Altitude Group plc
Annual Report

31 December 2009
Registered number 05193579

Contents

Directors and Advisers

Directors

Colin Cooke (Non-Executive Chairman) [1,2]
Colin is the Chairman of Fenner plc and joined the Board as Non Executive Chairman on 23 September 2005 Colin has 24 years' experience as a public company director and has been Chairman of four public companies including Triplex Lloyd plc Colin is a Fellow of the Institute of Metallurgy, and has also studied International Marketing at the London Business School

Keith Willis (Non-Executive Director) [1,2]
Keith established Dowlis in 1974 to sell promotional merchandise and was Managing Director until 1999 when he became Chairman At the time of the merger with Corporate Solutions, he was appointed Chairman of the Company and became a Non Executive Director on Admission Keith is Chairman of the Remuneration Committee

Barry Fielder (Non-Executive Director) [1,2]
Barry has 25 years experience as a Finance Director, having previously held this position at Dowlis prior to the Company's flotation on AIM, when he played a pivotal role in improving profitability and growth in turnover Barry is Chairman of the Audit 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 20 years experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market He joined Corporate Solutions in 2003

David Smith (Group Finance Director)
David is a Chartered Accountant and qualified with Price Waterhouse in 1995 Prior to joining Altitude in March 2009 as Group Financial Controller, he was the Business Controller in the rail sector of Babcock International Group plc

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
Benwell House
Green Street
Sunbury-on-Thames
Surrey
TW16 6QT

Solicitors
Halliwells
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Registered office
Cobb House
2-4 Oyster Lane
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Chairman's Statement

Performance overview

2009 was the most difficult year on record for a promotional products industry that was hard hit by reduction in discretionary spend by large and small corporate users Our own large banking, building materials and motoring clients were particularly quick to reduce spend as the recession took hold and as a result revenues in our Promotional Marketing business reduced by 14% in the year against a total market estimated to have contracted by 20%

It was a more positive story in our information and exhibition business which managed to maintain revenue at similar levels to 2008, despite the downturn, while maintaining investment in the technology products that are have become market leading tools in this sector

The Group posted a loss after taxation of £(0 5)m (2008 £0 1m profit) Profit before non-recurring items, amortisation of customer related intangibles and share based payment charges was £0 3m (2008 £0 5m)

A greater focus on cash management and controls from April 2009 onwards has resulted in the Company significantly improving the year-end cash position to £773k (2008 £431k)

Promotional Marketing

In a challenging environment, Promotional Marketing made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £0 4m in 2009 (2008 £0 9m)

Within this division, our Dowlis Corporate Solutions business was hit hard by the 20% reduction in overall market size and despite winning a number of new accounts throughout the year, the order intake from client base that included a number of banking, building materials and motor companies reduced substantially

Our trade supply division AdProducts com enjoyed double digit revenue growth for the fifth consecutive year compared to the reduction in the market size and vindicates our decision to maintain investment in this area with a wider product range and additional sales resource The team worked hard to improve stock turn and focus on cash, and despite the revenue growth, they reduced stock levels by 18% in the year

Information and Exhibitions

Our Information and Exhibitions business made further excellent progress in gaining market share and a similar result to 2008 The strong visitor growth at the 2009 Trade Only National Show encouraged exhibitors to rebook early despite the difficult climate and as a result the 2010 event was sold out by the end of the year

Overall the division made an operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges of £0 5m in 2009 (2008 £0 3m) Bookings received for the 2010 exhibition were substantially ahead of 2009

The software tools that we provide to the promotional product industry are typically the only platform that customers use once they have installed and implemented our technology As a result, recurring revenues are predictable and stable, this gave us comfort to continue to invest in and develop our proprietary technology that has fast become the market-leading product for the sector

Corporate activity

Our primary focus is on the development and growth of the existing divisions of the company, we are however mindful that the constituent parts of the group which are all making good progress in their own right, have the potential to unlock substantial value should we explore alternative strategies for the group We will continue to consider options as they present themselves but will maintain our focus on delivering profit growth and positive cash flow in the meantime

People

The difficult market conditions placed an incredible strain on our dedicated and hard working team members They have risen to the unique challenges that 2009 presented in a remarkable way and I am grateful for all their efforts and support

Outlook

Sales and order intake in 2010 so far are in line with management expectations in all businesses, our forward order book in the Promotional Product business is slightly ahead of the same period last year and substantially ahead of the levels seen in the last quarter of 2009

We are gaining new customers for our Information and Exhibition business at an improving rate, catalogue sales are well ahead of the same period last year Our Trade Only National Show in January saw visitor numbers grow by 18% and as a result, bookings by exhibitors for the 2011 event are substantially ahead of the same period as last year with around 85% of available space sold already, at an overall improved yield

I am encouraged that the business units are reporting higher levels of customer activity and that the cash management has improved over the past 12 months We now have an appropriate cost base for the size of the business and the potential for additional performance improvements if market conditions remain stable

Colin Cooke
Chairman
30th April 2010

Operating and Financial Review

Promotional Marketing

	2009 £m	2008 £m
Sales	13 1	15 9
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0 4	0 9
Operating (loss)/profit after non-recurring items, amortisation of customer related intangibles and share based payment charges	(0 1)	0 7
Net assets	4 4	4 8

Promotional Marketing comprises of our trade supplier AdProducts com ,and our distributor business Dowlis Corporate Solutions, Ross and Distinctive Ideas During the year we integrated the Distinctive Ideas business into our Byfleet site as part of the wider cost reduction exercise Forming the largest part of the group, the end user businesses delivered revenue of £10 2m revenues in 2009 (£13 6m in 2008)

Trade supply business AdProducts grew sales again in 2009 through an extended product range and a successful customer acquisition program We made further modest investments in production equipment and through improved stock forecasting and planning reduced stock levels by 18% We now have 1,050 live customers against a market opportunity in excess of 3,500 companies that would benefit from using AdProducts com as a trade supplier

Our main end user facing business, Dowlis Corporate Solutions suffered a difficult year with volumes down substantially despite new account wins With major clients in banking, motor and building materials, we suffered a dramatic and sudden reduction in volume from previously active accounts

Our headcount reduction program has resulted in a more appropriate cost base, and alongside a new structure that offers greater visibility of performance we are better able to measure performance and predict future revenue streams

Cash management improved substantially due to a greater focus on purchasing best practice, termination of non-profitable customer relationships and reduction in branded stocks held through adoption of our 'On Demand' solution for lower volume corporate program requirements

Information and Exhibitions

	2009 £m	2008 £m
Sales	2 8	2 9
Operating profit before non-recurring items, amortisation of customer related intangibles and share based payment charges	0 5	0 3
Operating profit / (loss) after non-recurring items, amortisation of customer related intangibles and share based payment charges	0 3	0 3
Net capital employed	0 2	0 1

Our information and Exhibitions business provides a collection of marketing and technology tools to both suppliers and distributors that operate in the promotional products industry These tools work either independently, or as a powerful integrated 'suite' that help with sales, marketing, and operational processes

Our major event, the Trade Only National Exhibition in 2009 grew visitor numbers by 48% over 2008 and achieved strong levels of re-bookings for the 2010 event that was all but sold out by the year-end, customer feedback on the overall exhibition experience was exceptional Pre registrations for the 2010 event grew in line with our expectations, the exhibition has become the number one industry show in the UK by any measure

Spectrum and Envoy are catalogues that distributors use as their selling tool For a modest outlay, they receive a comprehensive product catalogue, with their own details on, enabling them to attract customers without the need for the substantial investment in time or resources to produce their own catalogue As part of the package, distributors are provided with comprehensive information on the source and cost price for the products, along with a matching web site and other sales tools

PromoServe is a CRM software package and Trade Only Search is an on-line product portal offering that gives real time information on product supply sources and important data such as price and specification to promotional product distributors Average monthly users grew in 2009 by c 30% PromoServe is provided to

Operating and Financial Review (continued)

users through a rental model, and as such gives us a predictable recurring revenues Average monthly revenue reached £75k at December 31st

Our magazine, Promotional Product Distributor (PPD), is published bi-monthly and has over 10,000 readers and is the most widely read publication in the industry

Financial review

Results for the year and key performance indicators

Group revenues decreased by 14 7% to £15 3m (2008 £18 0m) Gross margin remained constant at 41 0% (2008 41 0%) as a result of a mix shift toward our stronger margin business units With total operating costs reduced at £6 9m (2008 £7 5m) the Group posted a loss before taxation of £0 6m (2008 loss £0 03m) Operating costs included £0 8m (2008 £0 3m) non-recurring administrative expenses, amortisation of intangible assets and share based payment charges taking operating profit before these costs to £0 3m (2008 £0 5m)

Acquisitions

There were no acquisitions during the year

Taxation

The Group recorded a tax credit during the year This represents the recognition of a deferred tax asset which takes into account the cumulative unrelieved tax losses currently held within the Group

Earnings per share

Basic loss per share was to (1 41)p (2008 earnings per share 0 28p)

Cash flow

The Group has reported a net cash inflow from operations of £0 4m which is £0 9m ahead of the reported operating loss of the Group Cashflow reflects a £1 1m reduction in trade receivables and a further £0 5m reduction in inventories This working capital improvement has enabled the group to reduce trade payables by £0 9m

The Group benefited in the year from only minor capital investment of £0 1m

Treasury

The Group continues to manage the cash position in a manner designed to maximise interest income, whilst at the same time minimising any risk to these funds Where there are surplus cash funds, these are deposited with commercial banks that meet credit criteria approved by the Board At 31 December 2009, the Group had £0 8m on short term deposits (2008 £0 4m)

Martin Varley
Chief Executive Officer

David Smith
Group Finance Director and Company Secretary

30th April 2010

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2009

Principle activities and review
The Group operates in the UK promotional merchandise and marketing sectors

A review of the Group's operations and future prospects is covered in the Chairman's Statement and Operating and Financial Review Specifically, 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 16 to 39

Enhanced business review
The Companies Act 1985 (Operating and Financial Review) Regulations 2005 require that the Directors present an enhanced Directors' report These enhancements are provided within the Chairman's Statement and the Operating and Financial Review

Dividend policy
The payment of dividends will be subject to availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient 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
The Directors who served on the Board and on Board Committees as at 31 December 2009 are set out on page 12 Craig Slater and Tim Sykes resigned as directors on 20 April 2009

Under the Articles of Association of the Company, one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, or if their number is less than three then one of them, shall retire Each retiring director is eligible for re-election Each Director must retire at the third Annual General Meeting following his last appointment or re-appointment The Director retiring by rotation at the forthcoming Annual General Meeting is Martin Varley Being eligible, Martin offers himself for reappointment In relation to the reappointment of Martin, the Board is satisfied that he continues to be effective and to demonstrate his commitment to the Company

The service agreements of the executive Director will be available for inspection at the registered office of the Company on any weekday during normal business hours until the date of the Annual General Meeting and the meeting itself Details of the service agreements are set out in the Directors' Remuneration Report

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

Information on Directors' remuneration and their interests in the shares and share options of the Company are shown in the Directors' Remuneration Report on pages 8 to 10 None of the Directors had any interest in the share capital of any subsidiary undertaking at any point during the year

Substantial shareholders
The Company is informed that, at 31 March 2010, shareholders holding more than 3% of the Company's issued share capital were as follows

Substantial shareholders	Number of Shares	% of issued issued shares
Worldwide Nominees Limited*	11,211,275	29 34%
MR Varley	10,637,559	27 84%
Hansa Capital Partners LLP	2,500,000	6 54%
Cavendish Asset Management	1,944,506	5 09%
Octopus Asset Management	1,944,444	5 09%

* This holding includes 9,940,275 shares held on behalf of KT Willis and 900,000 shares on behalf of J Yeomans

The middle market price of the Company's ordinary shares on 31 December 2009 was 7 25p and the range from 1 January 2008 was 7 25p to 11 5p with an average price of 9 5p

Research and development
The Group expended £188,000 during the year (2008 £209,000) on research and development within its industry software operation

Donations
Charitable donations in the year were £667 (2008 £362) provided to local charities There were no political donations

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

The policy of giving full and fair consideration to applications for employment from disabled persons and, where practical, to continue the employment of anyone who may become disabled during their employment has continued Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate

Every effort is made to ensure good communication In particular, the Group recognises the crucial roles that its managers and supervisors play in ensuring that employees are made aware of developments within the Group The Group is conscious of the importance of providing a safe working environment for both its employees and its customers, of ensuring compliance

Directors' Report (continued)

with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible Careful attention is given to the promotion of risk management procedures

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 19 to the Consolidated Financial Statements

Qualifying third party indemnity
The Company has provided an indemnity for the benefit of its current Directors which is a qualifying third party indemnity provision for the purpose of the Companies Act 1985

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 2009 and the amount owed to its trade creditors at 31 December 2009, was 47days (2008 71 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

Disclosure of information to auditors
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 auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Going concern
The Group's 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 2010 and outline projections for the subsequent year, 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

Re-appointment of auditors
A resolution to reappoint KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting

Annual General Meeting
The Annual General Meeting will be held at 9 30am on 29th June 2010 at the Group's registered office at Cobb House, 2-4 Oyster Lane, Byfleet, Surrey, KT14 7HQ

By Order of the Board

David Smith

Group Finance Director and Company Secretary

30th April 2010

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee was established on Admission to AIM on 7 November 2005 It now comprises three Non Executive Directors, Keith Willis (Chairman), Colin Cooke and Barry Fielder

The terms of reference for the Committee are to determine on behalf of the Board the Company's policy on executive remuneration and to consider and approve the individual salaries and other terms of the remuneration package for the Executive Directors In addition, it will oversee and review all aspects of the share option schemes including the selection of eligible Directors and other employees and the terms of any options granted

Remuneration policy

The policy of the Group on Directors' remuneration is to provide competitive market-based packages which reward Group and individual performance and align the interests of Directors and Shareholders Remuneration packages may comprise a basic salary, annual performance bonus, pension and other benefits and, where appropriate, participation in a share incentive plan

Executive Directors

Basic salary

The base salaries of Executive Directors are reviewed annually by the Committee

The Executive Directors are entitled to receive an allowance in respect of a motor vehicle and be reimbursed for all petrol costs incurred for business use In addition the Executive Directors are entitled to receive the benefit of private health care and life assurance cover

Performance related bonus

The Executive Directors' bonus scheme is based on pre-determined financial targets and strategic objectives established at the beginning of the year The financial targets are based on profit before taxation The Committee set this target and the level of the award Under this bonus scheme an amount equal to 100% of salary can be paid to the Executive Directors No bonuses were paid in respect of 2009 (2008 £Nil)

Service contracts

Martin Varley has a contract with the Company dated 21 October 2008 and is subject to a one year rolling notice period David Smith has a contract with the Company dated 14 April 2009 and is subject to a three month notice period

Non-Executive directors

Colin Cooke, Keith Willis and Barry Fielder each have letters of appointment The Company and each of the Non-Executive Directors are entitled to the same notice period of six months in the case of Colin Cooke and Keith Willis and three months notice in the case of Barry Fielder Colin Cooke receives £20,000 per annum, Keith Willis receives £15,000 per annum and Barry Fielder receives £15,000 per annum No other benefits are awarded to any Non-Executive Directors except for any incidental travel and subsistence expenses incurred whilst performing their duties, and health insurance in the case of Keith Willis

Total remuneration

The remuneration of each of the directors of the Company for the year ended 31 December 2009 is set out below

Total remuneration

	Basic salary £000	Fees paid to 3rd parties for services £000	Pension £000	Benefits in kind £000	**Total 2009 £000**	Total 2008 £000
Non-executive Directors						
Colin Cooke	-	20	-	-	**20**	20
Keith Willis	15	-	-	2	**17**	17
Barry Fielder	15	-	-	-	**15**	15
Executive Directors						
Craig Slater	33	-	3	2	**38**	116
Martin Varley[1]	112	-	6	-	**118**	257
Tim Sykes[2]	-	30	-	-	**30**	118
David Smith[3]	44	-	2	5	**51**	-
	219	50	11	9	**289**	543

1 – In 2008 Martin Varley received £100,000 as compensation for an amendment to the terms of his employment contract

2 – Tim Sykes was appointed as acting Group Finance Director on a temporary short term contract basis on 19 December 2007 The role was subsequently made permanent during 2008 before his resignation on 20 April 2009 The services were provided to the Group via his company, Penta Financial Direction Limited

3 – David Smith was appointed on 28 May 2009 his emoluments to 31 December include those as an employee prior to his appointment as a Director

Directors' Remuneration Report (continued)

External appointments

The Committee recognises that its Directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations As the Committee believes that this can broaden the knowledge and experience of the Company's Directors to the benefit of the Group, it is the Company's policy to approve such appointments provided there is no conflict of interest and the commitment required is not excessive The Director concerned can retain the fees relating to any such appointment

Long Term Incentive Plan

The Committee has implemented a long-term incentive plan which is designed to reward executives, including Executive Directors, for substantial increases in shareholder value The key features of this plan are as follows

- Each year, starting from May 2007, the Company may make a conditional award under the plan to key executives who will be able to participate in the Incentive Award relating to that year No options were granted in 2009 These executives will be notified of the performance criteria and their percentage participation at that time,
- The aggregate size of the Incentive Award for each annual plan will be 5% of the net increase in shareholder value created in excess of an agreed cost of equity, measured over the 3 years following the award,
- On completion of each 3 year measurement period, the aggregate Incentive Award for that plan will be assessed and, in turn, individual proportions will be calculated and satisfied in the form of nil-cost options
- The above plan provides a demanding and rewarding incentive that aligns executives and shareholders From 2010, it is intended therefore that a plan will be maturing and a new one starting each year

Directors' interests in shares

The beneficial interests of Directors, their spouses and minor children in the ordinary shares of 0 4p each were as follows

	31 December 2008		16 June 2009	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Non-executive Directors				
CI Cooke[1]	-	Nil%	-	Nil%
KT Willis[2]	9,940,275	26 0%	9,940,275	26 0%
BW Fielder	463,500	1 2%	463,500	1 2%
Executive Directors				
MR Varley	10,637,559	27 8%	10,637,559	27 8%
DR Smith	-	Nil%	-	Nil%

1 – CI Cooke holds 40% of the share capital of a Company which owned 542,000 shares (1 4% of the issued share capital at 31 December 2009 and 542,000 (1 4% of the issued share capital) at 31 March 2010

2 – KT Willis' shareholding includes the shareholdings of both his wife and the Keith Willis Discretionary Trust

None of the Directors had any interest in the share capital of any subsidiary company

Details of directors' interests in share options in the Executive Share Option Schemes

None of the Directors had any interest in share options over the share capital of the Company

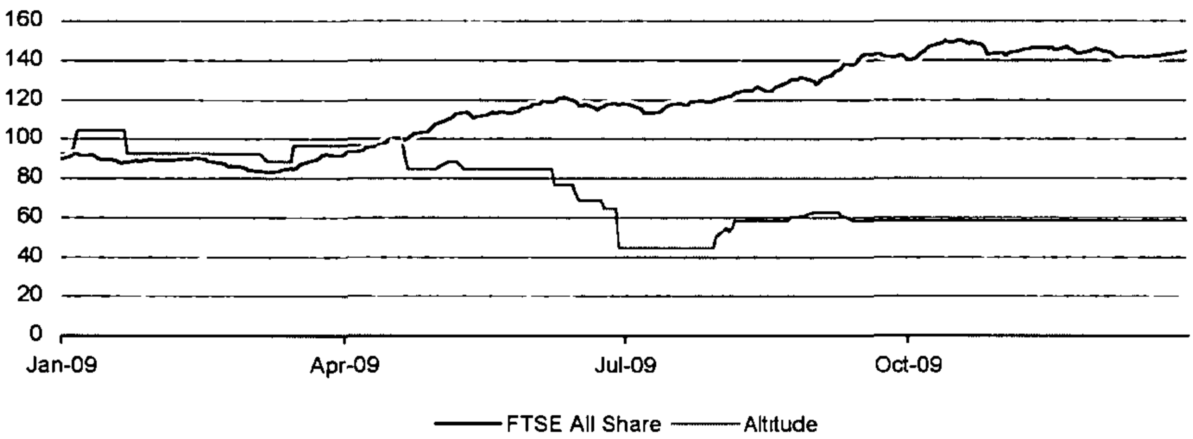
The aggregate gain made by the Directors on the exercise of share options was £Nil (2007 £Nil)

This report was approved by the Board on 30th April 2010

Directors' Remuneration Report (continued)

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM (rebased) for the year to 31 December 2009 The Committee has selected this index because it is most relevant for a Company of Altitude' size and sector



This report was approved by the Board on 30th April 2010

KT Wilks

Chairman of the Remuneration Committee

30th April 2010

Corporate Governance Report

Code on Corporate Governance
The Group is committed to high standards of corporate governance The Board is accountable to the Group's shareholders for good governance

The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its shares are not listed on the Main Market of the London Stock Exchange, it is not required to comply with such recommendations It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness Set out below is a statement of how the Group has sought to apply the main principles of the Combined Code

Board of Directors
The Board, which is headed by the Chairman who is non-executive, comprised two other non-executive and three executive members as at 31 December 2009 At the date of this report there are three non-executive directors

and two executive directors The Board met regularly throughout the year with ad hoc meetings also being held The role of the Board is to provide leadership of the Company and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed The Board has agreed the Schedule of Matters reserved for its decision which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others It also approves acquisitions and disposals of businesses, major capital expenditure, annual financial budgets and it recommends interim and final dividends It receives recommendations from the Audit Committee in relation to the appointment of auditors, their remuneration and the policy relating to non-audit services The Board agrees the framework for executive directors' remuneration with the Remuneration Committee and determines fees paid to non-executive directors Board papers are circulated before Board meetings in sufficient time to be meaningful

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined The Chairman's primary responsibility is ensuring the effectiveness of the Board and setting its agenda The Chairman has no involvement in the day-to-day business of the Group The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group

The performance of the Board is evaluated on an ongoing basis with reference to all aspects of its operation including, but not limited to the appropriateness of its skill level, the way its meetings are conducted and administered (including the content of those meetings), the effectiveness of the various Committees, whether Corporate Governance issues are handled in a satisfactory manner, and, whether there is a clear strategy and objectives

A new director, on appointment, is briefed on the activities of the Company Professional induction training is also given as appropriate The Chairman briefs non-executive directors on issues arising at Board meetings if required and non-executive directors have access to the Chairman at any time Ongoing training is provided as needed Directors are continually updated on the Group's business and on issues covering insurance, pensions, social, ethical, environmental and health and safety by means of Board presentations

In the furtherance of his duties or in relation to acts carried out by the Board or the Company, each director has been informed that he is entitled to seek independent professional advice at the expense of the Company The Company maintains appropriate cover under a Directors and Officers insurance policy if legal action is taken against any director

The non-executive directors are considered by the Board to be free to exercise independence of judgement They do not participate in any of the Company's pension schemes or bonus arrangements They receive no other remuneration from the Company other than their fees

It is recognised that the Combined Code does not treat the Chairman as independent after appointment and it is considered best practice that he should not sit on the Audit or Remuneration Committees However the Board takes the view that as the number of non-executive directors is only three, including the Chairman, and as the Chairman does not chair either of those Committees, his participation will continue as the Committees gain the benefit of his external expertise and experience in areas which the Company considers important

The table below shows the number of Board, Audit Committee and the Remuneration Committee meetings held during the year from the date of the approval of the last set of financial statements to the date of approval of these financial statements (or the date of resignation in the case of RCA Slater and TJ Sykes) and the attendance of each director

The Audit Committee
The Audit Committee ("the Committee") was established by and is responsible to the Board It has written terms of reference Its main responsibilities are

- to monitor and be satisfied with the truth and fairness of the Company's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards and the law,
- to monitor and review the effectiveness of the Company's system of internal control,
- to make recommendations to the Board in relation to the appointment of the external auditors and their remuneration, following appointment by the shareholders in general meeting, and to review and be satisfied with the auditors' independence, objectivity and effectiveness on an ongoing basis, and
- to implement the policy relating to any non-audit services performed by the external auditors

Corporate Governance Report (continued)

Barry Fielder is Audit Committee Chairman and Colin Cooke and Keith Willis, the other two non-executive directors, remain as members of the Committee

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Company and to obtain external legal or other independent professional advice as is deemed necessary by it

Meetings of the Committee are held normally two times a year (usually September and March) to coincide with the review of the scope of the external audit and observations arising from their work in relation to internal control and to review the financial statements The external auditors meet with the Audit Committee without management being present at least once a year At its meeting in March, it carries out a full review of the year end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditors and taking into account any significant accounting policies, any changes to them and any significant estimates or judgments Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations

The Committee receives reports from management on any shortfall in the system of internal controls as and when such matters are identified It also receives from the external auditors a report of matters arising during the course of the audit which the auditors deem to be of significance for the Committee's attention The statement on internal controls and the management of risk, which is included in the annual report, is approved by the Committee

The 1998 Public Interest Disclosure Act ("the Act") aims to promote greater openness in the workplace and ensures "whistle blowers" are protected The Company maintains a policy in accordance with the Act which allows employees to raise concerns on a confidential basis if they have reasonable grounds in believing that there is serious malpractice within the Company The policy is designed to deal with concerns, which must be raised without malice and in good faith, in relation to specific issues which are in the public interest and which fall outside the scope of other Company policies and procedures There is a specific complaints procedure laid down and action will be taken in those cases where the complaint is shown to be justified The individual making the disclosure will be informed of what action is to be taken and a formal written record will be kept of each stage of the procedure

The external auditors are required to give the Committee information about policies and processes for maintaining their independence and compliance regarding the rotation of audit partners and staff The Committee considers all relationships between the external auditors and the Company to ensure that they do not compromise the auditors' judgement or independence particularly with the provision of non-audit services

The Remuneration Committee

The Committee, which is chaired by Keith Willis, comprises two non-executive directors, one of whom is independent It has written terms of reference and is responsible for advising the Board on the terms of service, including remuneration, of the executive Directors and invites participation in the Company's long term incentive schemes Further details are given in the Directors' Remuneration Report

Communication with investors

The executive Directors are the Company's principal spokesmen with investors, fund managers, the press and other interested parties and the Company undertakes a formal programme of institutional presentations on the announcement of its full year and interim results Investors will be encouraged to participate at the forthcoming Annual General Meeting, and all the Directors, including the Chairmen of the Audit and Remuneration Committees will be available to answer questions

Internal controls

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

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Possible	Attended	Possible	Attended	Possible	Attended
Non-Executive Directors						
CI Cooke	12	12	1	1	1	1
KT Willis	12	12	1	1	1	1
BW Fielder	12	12	1	1	1	1
Executive Directors						
MR Varley	12	12	-	-	-	-
DR Smith	9	9	-	-	-	-
RCA Slater	3	3	-	-	-	-
TJ Sykes	3	3	-	-	-	-

Corporate Governance Report (continued)

The Group highlights potential financial and non-financial risks which may impact on the business as part of the monthly management reporting procedures The Board receives these monthly management reports and monitors the position at Board meetings

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group and that these processes are consistent with the guidance for directors on internal control issued by the Turnbull Committee

The Group's internal financial control and monitoring procedures include

- clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information,
- the control of key financial risks through appropriate authorisation levels and segregation of accounting duties,
- detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budget,
- 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 require it

The Audit Committee on behalf of the Board reviews reports from the external auditors together with management's response regarding proposed actions

In this manner the Board have reviewed the effectiveness of the system of internal controls for the period covered by the accounts The Board considers that this system of internal controls has been in place throughout the year

BW Fielder

Chairman of the Audit Committee

30th April 2010

Statement Of Directors' Responsibilities In Respect Of The Directors' Report And The Financial Statements

The directors are responsible for preparing the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 for taking such steps as are reasonably open to them to safeguard the assets of the group and 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

Independent Auditors' Report to the Members of Altitude Group plc

We have audited the financial statements of Altitude Group plc for the year ended 31 December 2009 set out on pages 16 to 39 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 auditors' 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 auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 14, 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 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 APB's web-site at www frc org uk/apb/scope/UKNP

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 2009 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

30th April 2010

Consolidated Income Statement

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Revenue			
- continuing		**15,329**	17,972
Cost of sales		**(9,026)**	(10,556)
Gross profit		**6,303**	7,416
Administrative costs		**(6,918)**	(7,451)
Operating profit before amortisation of intangible customer related assets, non-recurring administrative expenses and share based payment charges		**277**	450
Amortisation of intangible customer related assets	12	**(64)**	(95)
Non-recurring administrative expenses	3	**(783)**	(346)
Share based payment charges	5	**(45)**	(44)
Operating (loss)	6	**(615)**	(35)
Finance income	7	**1**	7
Finance expenses	8	**(10)**	(5)
(Loss) before taxation		**(624)**	(33)
Taxation	9	**86**	140
(Loss) / Profit attributable to the equity shareholders of the Company		**(538)**	107
(Loss) / earnings per ordinary share attributable to the equity shareholders of the Company	10		
- Basic		**(1 41)p**	0 28p
- Diluted		**(1 41)p**	0 28p

Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000
At 1 January 2008	153	5,293	(687)
Result for the period	-	-	(107)
Share based payment charges	-	-	44
At 31 December 2008	153	5,293	(536)
Result for the period	-	-	(538)
Share based payment charges	-	-	45
At 31 December 2009	153	5,293	(1,029)

Consolidated Balance Sheet

as at 31 December 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Property, plant & equipment	11	**448**	721
Customer related intangible assets	12	**110**	174
Goodwill	12	**2,621**	2,621
		3,179	3,516
Current assets			
Inventories	13	**1,337**	1,825
Trade and other receivables	14	**2,913**	3,964
Cash and cash equivalents	15	**773**	431
		5,023	6,220
Total assets		**8,202**	9,736
Current liabilities			
Trade and other payables	16	**(3,475)**	(4,392)
Current taxes			-
		(3,475)	(4,392)
Non-current liabilities			
Trade and other payables	16	**(13)**	(59)
Deferred consideration	12	**(297)**	(297)
Deferred tax liabilities	17	**-**	(78)
		(310)	(434)
Total liabilities		**(3,785)**	(4,826)
Net assets		**4,417**	4,910
Equity attributable to equity holders of the Company			
Called up share capital	18	**153**	153
Share premium account	18	**5,293**	5,293
Retained earnings	18	**(1,029)**	(536)
Total equity		**4,417**	4,910

The financial statements on pages 16 to 39 were approved by the Board of Directors on 30th April 2010 and signed on its behalf by

Colin Cooke
Chairman

Martin Varley
Chief Executive Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Operating activities			
(Loss) / Profit for the period		**(538)**	107
Amortisation of intangible assets		**64**	95
Depreciation		**320**	343
Loss on disposal of fixed assets		**4**	-
Net finance expense / (income)		**9**	(2)
Income tax (credit)		**(86)**	(140)
Share based payment charges		**45**	44
Operating cash inflow before changes in working capital		**(182)**	447
Movement in inventories		**488**	(69)
Movement in trade and other receivables		**1,052**	1,129
Movement in trade and other payables		**(928)**	(1,307)
Operating cash inflow from operations		**430**	200
Interest received		**1**	7
Interest paid		**(10)**	(5)
Income tax received / (paid)		**7**	(60)
Net cash flow from operating activities		**428**	142
Investing activities			
Purchase of plant and equipment		**(59)**	(122)
Disposal of plant and equipment		**8**	-
Acquisition of subsidiaries	3	**-**	(283)
Net cash flow from investing activities		**(51)**	(405)
Financing activities			
Net / (payments) / proceeds of hire purchase contracts		**(35)**	42
Net cash flow from financing activities		**(35)**	42
Net increase / (decrease) in cash and cash equivalents		**342**	(221)
Cash and cash equivalents at the beginning of the year		**431**	652
Cash and cash equivalents at the end of the year		**773**	431

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 2009 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

The following published accounting standards have become effective for the first time in the year ended 31 December 2009, and being relevant to the Group, have been adopted

- IFR8 – *"Operating segments"* (1 January 2009) – Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources The Consolidated Financial Statements reflect the disclosure requirements
- Revised IAS 23 *"Borrowing Costs"* (mandatory for the year commencing on or after 1 January 2009) This has no material impact on the Consolidated Financial Statements
- Revised IAS1 *"Presentation of Financial Statements"* (mandatory for the year commencing on or after 1 January 2009) The Consolidated Financial Statements include the relevant disclosure requirements
- Amendments to IFRS 2 *"Share Based Payment – Vesting Conditions and Cancellations"* (mandatory for the year commencing on or after 1 January 2009) This had no material impact on the Consolidated Financial Statements

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 following Standards and Interpretations have been issued, but are not yet effective and have not been adopted early by the Group

International Financial Reporting Standards.	**Effective for accounting periods starting on or after**
Amendments to IFRIC 9 and IAS 39 Embedded Derivatives	1 July 2009
FRS 3 – Revised IFRS 3 (Revised 2008) Business Combinations	1 July 2009
IAS 27 (Amended 2008) – Consolidated and Separate Financial Statements	1 January 2009
IFRIC 17 – Distribution of Non-Cash Assets to Customers	1 July 2009
IFRIC 18 – Transfer of Assets from Customers	1 July 2009

1 Accounting policies (continued)

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 2010

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

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, plus costs directly attributable to the acquisition 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 Income Statement

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

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are recognised in the Consolidated Income Statement

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 Income Statement over their expected useful economic lives as follows

Customer relationships	– 3-5 years
Unfulfilled sales orders	– 1 month

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

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

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 Income Statement

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

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventory Cost is determined using the first in, first out ("FIFO") method Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

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 Income Statement

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 assests are comprised of loans and trade receivables which are carried at fair value on initial recognition less provision for impairement

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 this is normally when an exhibition takes place, or the catalogue is delivered, or when that service has been delivered 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

Operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker ("CODM") This change in accounting policy is due to the adoption of IFRS 8 "Operating Segments" Previously operating segments were determined and presented in accordance with IAS 14 "Segmental Reporting" The new accounting policy in respect of operating segment disclosures is presented as follows

1 Accounting policies (continued)

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 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 requires consideration of the CODM within the Group In line with the group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Group Board, which reviews internal monthly management reports, budget and forecast information as part of this Accordingly the Group Board is deemed to be the CODM

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share

Under both IFRS 8 *"Operating Segments"* and IAS 14 *"Segment Reporting"* the Group has determined that it has two reportable segments

- sale of promotional products, business gifts and related marketing services ("Promotional marketing"), and,

- provision of information and exhibitions to the wider industry ("Information & Exhibitions")

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 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,
- how 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 Income Statement 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 Income Statement 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 Income Statement 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 Income Statement 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 Income Statement 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 Income Statement, 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 Distinctive Ideas Limited, Ross Promotional Products Limited, Envoy Catalogue and Silent Kite, 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 acquisition, and hence were an intangible asset The value of those customer relationships has been estimated at £433,000 for all of the acquisitions together and further, that the average length of a customer relationship is three years (five years in the case of Silent Kite) As such, £433,000 was reflected within customer related intangible assets at the date of each acquisition and is being amortised over a three (or 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 (or five) year period

Minority interests

On 3 July 2006, the Group acquired 80% of the issued share capital of Promoserve Business Systems Limited (formerly Industry Software Limited) The Group carries a liability, using the anticipated acquisition method, of £297,000 (2008 £297,000) in respect of deferred consideration for the remaining 20% of the issued share capital This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Promoserve Business Systems Limited (formerly Industry Software Limited) The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m

2 Segmental information

The segmental results, primarily all of which relates to operations in the UK are as follows

	2009 £000	2008 £000
Turnover		
Promotional marketing	**13,056**	15,870
Information & Exhibitions	**2,814**	2,912
Inter-group trading	**(541)**	(810)
	15,329	17,972
Operating profit before amortisation of customer related intangibles , non-recurring items and share based payments		
Promotional marketing	**412**	949
Information and Exhibitions	**475**	337
Central operations	**(610)**	(836)
	277	450
Operating loss		
Promotional marketing	**(140)**	671
Information and Exhibitions	**282**	305
Central operations	**(757)**	(1,011)
	(615)	(35)
Depreciation		
Promotional marketing	**255**	270
Information and Exhibitions	**61**	68
Central operations	**4**	5
	320	343
Amortisation		
Promotional marketing	**64**	71
Information and Exhibitions	**-**	24
Central operations	**-**	-
	64	95

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents Segment liabilities comprise operating liabilities Unallocated liabilities comprise items such as taxation

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 2009 and capital expenditure for the year then ended are as follows

	2009	2008
	£000	£000
Assets		
Promotional marketing	**6,348**	7,823
Information and Exhibitions	**1,522**	1,391
Central operations	**332**	522
	8,202	9,736
Liabilities		
Promotional marketing	**1,973**	3,037
Information and Exhibitions	**1,367**	1,300
Central operations	**445**	489
	3,785	4,826
Capital expenditure		
Promotional marketing	**51**	102
Information and Exhibitions	**8**	19
Central operations	**-**	1
	59	122

3 Non-recurring administrative expenses

	Note	2009 £000	2008 £000
Termination payments	a	**80**	163
Non-Recurring Salary	b	**424**	183
Costs			
Closure of Divisions	c	**217**	-
Other	d	**62**	-
		783	346

a Termination payments relate to compensation payments for loss of office for employees who left the business in 2009 and 2008

b Relate to the non-recurring salary costs of people who left the business in 2009 and 2008, and therefore will no longer be incurred

c Costs in relation to closure of divisions relate principally to salary and other overhead costs which, following the restructuring programme, will no longer be incurred

d Other costs relate primarily to professional fees incurred in the resolution of one-off employment related matters during the year

4 Employees

	2009 £000	2008 £000
Staff costs		
- Wages and salaries	**4,050**	3,891
- Social security costs	**376**	397
- Other pension costs	**155**	109
- Share based payments	**45**	44
	4,626	4,441
Average number of employees (including directors) during the year		
- Promotional Marketing	**112**	122
- Information & Exhibitions	**29**	31
	141	153

The compensation of key management personnel is detailed within the Directors' Remuneration Report on pages 8 to 10

5 Share based payments

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme) and a Long Term Incentive plan (LTIP) Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme and the LTIP are set out on page 9

Options granted under the EMI scheme are set out below

Grant date	Employees entitled	Number of options	Exercise price (p)	Expiry date
26 July 2007	12	740,000	0 4	25 July 2017
10 July 2008	12	234,000	0 4	9 July 2018

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

	Weighted average exercise price 2009 (p)	Number of options 2009 (number)	Weighted average exercise price 2008 (p)	Number of options 2008 (number)
Outstanding at start of year	0 4	754,000	0 4	710,000
Granted during the year	-	-	0 4	234,000
Lapsed during the year	-	-	-	-
Forfeited during the year	-	(278,000)	0 4	(190,000)
Exercised during the year	-	-	-	-
Outstanding at end of the year	0 4	476,000	0 4	754,000
Exercisable at end of the year	0 4	-	0 4	-

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 and those to be granted as a result of the LTIP The estimate of fair value is measured using the Black Scholes model Details of the fair value of share options granted and the assumptions used in determining the fair value are summarised below (based on the weighted average of grants in the year) No options were granted in 2009

	2008
Fair value at measurement date (pence)	16 5p
Share price at grant date (pence)	16 5p
Exercise price (pence)	0 4p
Expected volatility (%)	40 7%
Average option life (year)	10 0
Expected dividend (%)	-
Risk free interest rate (%)	3 0%

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

Charge to the Consolidated Income Statement

The charge to the income statement comprises

	2009 £000	2008 £000
Share based payment charges	45	44

6 Operating loss

	2009 £000	2008 £000
Operating profit/(loss) is stated after charging / (crediting)		
Depreciation of owned property, plant and equipment	295	328
Depreciation of property, plant and equipment held under hire purchase contracts	25	15
Research and development expenditure expensed as incurred	188	209
Operating lease rentals		
- Land and buildings	311	311
- Other	70	70
Rentals receivable under operating leases		
- Land and buildings	-	(15)
(Profit) / loss on currency translation	(7)	(18)

	2009 £000	2008 £000
Auditors' remuneration		
Audit of these financial statements	12	12
Amounts receivable by auditors and their associates in respect of		
- Audit of financial statements of subsidiaries pursuant to legislation	27	26
- Other services relating to taxation	16	10

7 Finance income

	2009 £000	2008 £000
Bank interest receivable	1	7

8 Finance expenses

	2009 £000	2008 £000
Bank interest expense	5	3
Interest expense on hire purchase contracts	5	2
	10	5

9 Taxation

Recognised in the income statement

		Restated (Note 1)
	2009	2008
	£000	£000
Current tax expense		
Current year	**(8)**	(81)
Deferred tax origination and reversal of timing differences	**(78)**	(59)
Total tax in income statement	**(86)**	(140)

Reconciliation of effective tax rate

	2009 £000	2008 £000
(Loss) / before tax for the period	**(624)**	(33)
Tax using the UK corporation tax rate of 28% (2008 28%)	**(175)**	(9)
Non-deductible expenses	**7**	10
Share based payment charges	**12**	12
Increase in losses	77	(61)
Adjustment in respect of previous years	**(7)**	(92)
Total tax credit	**(86)**	(140)

10 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

	2009	2008
Earnings (£000)	**(538)**	107
Weighted average number of shares (number '000)	**38,203**	38,203
Fully diluted average number of shares (number '000)	**38,679**	38,605
Basic earnings/loss per ordinary share (pence)	**(1 41p)**	28p
Diluted earnings/loss per ordinary share (pence)	**(1 41p)**	28p

11 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2008	166	601	719	64	1,550
Additions	-	76	46	-	122
At 31 December 2008	166	677	765	64	1,672
Additions	-	-	59	-	59
Disposals	-	-	(1)	(36)	(37)
At 31 December 2009	166	677	823	28	1,694
Depreciation					
At 1 January 2008	30	259	292	27	608
Charge for the year	20	179	130	14	343
At 31 December 2008	50	438	422	41	951
Charge for the year	17	97	201	5	320
On disposals	-	-		(25)	(25)
At 31 December 2009	67	535	623	21	1,246
Net book value					
At 1 January 2008	136	342	427	37	942
At 31 December 2008	116	239	343	23	721
At 31 December 2009	99	142	200	7	448

Included in the net book value of plant and machinery is £59,000 (2008 £77,000) relating to assets under hire purchase contracts The depreciation charged on these assets during the year ended 31 December 2009 was £25,000 (2008 £15,000)

12 Intangible assets

	Goodwill £000	Customer related intangibles £000	Total £000
Cost			
At 1 January 2008	2,895	283	3,178
Acquisition through business combinations	175	150	325
Net increase in deferred consideration	150	-	150
At 31 December 2008	3,220	433	3,653
At 31 December 2009	3,220	433	3,653
Amortisation and impairment			
At 1 January 2008	599	164	763
Amortisation for the year		95	95
At 31 December 2008	599	259	858
Amortisation for the year	-	64	64
At 31 December 2009	599	323	922
Carrying amounts			
At 1 January 2008	2,296	119	2,415
At 31 December 2008	2,621	174	2,795
At 31 December 2009	2,621	110	2,731

On 3 July 2006 the Group acquired 80% of the issued share capital of Industry Software Limited for an initial consideration of £171,000 A value of £147,000 was recognised in the balance sheet as the present value of deferred consideration This was revised during 2008 to an estimated value of £297,000, and a review during 2009 did not result in any further change

This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Industry Software Limited The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m

Amortisation charges are included within administrative costs

Allocation to cash generating units

The goodwill and customer related intangibles can be allocated to cash generating units as follows

	2009	2008
	£000	£000
Goodwill		
Dowlis Corporate Solutions	**1,520**	1,520
Ross Promotional Products	**488**	488
Distinctive Ideas	**94**	94
Envoy Catalogue	**194**	194
Silent Kite	**325**	325
Carrying amounts as at 31 December	**2,621**	2,621

Customer related intangibles		
Ross Promotional Products	-	10
Distinctive Ideas	-	24
Silent Kite	**110**	140
Carrying amounts as at 31 December	**110**	174

The carrying amount of intangibles and goodwill for the cash generating units given above were determined based on value-in-use calculations Values have been estimated using cash flow projections based on detailed budgets and three year forecasts, followed by an extrapolation of expected cash flows at a constant growth rate of 3% (2008 3%) The growth rates reflect the long-term growth rates for the product lines of the cash generating units The discount rate applied was 7 5% (2008 7 5%), which the directors deem to be a market adjusted pre tax weighted average cost of capital These calculations are not sensitive to what the Directors would consider to be reasonably foreseeable changes in the underlying assumptions Based on this testing the Directors do not consider Goodwill or Intangible Assets to be impaired

Amortisation and impairment

Goodwill acquired in a business combination is allocated to cash-generating units and will be tested for impairment on an annual basis, or more frequently if there are indications that goodwill might be impaired, by comparing the carrying amount against the discounted cash flow projections (at current weighted average cost of capital) of the cash generating units

Customer related intangibles arising on business combinations are amortised over their useful economic life, as well as being reviewed for impairment on an annual basis, or more frequently if there are indications that the carrying value may be impaired

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

13 Inventories

	2009	2008
	£000	£000
Finished product	**1,093**	1,700
Work in progress	**244**	125
	1,337	1,825

Inventories are stated net of an impairment provision of £152,000 (2008 £179,000), the movement in which has been credited (2008 charged) within 'cost of sales' the Consolidated Income Statement

The cost of inventories charged to cost of sales was £8,622,000 (2008 £9,479,000 as restated – see note 1)

14 Trade and other receivables

	2009	2008
	£000	£000
Trade receivables (net of impairment of £181,000 (2008 £163,000)	**2,662**	3,546
Other receivables	**82**	130
Prepayments and accrued income	**169**	288
	2,913	3,964

Trade and other receivables denominated in currencies other than sterling comprise £93,000 (2008 £12,000) of trade receivables denominated in US dollars and £99,000 (2008 £165,000) 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

	2009	2008
	£000	£000
Not Overdue	**1,268**	2,324
Under 30 days overdue	**770**	681
Over 30 days but under 60 days overdue	**466**	315
Over 60 days overdue	**158**	226
	2,662	3,546

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

15 Cash and cash equivalents

	2009	2008
	£000	£000
Cash and cash equivalents	**2,579**	1,354
Bank overdrafts	**(1,806)**	(923)
	773	431

Bank overdrafts are secured by an Inter Company Composite Guarantee with Accession by and between the Company and its subsidiaries (excluding Ross Promotional Products Limited) supported by Debentures by the Company and its subsidiaries (excluding Ross Promotional Products Limited) and a Bond and floating charge by Ross Promotional Products Limited

Cash and cash equivalents denominated in foreign currencies other than sterling comprise £21,000 (2008 £86,000) denominated in US dollars and £22 ,000 (2008 £23,000) denominated in Euros

16 Trade and other payables

	2009	2008
	£000	£000
Current		
Trade payables	**1,484**	2,379
Hire purchase agreements	**34**	23
Other taxes and social security	**234**	295
Other creditors	**105**	20
Accruals and deferred income	**1,618**	1,675
	3,475	4,392
Non-current		
Hire purchase agreements	**13**	**59**

Trade and other payables denominated in currencies other than sterling comprise £140,000 (2008 £81,000) of trade payables denominated in US dollars and £6,000 (2008 £91,000) of trade payables denominated in Euros

17 Deferred tax liabilities

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

	2009	2008
	£000	£000
Customer related intangibles	**31**	49
Accelerated capital allowances	**6**	29
Losses	**(37)**	-
	-	78

Movement in deferred tax year ended 31 December 2009

	As at 1 January 2009	Acquisitions	Income statement	As at 31 December 2009
	£000	£000	£000	£000
Customer related intangibles	49	-	(18)	**31**
Accelerated capital allowances	29	-	(23)	**6**
Losses	-	-	(37)	**(37)**
	78	-	(78)	**-**

18 Share capital and reserves

	2009	2008
	£000	£000
Authorised		
- 100,000,000 Ordinary shares of 0 4p each	**400**	400

	2009	2008
	£000	£000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0 4p each (2007 38,203,480)	**153**	153

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 2009, the Group's strategy, which was unchanged from 2008 was to keep debt to a minimum Net cash at 31 December 2009 was £ 773,000 (2008 net cash £431,000)

Share option schemes

Executive share options

The Group operates an Inland Revenue approved executive incentive plan (EMI scheme), an unapproved executive incentive plan (Unapproved scheme) and a Long Term Incentive plan (LTIP) Details of the scheme rules including performance conditions and earliest exercise date for the EMI scheme, the Unapproved scheme and the LTIP are set out on page 9 Under the EMI scheme, nil (2008 159,000) options in ordinary shares have been granted and under the Unapproved scheme nil (2008 75,000) options over ordinary shares have been granted

Arrangement with shareholders

In addition, an arrangement exists whereby certain employees have an option to acquire 522,500 (2008 522,500) shares from KT Willis at a price of 3 1p per share These options are not performance related and are exercisable at any time between 1 September 2006 and 31 October 2013

	Share capital	Share premium	Retained earnings
	£000	£000	£000
At 31 December 2007	153	5,293	(687)
Result for the period	-	-	107
Share based payment charges	-	-	44
At 31 December 2008	153	5,293	(536)
Result for the period	-	-	(538)
Share based payment charge	-	-	45
At 31 December 2009	**153**	**5,293**	**(1,029)**

19 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

In addition, the Group also recognises as a financial instrument the put option arising as a result of the acquisition of Promoserve Business Systems Limited (formerly Industry Software Limited) This is exercisable between the end of 2011 and 2016 and is subject to a maximum deferred consideration of £10m (see note 1)

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going 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

	2009	2008
	£000	£000
Loans and receivables		
Trade receivables	2,662	3,546
Other receivables and accrued income	251	418
Cash at bank	2,579	1,354
	5,492	5,318

The Group's banking facilities allow for the offset of the bank overdraft below against the cash at bank above The net amount of the cash at bank and bank overdraft is put on overnight deposit The overnight deposit rate at 31 December 2008 was 1 75%

Financial liabilities

	2009	2008
	£000	£000
Other financial liabilities		
Trade payables	1,484	2,379
Other short term liabilities	1,957	1,990
Bank overdraft – see above	1,806	923
Hire purchase agreements – 7 5% average rate	47	82
Contingent consideration – interest free	297	297
	5,591	5,671

Other than the contingent consideration, all of the financial assets and liabilities detailed above are recorded at their fair value with changes in those values being taken though the Consolidated Income Statement

The majority of financial assets and liabilities are denominated in sterling with the exception of cash at bank of £21,000 (2008 £86,000) which is denominated in US dollars and of £22,000 (2008 £23,000) which is denominated in Euros, of trade receivables of £93,000 (2008 £12,000) which is denominated in US dollars and of £99,000 (2008 £165,000) which is denominated in Euros, and of other financial liabilities of £140,000 (2008 £81,000) which is denominated in US dollars and of £6,000 (2008 £91,000) which is denominated in Euros

Maturity profile of financial liabilities

	2009 £000	2008 £000
In one year or on demand	**5,079**	5,315
In one to two years	**13**	59
In two to five years	**297**	297
	5,389	5,671

The financial liabilities due for repayment within one year relate to bank overdrafts and hire purchase contracts The financial liability due between one and two years relates to hire purchase contracts The financial liability due in two to five years relates to the discounted estimated deferred consideration payable in respect of the acquisition of Promoserve Business Systems Limited (formerly Industry Software Limited)

Fair value of financial instruments

At 31 December 2009 the difference between the book value and the fair value of the Group's financial assets and liabilities was £Nil (2008 £Nil)

Sensitivity analysis

The Group is not materially exposed to changes in interest or exchange rates as at 31 December 2009

Borrowing facilities

At 31 December the Group had the following undrawn committed borrowing facilities

	2009 £000	2008 £000
Undrawn sterling facilities		

20 Commitments

(a) Capital commitments

There were no capital commitments existing at 31 December 2009 or 31 December 2008

(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

	2009 Land and buildings £000	2009 Other £000	2008 Land and buildings £000	2008 Other £000
In respect of leases expiring				
- In one year	**-**	**4**	-	**2**
- In two and five years	**153**	**72**	241	150
- In more than five years	**1,153**	**-**	1,365	-
	1,306	**76**	1,606	152

21 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 £155,000 (2008 £109,000)

22 Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2009 of £nil (2008 £145,000)

The Company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the year end was £1,035,000 (2008 £923,000)

23 Accounting estimates and judgements

The Directors discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these polices and estimates The accounting policies are set out in Note 1

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 Distinctive Ideas Limited, Ross Promotional Products Limited, Envoy Catalogue and Silent Kite, 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 acquisition, and hence were an intangible asset The value of those customer relationships has been estimated at £433,000 for all of the acquisitions together and further, that the average length of a customer relationship is three or five years As such, £433,000 was reflected within customer related intangible assets at the date of each acquisition and is being amortised over a three or 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 Consolidated Income Statement over the same three or five year period

Minority interests

On 3 July 2006, the Group acquired 80% of the issued share capital of Promoserve Business Systems Limited (formerly Industry Software Limited) The Group carries a liability of £297,000 (2008 £297,000) in respect of deferred consideration for the remaining 20% of the issued share capital This is based on the value of a conditional put option to purchase the shares held by the minority shareholders in Promoserve Business Systems Limited (formerly Industry Software Limited) The put option is exercisable between the end of 2011 and the end of 2016 and is subject to a maximum deferred consideration of £10m

24 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

During the year £13,000 (2008 £36,000) was invoiced to Ice London Limited, a Company controlled by Mrs Varley in respect of property rented to and in respect of services provided to Ice London Limited At 31 December 2009, £14,000 was outstanding (2008 £14,000)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is provided in the audited part of the Directors' Remuneration Report on pages 8 to 10 In addition, the Group recognised a share-based payment charge under IFRS2 'Share-based payment' of £45,000 (2008 £44,000)

Company balance sheet

At 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible fixed assets	28	**3**	18
Investments	29	**2,337**	2,337
Current assets			
Debtors	30	**2,143**	1,655
Cash at bank and in hand		**-**	-
		2,143	1,655
Creditors – amounts falling due within one year	31	**(1,135)**	(699)
Net current assets		**1,008**	956
Total assets less current liabilities		**3,348**	1,311
Creditors – amounts falling due after more than one year	32	**(297)**	(297)
Net assets		**3,051**	3,014
Capital and reserves			
Called up share capital	33	**153**	153
Share premium account	34	**5,293**	5,293
Profit and loss account	34	**(2,395)**	(2,432)
Shareholders' funds	37	**3,051**	3,014

The balance sheet was approved by the Board of Directors on 30th April 2010 and signed on its behalf by

Colin Cooke
Chairman

Martin Varley
Director

Company Reconciliation of Movements in Shareholder's Funds

For the year ended 31 December 2008

	2009 £000	2008 £000
Loss for the financial year	**(8)**	(1,225)
Retained Profit	**-**	-
Charge in relation to Share based payment	**45**	44
Net addition to shareholders' funds	**37**	(1,181)
Opening Shareholder's funds	**3,014**	4,195
Closing Shareholder's funds	**3,051**	3,014

Notes to the company balance sheet

25 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

26 Operating costs

The audit fee for the Company was £12,000 (2008 £14,000) Other fees payable to the auditors and their associates for corporation tax services were £2,000, (2008 £2,000)

27 Employees

The only employees of the Company were the Directors

Details of Directors' remuneration, share options and Directors' pension entitlements are disclosed in the Directors' Remuneration Report on pages 8 to 10

28 Tangible fixed assets

	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2009	6	19	25
Disposals	-	(19)	(19)
At 31 December 2009	6	-	6
Depreciation			
At 1 January 2009	1	6	7
Charge for the year	2	2	4
Eliminated on disposals	-	(8)	(8)
At 31 December 2009	3	-	3
Net book value			
At 31 December 2009	3	-	3
At 1 January 2009	5	13	18

29 Investments

	Shares in subsidiary undertakings
	£000
Cost	
At 1 January 2009 and at 31 December 2009	2,655
Amortisation	
At 1 January 2009 and at 31 December 2009	318
Net book value	
At 1 January 2009 and at 31 December 2009	2,337

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**
Dowlis Corporate Solutions (UK) Limited	England and Wales	Sale of promotional goods	Ordinary	100%
Adproducts com Limited[1]	England and Wales	Sale of promotionalgoods and marketing services	Ordinary	100%
Trade Only Limited[1]	England and Wales	Sale of promotional goods and marketing services	Ordinary	100%
Ross Promotional Products Limited[1]	Scotland	Sale of promotional goods	Ordinary	100%
Promoserve Business Systems Limited	England and Wales	Sale of software and marketing services	Ordinary	80%
Distinctive Ideas Limited	England and Wales	Sale of promotional goods	Ordinary	100%
The Bentley Collection Limited	England and Wales	Sale of promotional goods	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

30 Debtors

	2009	2008
	£000	£000
Other debtors	**21**	13
Amounts owed by subsidiary undertakings	**2,122**	1,642
	2,143	1,655

31 Creditors Amounts falling due within one year

	2009	2008
	£000	£000
Bank overdrafts	**769**	508
Trade creditors	**29**	58
Accruals and deferred income	**103**	26
Amounts owed to subsidiary companies	**234**	107
	1,135	699

32 Creditors Amounts falling due after more than one year

	2009 £000	2008 £000
Deferred consideration (note 12)	**297**	297

33 Share capital

	2009 £000	2008 £000
Authorised		
- 100,000,000 Ordinary shares of 0 4p each (2008 100,000,000)	**400**	400

	2009 £000	2008 £000
Allotted, called up and fully paid		
- 38,203,480 Ordinary shares of 0 4p each (2008 38,203,480)	**153**	153

34 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2009	5,293	(2,432)
Loss for the period	-	8
Share based payment charges (see Note 6)	-	45
At 31 December 2009	5,293	(2,395)

35 Commitments

(a) Capital commitments

The Company had no capital commitments existing at 31 December 2008 or 31 December 2007

(b) Operating leases commitments

The Company had no commitments in respect of land and buildings or other contracts under non-cancellable operating leases

36 Contingent liabilities

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2009 of £nil (2008 £145,000)

The Company has guaranteed the bank overdrafts over certain of its subsidiary companies at 31 December 2009 of £1,035,000 (2008 £923,000)

37 Reconciliation of movement in shareholders' funds

	2009 £000	2008 £000
Loss attributable to ordinary shareholders	**(8)**	(1,225)
Other recognised gains		
- Share based payment	**45**	44
	37	(1,181)
Opening shareholder's funds	**3,014**	4,195
Closing shareholders' funds	**3,051**	3,104