key conclusions are summarised below

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

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 fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate the Group has highlighted as needing to be disclosed by virtue of their size or incidence and are relevant to the understanding of the accounts.

Post-retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the Consolidated 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.

Long term receivable – the recoverability of the long term receivable is assessed by the Directors and is considered to be recoverable in full.

2 Segmental information

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

	2012 £000	2011 £000
Turnover		
Technology & Information	**4,079**	3,539
Operating loss before amortisation of intangible assets, non-recurring items and share based payments		
Technology & Information	**(398)**	(145)
Operating loss		
Technology & Information	**(981)**	(823)
Depreciation		
Technology & Information	**76**	33
Amortisation		
Technology & Information	**370**	273

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 2012 and capital expenditure for the year then ended are as follows:

	2012 £000	2011 £000
Assets		
Technology & Information	**7,422**	7,541
Liabilities		
Technology & Information	**2,113**	1,864
Capital expenditure		
Technology & Information	**448**	1,940

3 Non-recurring administrative expenses

	Note	**2012 £000**	2011 £000
Legal costs re licensing dispute	a	**9**	162
Acquisition legal expenses		**-**	25
USA business set-up costs		**-**	126
Employment termination costs	b	**34**	36
Non-recurring employment costs	c	**62**	79
		105	428

Notes:

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

b. Costs incurred in relation to termination of employment

c. Non-recurring remuneration costs of people who left the business in 2012, and therefore will no longer be incurred.

4 Employees

	2012 £000 (continuing)	2011 £000 (continuing)	2011 £000 (discontinued)
Staff costs :			
- Wages and salaries	**1,776**	1,504	1,017
- Social security costs	**124**	135	91
- Other pension costs	**-**	44	30
- Share based payments	**108**	11	1
	2,008	1,694	1,139
Average number of employees (including directors) during the year			
- Promotional Marketing	**-**	-	51
- Technology & Information	**58**	33	-
	58	33	51

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 2012 £000**	Total 2011 £000
Non-executive Directors						
Colin Cooke	-	25	-	-	**25**	25
David Dannhauser	-	85	-	-	**85**	19
Executive Directors						
Martin Varley	180	-	60	4	**208**	242
	180	110	60	4	**318**	286

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:

	2012 Number of Shares	2011 Number of Shares
Non-executive Directors		
CI Cooke[1]	**96,000**	96,000
DS Dannhauser	**100,000**	-
Executive Directors		
MR Varley	**11,062,559**	10,937,559

1 – CI Cooke holds 40% of the share capital of a Company which owned 552,000 shares at 31 December 2012 (2011: 552,000)

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

* 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 2012 (p)	Number of options 2012	Weighted average exercise price 2011 (p)	Number of options 2011
Outstanding at start of year	0.4	1,450,000	8.1	621,556
Granted during the year	19.89	1,125,000	0.4	1,450,000
Lapsed during the year	21.25	(400,000)	0.4	(66,000)
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	9.0	(555,556)
Outstanding at end of the year	6.65	2,175,000	0.4	1,450,000
Exercisable at end of the year	-	-	-	-

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black Scholes model. Details of the fair value of share options granted during 2012 and 2011 and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year).

	2012	2011
Fair value at measurement date (pence)	**7.14p**	29.7p
Share price at grant date (pence)	**19.89p**	30.0p
Exercise price (pence)	**19.89p**	0.4p
Expected volatility (%)	**49.1%**	40.7%
Average option life (year)	**5.0**	5.0
Expected dividend (%)	**-**	-
Risk free interest rate (%)	**3%**	3%

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

5 Share based payments (continued)

Charge to the Consolidated Income Statement

The charge to the income statement comprises:

	2012	2011
	£000	£000
Share based payment charges	**108**	12

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

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

	Weighted average exercise price 2012 (p)	**Number of options 2012**	**Weighted average exercise price 2011 (p)**	**Number of options 2011**
Outstanding at start of year	**15.0**	**169,580**	15.0	398,513
Granted during the year	**-**	**-**	-	-
Lapsed during the year	**15.0**	**(10,980)**	15.0	(58,104)
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**15.0**	**(158,600)**	15.0	(170,829)
Outstanding at end of the year	**-**	**-**	15.0	169,580
Exercisable at end of the year	**-**	**-**	-	-

6 Operating (loss)/profit

	2012 £000 (continuing)	2011 £000 (continuing)	2011 £000 (discontinued)
Operating (loss)/profit is stated after charging / (crediting) :			
Depreciation of owned property, plant and equipment	**76**	33	8
Amortisation of intangible assets	**370**	249	24
Research and development expenditure expensed as incurred	**468**	431	-
Operating lease rentals :			
- Land and buildings	**113**	131	63
- Other	**5**	12	14
Loss/(profit) on currency translation	**-**	2	(7)
Auditors' remuneration:			
Audit of the Company's annual financial statements	**14**	12	-
Amounts receivable by auditors and their associates in respect of:			
- Audit of financial statements of subsidiaries pursuant to legislation	**16**	32	-
- Other services relating to taxation	**13**	14	-

7 Finance income/(expense)

Finance income	2012 £000 (continuing)	2011 £000 (continuing)	2011 £000 (discontinued)
Other interest receivable	**296**	152	-

Finance expense	2012 £000 (continuing)	2011 £000 (continuing)	2011 £000 (discontinued)
Bank interest expense	**3**	1	4

8 Taxation

Recognised in the income statement

	2012 £000	2011 £000
Current tax credit		
Current year	**-**	(15)
Corporation tax refund in respect of previous periods	**(32)**	-
Deferred tax origination and reversal of timing differences	**(154)**	(101)
Total tax in income statement	**(186)**	(116)

Reconciliation of effective tax rate	2012 £000	2011 £000
Loss before tax for the period	**(688)**	(358)
Tax using the UK corporation tax rate of 20% (2011: 26.5%)	**(169)**	(87)
Non-deductible expenses	**16**	30
Utilisation of losses	**(14)**	(11)
Tax rate differences	**50**	6
Profits in disposed of entities not taxable	**-**	(83)
Adjustment in respect of previous years	**(32)**	(15)
Other differences	**(37)**	44
Total tax credit	**(186)**	(116)

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.

	2012	2011
(Loss)/earnings (£000)	**(502)**	(242)
Weighted average number of shares (number '000)	**42,791**	41,563
Fully diluted average number of shares (number '000)	**42,791**	41,571
Basic (loss)/earnings per ordinary share (pence)	**(1.17)p**	(0.58)p
Diluted (loss)/earnings per ordinary share (pence)	**(1.17)p**	(0.58)p

10 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2011	166	702	859	35	1,762
Additions	-	-	115	-	115
Subsidiaries disposed	(166)	(702)	(556)	(35)	(1,459)
At 31 December 2011	-	-	418	-	418
Additions	-	-	162	-	162
At 31 December 2012	-	-	580	-	580
Depreciation					
At 1 January 2011	108	615	762	24	1,509
Charge for the year	-	-	33	-	33
Subsidiaries disposed	(108)	(615)	(513)	(24)	(1,260)
At 31 December 2011	-	-	282	-	282
Charge for the year	-	-	76	-	76
At 31 December 2012	-	-	358	-	358
Net book value					
At 1 January 2011	58	87	97	11	253
At 31 December 2011	-	-	136	-	136
At 31 December 2012	**-**	**-**	**222**	**-**	**222**

Included in the net book value of plant and machinery is £nil (2011: £nil) relating to assets under hire purchase contracts.

11 Intangible assets

	Goodwill £000	Customer related intangibles £000	Intellectual Property £000	Total £000
Cost				
At 1 January 2011	3,149	487	-	3,636
Additions	-	-	203	203
Acquisition through business combinations	293	725	604	1,622
Eliminated on disposal of subsidiaries	(2,524)	(432)	-	(2,956)
At 31 December 2011	918	780	807	2,505
Additions	-	-	286	286
At 31 December 2012	918	780	1,093	2,791
Amortisation and impairment				
At 1 January 2011	599	359	-	958
Amortisation for the year	-	173	100	273
Eliminated on disposal of subsidiaries	(245)	(377)	-	(622)
At 31 December 2011	354	155	100	609
Amortisation for the year	-	217	153	370
At 31 December 2012	354	372	253	979
Carrying amounts				
At 1 January 2011	2,550	128	-	2,678
At 31 December 2011	564	625	707	1,896
At 31 December 2012	**564**	**408**	**840**	**1,812**

Amortisation charges are included within administrative costs

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

	2012 **£000**	2011 £000
Goodwill		
Envoy Catalogue	**192**	192
Promoserve Business Systems	**79**	79
Trade Only/Technologo	**293**	293
Carrying amounts as at 31 December	**564**	564
Intellectual property		
Trade Only/Technologo	**840**	707
Carrying amounts as at 31 December	**840**	707
Customer related intangibles		
Versatilia	**27**	37
Technologo	**170**	223
The Logo Network	**211**	365
Carrying amounts as at 31 December	**408**	625

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% (2011: 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% (2011: 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 (2011: £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

	2012 £000	2011 £000
2016 Loan note receivable	**3,300**	4,000

13 Trade and other receivables

	2012 £000	2011 £000
Trade receivables (net of impairment of £14,000 (2011: £7,000))	**813**	979
Other receivables	**120**	26
Prepayments and accrued income	**151**	120
	1,084	1,125

Trade and other receivables denominated in currencies other than sterling comprise £198,000 (2011: £235,000) of trade receivables denominated in US dollars and £nil (2011: £1,000) denominated in Euros. The fair values of trade and other receivables are the same as their book values.

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

	2012 £000	2011 £000
Not Overdue	**260**	175
Under 30 days overdue	**453**	508
Over 30 days but under 60 days overdue	**11**	86
Over 60 days overdue	**89**	210
	813	979

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

14 Cash and cash equivalents

	2012 £000	2011 £000
Cash and cash equivalents	**760**	294

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £34,000 (2011: £101,000) denominated in US dollars, £7,000 (2011: £24,000) denominated in Canadian dollars and £36,000 (2011: £60,000) denominated in Euros.

15 Trade and other payables

	2012 £000	2011 £000
Current		
Trade payables	**205**	239
Other taxes and social security	**120**	79
Other creditors	**15**	-
Accruals and deferred income	**1,773**	1,546
	2,113	1,864

Trade and other payables denominated in currencies other than sterling comprise £66,000 (2011: £224,000) of trade payables denominated in US dollars.

16 Deferred tax (assets)/liabilities

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

	2012 £000	2011 £000
Customer related intangibles	**-**	10
Accelerated capital allowances	**(30)**	(4)
Losses	**(214)**	(96)
	(244)	(90)

Movement in deferred tax year ended 31 December 2012

	As at 1 January 2012 £000	Income statement £000	As at 31 December 2012 £000
Customer related intangibles	**10**	(10)	**-**
Accelerated capital allowances	**(4)**	(26)	**(30)**
Losses	**(96)**	(118)	**(214)**
	(90)	(154)	**(244)**

17 Share capital and reserves

	2012	2011
	£000	£000
Allotted, called up and fully paid		
- 42,908,465 Ordinary shares of 0.4p each (2010: 42,634,621)	**172**	171

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 2012, the Group's strategy, which was unchanged from 2011, was to keep debt to a minimum. Net cash at 31 December 2012 was £760,000 (2011: net cash £294,000).

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, 1,125,000 (2011: 1,450,000) options in ordinary shares have been granted during the year.

	Share capital £000	Share premium £000	Retained earnings £000
At 31 January 2011	153	5,293	(463)
New shares issued	18	921	-
Result for the period	-	-	(242)
Foreign exchange difference	-	-	(15)
Share based payment charges	-	-	12
At 31 December 2011	171	6,214	(708)
New shares issued	1	40	-
Result for the period	-	-	(502)
Foreign exchange difference	-	-	(15)
Share based payment charges	-	-	108
At 31 December 2012	**172**	**6,254**	**(1,117)**

18 Financial instruments disclosure

Financial instruments policy

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

Financial assets and liabilities

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

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 minimising any risk to these funds. Surplus cash funds are deposited with commercial banks that meet credit criteria approved by the Board, for periods between one and six months.

Currency risk

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

Interest rate and currency profile

Financial assets

	2012	2011
	£000	£000
Loans and receivables :		
Trade receivables	**813**	979
Other receivables and accrued income	**271**	145
Cash at bank	**760**	294
Loan notes 2016	**3,300**	4,000
	5,144	5,418

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 2012 was 0.3%.

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

18 Financial instruments disclosure (continued)

Financial liabilities

	2012	2011
	£000	£000
Other financial liabilities :		
Trade payables	**205**	239
Other short term liabilities	**1,908**	1,625
	2,113	1,864

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 £34,000 (2011: £101,000) which is denominated in US dollars, £7,000 (2011: £24,000) which is denominated in Canadian Dollars and £36,000 (2011: £60,000) which is denominated in Euros; of trade receivables of £198,000 (2011: £235,000) which is denominated in US dollars and of £nil (2011: £1,000) which is denominated in Euros; and of other financial liabilities of £60,000 (2011: £224,000) which is denominated in US dollars.

Maturity profile of financial liabilities

	2012	2011
	£000	£000
Due within one year or on demand	**2,113**	1,864

Fair value of financial instruments

At 31 December 2012 the difference between the book value and the amortised cost of the Group's financial assets and liabilities was £nil (2011: £nil).

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2012.

Borrowing facilities

At 31 December the Group had £nil (2011: £nil) undrawn committed borrowing facilities.

19 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2012 or 31 December 2011.

(b) Operating leases commitments

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

	2012		2011	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Less than one year	**112**	**3**	36	1
Between two and five years	**219**	**7**	89	-
	331	**10**	125	1

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 £nil (2011: £33,000).

21 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £nil (2011: £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.

Save in respect of their emoluments arrangements with the Company, which are detailed in note 4, the Directors had no material transactions with the Company during the year.

Company Balance Sheet

At 31 December 2012

	Note	**2012** **£000**	2011 £000
Fixed assets			
Tangible fixed assets	26	**-**	-
Investments	27	**589**	589
		589	589
Current assets			
Debtors	28	**2,203**	1,678
Debtor due after more than one year	29	**3,300**	4,000
		5,503	5,678
Creditors – amounts falling due within one year	30	**(427)**	(290)
Net current assets		**5,076**	5,388
Net assets		**5,665**	5,977
Capital and reserves			
Called up share capital	31	**172**	171
Share premium account	32	**6,254**	6,214
Profit and loss account	32	**(761)**	(408)
Shareholders' funds		**5,665**	5,977

The balance sheet was approved by the Board of Directors on 14 May 2013 and signed on its behalf by:

Martin Varley – Chief Executive Officer

Company Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2012

	2012	2011
	£000	£000
(Loss)/profit for the financial year	**(461)**	1,966
New shares issued	**41**	939
Charge in relation to share based payment	**108**	12
Net (reduction)/addition to shareholders' funds	**(312)**	2,917
Opening shareholders' funds	**5,977**	3,060
Closing shareholders' funds	**5,665**	5,977

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 (2011: £12,000). Other fees payable to the auditors and their associates for corporation tax services were £4,000 (2011: £2,000).

25 Employees

The only employees of the Company were the Directors.

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

26 Tangible fixed assets

	Fixtures and fittings £000
Cost	
At 1 January 2012 and at 31 December 2012	8
Depreciation	
At 1 January 2012 and at 31 December 2012	8
Net book value	
At 31 December 2012 and at 1 January 2012	-

27 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2012 and at 31 December 2012	907
Impairment	
At 1 January 2012 and at 31 December 2012	318
Net book value	
At 31 December 2012 and at 1 January 2012	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

	2012 £000	2011 £000
Other debtors	**20**	9
Amounts owed by subsidiary undertakings	**2,183**	1,669
	2,203	1,678

29 Debtors due after more than one year

	2012 £000	2011 £000
2016 Loan note receivable	**3,300**	4,000

30 Creditors: Amounts falling due within one year

	2012 £000	2011 £000
Bank overdrafts	**187**	152
Trade creditors	**16**	26
Other creditors	**-**	1
Accruals and deferred income	**224**	111
	427	290

31 Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
- 42,908,465 Ordinary shares of 0.4p each (2011: 42,634,621)	**172**	171

32 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2012	6,214	(408)
New shares issued	40	-
Loss for the period	-	(461)
Share based payment charge (see note 5)	-	108
At 31 December 2012	**6,254**	**(761)**

33 Commitments

(a) Capital commitments

The Company had no capital commitments existing at 31 December 2012 or 31 December 2011.

(b) Operating leases commitments

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

		2012		2011
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
In respect of leases expiring				
- In one year	**-**	**-**	-	1

34 Contingent liabilities

The Company has guaranteed the bank overdrafts of certain of its subsidiary undertakings at 31 December 2012 of £nil (2011: £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 Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR on 11 June 2013 at 11:00am 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 2012 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 Stephen Yapp, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
4. To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

5. Authority to allot shares

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

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

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

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

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

6. Disapplication of pre-emption rights

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

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

(b) otherwise than pursuant to sub-paragraph 6(a) above up to an aggregate nominal amount of £34,322.34

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

7. Purchase of the Company's own shares

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 639(4) of the Act) of ordinary shares of 0.4 pence each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit up to an aggregate nominal amount of £17,161.17 at a price per share (exclusive of expenses) of not less than 0.4 pence and not more than the higher of: (a) 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003,

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

BY ORDER OF THE BOARD
D.S. Dannhauser
Company Secretary
14 May 2013

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

NOTES:

1. A member of the Company entitled to attend and vote at the AGM convened by this notice may appoint one or more proxies (who need not be members of the Company) to exercise any of these rights on his behalf (although two proxies of the same individual member may not both count towards a quorum). If a member appoints more than one proxy, each proxy must exercise the rights attached to different shares. The appointment of a proxy will not preclude a member for attending and/or voting at the meeting should he subsequently decide to do so.
2. A proxy form is enclosed. To be effective, an instrument appointing a proxy must be returned so as to reach the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR at least 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR (whose CREST ID is 7RA11) by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any corporation which is a member of the Company may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. A certified copy of the board resolution of the corporation appointing the relevant persons as the representatives must be deposited at the office of the Company's Registrars, Neville Registrars Limited, at 18 Laurel Lane, Halesowen, West Midlands B63 3BR, prior to the commencement of the meeting.
5. As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 6:00pm on 7 June 2013 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of Directors' service contracts and letters of appointment will be available for inspection at the Registered Office during normal business hours until the conclusion of the AGM and at the place of the AGM 15 minutes prior to and until its conclusion.

EXPLANATORY NOTES

Resolution 5 – Directors' power to allot Relevant Securities
Under section 551 of the Act, Relevant Securities may only be issued with the consent of the Company's members, unless the members pass a resolution generally authorising the directors to issue shares without further reference to the members. This resolution authorises the general issue of shares up to an aggregate nominal value of £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 2014.

Resolution 6 – Disapplication of pre-emption rights on equity issues for cash
Section 561 of the Act requires that a company issuing shares for cash (other than pursuant to an employee share scheme) must first offer them to existing members following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes in limited circumstances that statutory procedure as far as rights issues are concerned. It also enables the directors to allot shares up to an aggregate nominal value of £34,322.34, 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 2014.

Resolution 7 – Purchase of own shares
This resolution enables the Company to buy-in its own shares up to £17,161.17, 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 2014.

Altitude Group plc

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