

Altitude Group plc
("Altitude", the "Company" or the "Group")
Audited Annual Results for the Year Ended 31 March 2024 and Notice of Annual General Meeting

ALTITUDE CONTINUES TO DELIVER RECORD BREAKING RESULTS

Financial Highlights

- Adjusted basic earnings per share increased by 60.1% to 2.61p (2023: 1.63p)
- Basic earnings per share increased by 78.2% to 0.98p (2023: 0.55p)
- Group revenues increased by £5.2 million to £24.0 million, 33.0% at constant currency (2023: £18.8 million)
- Gross profit increased 25.1% at constant currency by £1.8 million to £10.4 million (2023: £ 8.6 million)
- We are proud to report a record Group adjusted operating profit* growing by 30.2% at constant currency to £2.4 million (2023: £2.0 million)
- Cash inflow from operating activities increased by £0.6 million to £2.1 million (2023: inflow £1.6m) driven by significant revenue growth and increased trading activities
- Cash remained robust at £1.2 million (2023: £1.2 million) following increased levels of investment, highlighting our financial stability.
- The Group increased its total financing facilities to \$3.5 million (2023: \$2.0 million) to support working capital fluctuations and future substantial growth in Merchanting. The facility is undrawn at the year end.

**Operating profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges*

Key corporate developments and operational highlights

- The Group enjoyed another record year, doubling revenues since FY22 and increasing adjusted operating profit* by 2.25 times in the same two-year period
- The Group's investment in Merchanting growth is the significant growth driver supported by the Services division which continued to outpace the greater promo industry
- The US delivered adjusted operating profit growth before central costs of 17% reaching \$4.8 million (2023: \$4.1 million)
- The Group's disruptive collegiate Gear Shop solution continued to expand with 7 new contracts since HY24 and continues to have a strong pipeline of opportunities this financial year
- UGS has 19 campus programmes at 22 locations, with a total lifetime contract value of c\$45 million and \$9 million (2023: 5 active contracts of \$1 million) annualised average expected revenues
- ACS continued to add significant revenue growth, further growing annualised expected revenues by 32% to \$18 million (2023: \$13.6 million) from both recruitment and organic growth
- ACS has started FY25 of with an additional \$2 million of wins to reach \$20 million annualised expected revenue
- Services revenue has grown by 5.6%, delivering 90.5% gross margin
- US AIM membership has continued to grow, and currently totals 2,262 members, up from 1,917 at acquisition, consolidating its position as one of the largest and strongest distributor organisations, recently being named a top distributor by the industry trade association PPAL

Please note that percentages are calculated based on unrounded numbers as reported in the primary statements.

Notice of Annual General meeting ("AGM")

The Company also gives notice that its AGM will be held at the offices of Zeus, 125 Old Broad Street, 12th Floor, London, EC2N 1AR on 23 September 2024 at 11 a.m. The Notice of AGM and the Annual Report for the year ended 31 March 2024 will be posted to shareholders and will be available on the Group's website (<https://www.altitudeplc.com/reports-results>) in due course.

Nichole Stella, Group CEO of Altitude, said:

"FY24 was a continuation of the accelerated growth we achieved in FY23, and once again we achieved record-breaking results for the Group. It was a year that required intense focus on delivery in new markets and ensuring continued scale within our core industry. FY25 has started strongly, with commercial growth in Merchanting and with Services continuing to outperform the wider industry. We remain excited about our growth potential, and continue to trade in line with market expectations."

Altitude Group plc

Nichole Stella, Chief Executive Officer

Graham Feltham, Chief Financial Officer

Via Zeus

Zeus (Nominated Adviser & Broker)

Tel: +44 (0) 203 829 5000

Dan Bate / James Edis (Investment Banking)

Dominic King (Corporate Broking)

Chairman's Statement

I am pleased to report that the Group has shown strong performance in FY24 and once again delivered excellent revenue growth.

The management team have continued to deliver on our growth strategy and have built out a diversified offering in strategically attractive markets. The delivery of a large number of Gear Shop contracts and substantial growth in our ACS affiliates in the last financial year complements our traditional strengths in servicing the promotional products industry. The Group delivered 28% revenue growth to £24.0 million (2023: £18.8 million). Highlighting the importance of our Merchanting division, the Group grew gross profit by £1.8 million to £10.4 million (2023: £8.6 million) with £1.6 million of the growth being driven by Merchanting. The high margin service division remains a material contributor to the Group's adjusted operating profit, which increased by 23% to £2.4 million (2023: £2.0 million), almost 10% ahead of market expectations. This is an excellent result and is testament to the continued delivery of our strategy and the power of our business model.

We continue to invest in the development of our technology and marketing platforms to provide our AIM distributors, ACS Affiliates and Preferred Partner suppliers with market leading capabilities. In addition, we have invested in our Gear Shops to expand our reach and in the underlying systems and processes of the Group to drive benefits in operational gearing as we scale.

Year in Focus

Establishing a strong foothold within the Collegiate market whilst growing our Affiliates and outperforming the market in the Promotional Products Industry has taken effort and places us well for future growth.

In January 2023 we launched our third physical Gear Shop and by the end of March 2024 we landed with 16 live contracts. We also improved the quality within that number exiting 2 'online only' small stores but replacing with 13 more strategic contracts. Going live at 15 locations mostly in March to August is an extraordinary achievement and I commend the team on its delivery. FY25 has started with a further 7 contract wins and churn of 3 contracts in a season which is still open to win more contracts as we progress through the year.

Our ACS Affiliates, after doubling in annualised expected revenues during the prior year, has again grown by 32% from a mix of Affiliate recruitment and organic growth. We are seeing the material revenue growth arising from the prior year's wins and we look forward to securing additional Affiliates to ACS in FY25.

The promotional products industry, as reported by ASI Research, showed a slowdown in growth throughout FY24 with September to December 2023 being flat year on year. This brought industry growth rates for the calendar year 2023 to 1.2% (Calendar 2022: 11.4%) with our own underlying Services growth rate achieving 5.6% in FY24. Our ability to exceed the industry benchmark is testament to our compelling offer, high-quality membership and partner network. We will continuously strive to grow further in a competitive and fragmented market.

In a year where the business model of the Group has substantially evolved we have managed our cash position highly effectively. Delivering net increase in cash and cash equivalents of £0.1 million (2023: increase £0.2 million) in a year where we increased capital investment by 62.5% to £1.8 million (2023: £1.1 million), whilst building in organic growth is a significant achievement. We extended our existing credit facility from \$1.5 million to \$3.0 million which supports the up-front investment in fit out and inventory for our Gear Shop contracts and other routine working capital fluctuations. The facility has been secured ahead of time and will be under constant review at each annual renewal. The Group has utilised its facility during the year, but is debt free at the year end and the facility remains in place to support future growth as opportunity arises.

Management have outperformed in what has been a transformative year for the Group. They have delivered above market expectations for the second year running, and I have confidence in them continuing to deliver excellent performance.

Looking Forward

A business only moves forward through the skills and dedication of its people. On behalf of the Board, I would like to thank all the Altitude Group's employees for their hard work and passion which has delivered another strong set of results.

As we move through 2024 and 2025, we will focus on increasing profitability and strengthening our position within the Collegiate market. Continued focus on promotional products strategic partnerships within AIM and scaling our Affiliate model are further priorities.

The Management team have overcome many operational challenges to deliver the business we have today and retain the hunger to further improve and win new business. I am confident we have the right team in place under the dynamic and agile leadership of Nichole to continue delivery of our strategy.

Despite the slowdown in the promotional products market, we have delivered excellent growth in revenues and profits for the third consecutive year. We will continue to execute on our strategy to ensure we provide sustainable performance year on year. As ever we remain committed to listening to and delivering superior value to our stakeholders and look forward to the exciting opportunities that lie ahead.

David Smith
Non-Executive Chairman
29 July 2024

Chief Executive's Statement

Financial year 2024 ("FY24") saw a continuation of Altitude's accelerated organic scale, expansion and delivery of more Group record-breaking results. We reported growth across our services divisions and affiliate program, outstripping the wider promotional product industry in YOY growth, which industry body PPAL reported grew by 2.24% in 2023 and reported sales figures of \$26.1 billion (2022: \$25.5 billion). Additionally, the Group's reputation within the specialty education market continues to grow with the nationwide launch and delivery of our newly contracted Gear Shops.

Our teams focus on performance and relentless pursuit of growth, once again delivered a year of outstanding results for the Group. For FY24, we delivered an increase in revenues of 33.0% at constant currency to £24 million (2023: £18.8 million) and Group adjusted operating profit* increased by 30.2% at constant currency to £2.4 million (2023: £2 million). The US operations delivered an adjusted operating profit before central costs increase of 17% to \$4.8 million (2023: \$4.1 million), which has powered our ability to scale the business organically.

Operational Excellence

We prioritise continuous improvement and operational efficiency by utilising strategies for process optimisation, scaling programs, and enhancing technology. Recent operational streamlining has enabled reinvestment in our business, fuelling pipeline growth and new revenue opportunities. This focus enhances our agility in adapting to market changes and seizing new opportunities. Examples include optimising supply chain logistics and upgrading production systems for increased efficiency.

Services & Merchanting

In FY24 the Group delivered growth across both its Global Services programmes and its US based Merchanting programmes. The Global Services division delivered continued growth of 5.6% at constant currency reaching £8.7 million (2023: £8.5 million). Whilst tempered following the post-covid boom of FY 2023, our Services programmes continue to deliver high gross margins and support our organic growth strategies. Simultaneously, our Merchanting Revenue experienced a 55.8% at constant currency increase, totalling £15.3 million (2023: £10.2 million). These results are evidence of our business's accomplishments in expanding market influence and broadening our revenue sources.

Our services programs have a worldwide presence, encompassing members in all US states, Canada, and the UK. At year end, our global membership totals 2,509 (2023: 2,476), representing an estimated share of the promotional products aggregate sales figure of \$3.0 billion (2023: \$2.9 billion) and an average annual turnover per member of \$1.2 million (2023: \$1.2 million). Additionally, we continue to have strong supply partners with more than 300 Preferred Partners spanning the US, Canada, and the UK.

In contrast, our Merchanting programs are exclusively focused in the US, and are steadily expanding across the country. Our specialty education Gear Shops have grown exponentially in the year achieving 600% growth in the year. We have built on both our live contracts and learnings in a new market - adding stronger campus partners and releasing small online low yield contracts. Additionally, the team has built a solid reputation within the market and we anticipate continued scaling in this market. With our team's growing knowledge, we are able to be more selective in the campus programs we agree to serve and can approach larger institutions with confidence as we continue to compete against the large legacy providers.

Our affiliate programme, ACS, continues to mature and gain brand recognition. The division continues to recruit high-calibre promotional product sales professionals to join ACS. These sales professionals act as our sales agent and in return we provide access to our Preferred Partner network and administrative, accounting and financial assistance. ACS grew by 32%, highlighting the strong emphasis we place on recruitment of high-quality affiliates and our commitment to maintaining exceptional quality standards.

Technology

Our technology is the heart of our operations, spanning both the Services and Merchanting segments of our business. We continue to work within an agile framework focused on continuous improvement. In the year we have maintained a steadfast investment in enhancing our systems through integrations, and systematic systems and feature upgrades. This focus empowers us to consistently deliver exceptional services to our clients and attract larger members, affiliates and campus clients.

Last year we introduced notable partnerships like Fully Promoted, a global franchise group, that chose our order management platform after conducting a comprehensive industry-wide review of over 20 tech providers. Today, we continue to grow with Fully Promoted serving more than 90 franchisees in the US and now Canada. Additionally, we are now the exclusive technology provider for all new Franchisees and have recently been named 'Vendor of the Year' at the Fully Promoted 'World Expo'.

Credit Facility

We were also pleased to report in the financial year that the Group secured an increase in its facilities (the "Facilities") with TD Bank N.A. totalling \$3.2 million, previously \$1.7m. The facilities increase was secured from continued successful delivery across all areas of the business. The Facilities have no significant financial covenants and will provide access to non-dilutive funding to support the continued execution of the Group's growth strategy. The main Facility was undrawn at the year end and is renewed annually.

Trading Progress Services

Throughout the financial year our focus remained squarely on driving efficiency, investing in and expanding our pipelines and promoting growth across our major routes to revenue growth through our services programs, including our Preferred Partner Program, technology service fees, marketing service fees, subscription fees, and product fees via:

- Driving growth for our Preferred Partners;
- Retention and continued growth in the AIM membership of high-quality promotional product distributors;
- Helping selected Preferred Partners grow their share of the total AIM purchase pipeline;
- Supporting AIM distributor members grow their business to end-user clients and driving the end-users to purchase through preferred vendors and programs, all of which drives revenue and profits to AIM and benefits the Group as a whole; continuing to increase member utilisation of the AIM Tech Suite.

Merchanting

The financial year saw growth across its Merchanting segments via:

- The Group's Gear Shop division won significant contracts, delivered the national launch of the new contracts on time and benefited from these wins in FY24. As a new and disruptive service provider in the space, we have garnered attention and entered into new partnerships that accelerated growth in FY24 and will continue to drive growth of the division in FY25 and beyond. In addition, we began efforts to provide longer term efficiencies in supply logistics and inventory management which will benefit the Group in FY25 and beyond.
- AIM's premium enhanced member service marketed as ACS requires mandatory use of the full AIM Tech suite and offers technology driven back-office support, procurement utilising our supply chain relationships, on which the Group is the principal in the sale and pays the sales agent a commission.

Market Opportunities

We continue to see notable momentum within our Group as we explore promising opportunities in adjacent markets. Specifically, our key areas of interest within the higher education service provider sector. Within the estimated \$12 billion higher education market, our Gear Shop solution has proven to be disruptive and has garnered much interest. We remain intensively focused on expanding our pipeline, securing deals, and innovating within this adjacent market. With additional multi-year contracts already signed this financial year, we view this as a crucial area for substantial growth in both the short and long term for our Group.

At present, the Group continues to boast a network of 2,262 distributors in North America, accounting for approximately 10% of the total distributor companies in the industry. As noted previously, PPAI's market research estimates the current size of the U.S. promotional products market in 2023, experienced tempered growth in the year of 2.24% to a market size of \$26.1 billion. Their report further noted, "While another milestone, this represents a net negative for the industry. The growth rate for 2023 was 2.24%, failing to outpace inflation, which has not dipped below 3% since March 2021." While the industry experienced slower growth rates in the year, 63% of distributors are bullish on growth for the new year. The Group, with our Services and ACS affiliate division of Merchanting, easily outstripped the wider market growth in its market share gains down to both affiliate recruitment as well as from our existing affiliates and we anticipate this accelerated growth continuing through this new financial year.

We have a highly skilled management team and advanced technology tailored to the markets we serve. Pairing our ongoing industry expansion and our successful entrance into the higher education market we are confident in the Group's continued significant opportunities.

Our People & Our Commitment

Our workforce and community are the cornerstone of our organisation. We are committed to nurturing employee development and cultivating a supportive and inclusive culture that celebrates the accomplishments and contributions of every team member, from entry-level to executive positions. We prioritise creating an environment where individuals can thrive and grow professionally, fostering a sense of belonging and engagement. Our dedication to recognising and rewarding achievements ensures that each employee feels valued and motivated, enhancing overall morale and productivity across the organisation. Throughout the year, we continued to prioritise internal promotions, enabling 16 individuals to advance their careers and expand their skill sets.

Diversity, Equity & Inclusion

Our organisation fully embraces and upholds the values of diversity, equity, and inclusion (DEI). These principles play a vital role in how we form our teams, develop our leaders, and establish collaborative, innovative, and inclusive environments within the Altitude Group and our wider industry. Our inclusive culture fosters a range of perspectives, encourages open and honest discussions, and empowers each individual within our team and the broader communities we serve.

Community Engagement & Giving Back

At Altitude, we are a forward-thinking organisation that integrates ESG principles into our everyday operations. Our commitment to community engagement and giving back is core to who we are and what we believe to be vital for the overall success and well-being of society. We view our commitment to community engagement not just as corporate duty but a defining core value of the business. Our goal is to represent positive change and commitment to corporate responsibility that contributes to a more inclusive resilient society that works towards the betterment of all.

A notable initiative launched in FY23 and expanded in FY24 is our Gear Shop division's Educational Giving Back (EGB) scholarship program, in which we donate financial scholarships to students in need. The Gear Shop division is a growing area for our business and thus our pledged scholarships will continue expanding as the division expands. Our EGB scholarship program is national throughout the campus communities we serve. We empower students' equitable outcomes by providing financial support in order to access educational programs and course materials. Additionally, we extend our impact in higher education through student internship and ambassador programs. These initiatives further equip students with practical skills and a future competitive edge when they enter the job market. We are committed to today's students, nurturing their talent for successful outcomes and futures and thus provide a positive contribution to society.

Altitude Group continues its social responsibility efforts and "adopted" Arthur's Acres Animal Sanctuary (AAAS), reflecting dedication to animal welfare and sustainability. Our initiatives align with the sanctuary's mission of rescue, rehabilitation, and education for a sustainable and cruelty-free world. In FY24, in partnership with one of our Gear Shop university clients, we paired (AAAS) with the university's architectural program, for a semester long project to redesign a new rehabilitation barn for animals with special needs. Additionally, we provide donations and allow employees to participate in various volunteer efforts in support of this program.

Outlook

FY24 was a continuation of the accelerated growth we achieved in FY23, and once again we achieved record-breaking results for the Group. It was a year that required intense focus on delivery in new markets and ensuring continued scale within our core industry. FY25 has started strongly, with commercial growth in Merchanting and with Services continuing to outperform the wider industry. We remain excited about our growth potential, and continue to trade in line with market expectations.

Nichole Stella
Chief Executive
29 July 2024

Chief Operating Officer's Report

During FY24 we continued to invest strategically in technology development to gear our Services and Merchanting operations for further growth, our dual focus on innovation and operational excellence has bolstered our ability to deliver superior services to our members, affiliates and clients providing several technologically driven advancements that have enabled contract wins across all divisions.

Product Innovation and Development

We continued to advance our proprietary Tech Suite, providing an end-to-end SaaS solution that enables our users to source, showcase, and seamlessly fulfil orders for branded items across the US, UK and Canada. Our commitment to technological innovation remains at the forefront of our strategy. Throughout the year, our highly skilled and knowledgeable in-house research and development team introduced several core enhancements to the AIM and ACS Tech Suite, addressing the evolving needs of our users and providing increased efficiency for internal processing teams to support growing volumes of orders being processed.

Key achievements included:

Eight Technology Releases: This year focussed largely on increasing operational efficiencies within our order management solution, with growing order volumes processed through our Merchanting divisions, 35 major technological advancements were made to enable efficient scalability through technological solutions. These advancements provided enhancements to platform users, internal order processing and account management teams and end-buyers.

MerchBook™ was developed and launched, a proprietary and fully customisable online publication solution that enables users to upload logos directly to interactive merchandise catalogues, driving forward a digital approach to industry publications.

Canadian Market: Specialised development was completed to Tech Suite which has enabled the introduction of a Canadian product catalogue and specific Canadian system operations resulting in the successful onboarding of AIM's first Canadian based promotional product distributors.

Strengthened Supplier Relations: Now with over 335 integrations (FY23: 220) that facilitate live data exchanges between Preferred Partners and Tech Suite users, continued effort was placed on enhancing and strengthening these relationships through deeper electronic processes centred around the seamless exchange of passage of product, inventory, art and order data.

Data Intelligence

Data intelligence is now integral to our strategic approach, driving informed decision-making and uncovering valuable insights across Services, Merchanting and campus operations. By leveraging advanced analytics and Amazon Web Services data processing power, we have developed a robust internal business intelligence platform that tracks key performance indicators (KPIs) throughout the group. This platform enables us to monitor and optimise various aspects of our business, from operational efficiencies to user behaviour and market trends. The actionable insights derived from our data intelligence efforts and dedicated team empower our teams to make data-driven decisions, enhancing productivity, manage cost bases and ultimately improve user and buyer experiences, this is key to our sustained growth and competitive edge in the industry.

Operational Excellence

We continued to enhance our operational efficiency and agility through various initiatives. By implementing deeper automation of processes across various departments including data processing, account management, finance, system development and quality assurance we have and continue to streamline processes and improve our scalability.

Cybersecurity and Data Protection

Cybersecurity remains a top priority as we safeguard our digital infrastructure and protect our customers' data. During FY24, we have implemented additional advanced cybersecurity measures to defend against evolving threats, ensuring robust protection for our systems and sensitive information. Our proactive approach includes regular updates to our security protocols and the deployment of cutting-edge technologies to detect and mitigate potential vulnerabilities. Additionally, we have implemented targeted dedicated employee training on cybersecurity best practices, fostering a culture of vigilance and awareness throughout the organisation.

Our commitment to data protection, privacy and payment compliance, and adherence to industry standards is unwavering, as we strive to maintain the highest levels of trust and security for our members, affiliates, clients and partners.

Looking Ahead

Looking ahead, we remain committed to providing best-in-class solutions to our market by integrating customer feedback and emerging trends into our business strategies. We will continue to invest in research, development, and data intelligence with a core focus on delivering internal scalability and best-in-class solutions.

Deborah Wilkinson
Chief Operating Officer
29 July 2024

Chief Financial Officer's Report

Financial Results

Group revenues for the year increased by an underlying £6.2 million despite an adverse foreign exchange variance of £1.0 million to arrive at reported revenues of £24.0 million (2023: £18.8 million), an underlying increase of 33.0%.

FY24 was the year of 'locking in' successful Collegiate contract wins and reaffirming our position as a key player in the Promotional Products Industry. We have achieved our revenue growth from new contract wins in our Merchanting division and performing well in Services which was impacted by an industry-wide slower growth year when compared against 2022, which was boosted by being the first full year post-pandemic.

Our underlying Service revenue growth of 5.6% is mainly driven from throughput volume, derived from membership activity through our VIP Supplier network, surpassing the industry 2023 calendar year distributor average of 1.2% (2023: 11.2%) as reported by ASI Central. This reflects our commitment to a high quality distributor membership model.

The Merchanting Division has grown from further expansion in our Affiliate sales network with year-end expected annualised run-rate revenues growing by 32% to \$18 million (2023: \$13.6 million) from a mix of 18% recruitment and 14% organic growth. Following the year end we have signed additional Affiliates comprising a further approximately \$2 million in potential annual revenue to reach the \$20 million milestone in annualised expected revenue run rates.

Our Adjacent Market Programme ('AMP') focusing on our Collegiate Gear Shops within the Educational Sector has seen underlying revenue growth of 600%, ending the year with 16 (2023: 5) contracts of over \$7 million (2023: \$1 million) expected aggregate annualised revenues. During FY24 we gained 13 contracts and exited 2 small online only contracts. Altitude's now firm foothold into the complementary Collegiate adjacent market provides growth opportunities as well as diversification. We commence FY25 with 6 newly awarded programmes and 3 churned contracts to reach 19 contracts comprising approximately of \$9 million annualised average expected revenues with an active near term pipeline of opportunities to go for. We have recently expanded our reach by developing further strategic partnerships. We cannot underplay how much we believe our expansion and market positioning positively impacts the outlook for the Group as we continue to learn and grow in this exciting space.

Operational gearing is a key area of focus for us with our Affiliate model delivering high levels of revenue growth for lower margin, profitability is sensitive to overhead increases. Therefore process efficiency and cost control is essential to maximising profit realisation. Within our Gear Shops we measure expected returns on each contract to assess the appropriate level of investment in a strong central team. The central Gear Shop team will then be equipped to deliver further growth. In Merchanting as a whole we have implemented improved processes throughout the year and have now gone live with a new ERP with integrated inventory management within our AMP's programmes.

| | Year ended | Year ended | Impact of currency translation | Underlying change | | Total change | |
|--------------|---------------|---------------|--------------------------------|-------------------|--------------|--------------|--------------|
| | 31 March | 31 March | | | | | |
| | 2024 | 2023 | | Group | Group | Group | Group |
| | £'000 | £'000 | Group | Group | Group | Group | Group |
| Turnover | | | | | | | |
| Services | 8,690 | 8,523 | (313) | 480 | 5.6% | 167 | 2.0% |
| Merchanting | 15,319 | 10,238 | (637) | 5,718 | 55.8% | 5,081 | 49.6% |
| Total | 24,009 | 18,761 | (950) | 6,198 | 33.0% | 5,248 | 28.0% |

| | | | | | | | |
|----------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Gross Profit | | | | | | | |
| Services | 7,862 | 7,718 | (287) | 431 | 5.6% | 144 | 1.9% |
| Merchanting | 2,512 | 887 | (104) | 1,729 | 195.0% | 1,625 | 183.2% |
| Total | 10,374 | 8,605 | (391) | 2,160 | 25.1% | 1,769 | 20.6% |
| Gross Profit Margin | | | | | | | |
| Services | 90.5% | 90.6% | | | | | |
| Merchanting | 16.4% | 8.7% | | | | | |
| Total | 43.2% | 45.9% | | | | | |

Gross profit has increased by £2.2 million, a 25.1% underlying increase, to £10.4 million (2023: £8.6 million) despite an adverse currency variance of £0.4 million.

Gross margin is relatively stable at 43.2% (2023: 45.9%). Whilst Services retained a consistently high margin of 90.5%, Merchanting gross margin grew to 16.4% (2023: 8.7%) being driven from the delivery of won contracts in the Collegiate sector which delivers a substantially higher gross margin than the Affiliate model. The graduation regalia sales that mainly occur between March and May with an element in December have a mix of store sales and commission sales which occur when we utilise an online supplier sales channel as is customary in the Industry.

Administration expenses before share-based payments, amortisation of intangible assets, depreciation of tangible assets and exceptional charges of £8.0 million (2023: £6.6 million) are ahead of prior year by £1.3 million or £1.6 million at underlying rates. This increase has been driven from the roll out and delivery of the Collegiate contracts of £1.0 million from store employees, central procurement and operations. Volume-related increases driven by transaction levels with administrative support staff c£0.4 million countered by a reduction in incentives of £0.4 million. Inflationary wage rises and costs increases have been estimated at impacting c£0.2 million.

Adjusted operating profit* increased by 30.2% at underlying rates and at actual exchange rates by 23.0% to £2.4 million (2023: £2.0 million). The statutory profit before taxation was at break even (2023: profit of £0.2 million), whilst the adjusted profit*** before taxation increased by £0.2 million to £1.2 million (2023: £0.9 million). Please see below for constant currency analysis.

Exceptional costs

The Group incurred exceptional costs of £0.3 million (2023: £0.1 million) relating to re-organisations within Sales, introducing a Global Head of Sales, along with continued Finance transformation including a system project to make stepped changes to support the fast changing nature of the Group.

Development

The Group capitalised £1.3 million of software development (2023: £0.9 million). The commitment to investing in our technology is underpinned by our spend and our close relationship with our Affiliates and members in driving customer focused improvements. Included within Internally generated development is £0.2 million related to the ERP system implementation. This is discussed in more detail in the COO review.

Earnings per share

Basic earnings per share were 0.98p (2023: 0.55p), an increase of 78.2%. Adjusted basic earnings per share** was 2.61p (2023: 1.63p), representing an increase of 60.1%. The calculation for adjusted earnings per share was updated in the prior year to be consistent with external measures by adding back amortisation on acquired intangibles whereas previously all depreciation and amortisation was added back.

Taxation

The Group is carrying a deferred taxation asset of £0.7 million (2023: £0.5 million) reflecting the recognition of tax losses carried forward. Based on future forecasts the Directors believe the Group's profits will be sufficient to fully utilise the deferred tax asset within the next four years. The Group was again successful in its application for the R&D tax credit resulting in a profit and loss tax credit of £0.1 million (2023: £0.2 million).

Cash flow

Operating cash inflow before changes in working capital was £2.4 million (2023: £2.0 million). Working capital represented an outflow of £0.1 million (2023: £0.4 million) from an increase in collegiate store inventory countered by earlier receipts from supplier revenues and less receivables outflow due to timing of orders around the year end and lower accruals. Net cash flow from operating activities increased by £0.6 million to £2.1 million (2023: £1.6 million inflow). Net cash outflow from investing activities of £1.8 million (2023: £1.1 million outflow) is mainly represented by our development spend, investments in our retail operations and system change. Financing activities included the repayment of finance agreements and interest of £0.3 million (2023: £0.2 million). Total net cash inflow was £0.1 million (2023: £0.2 million inflow). The year-end cash balance stood at £1.2 million (2023: £1.2 million) with no debt at the balance sheet date.

Treasury

The Group continues to manage the cash position in a manner designed to meet the operational needs of the businesses. Cash balances held in foreign currencies reflect the geographies in which the Group operates. There is no policy to hedge the Group's currency exposures arising from the profit translation or the effect of exchange rate movements on the Group's overseas net assets.

The Group has secured an increase in its main credit facility (the "Facility") with TD Bank N.A., to \$3.0 million (2023: \$1.5 million). The Facility has no significant financial covenants and is secured by the assets of the US Group with a parental guarantee from Altitude Group PLC and is senior to the subordinated Intercreditor loans. The Facility will provide access to non-dilutive funding to support the Group in executing its growth strategy. The Facility has a small annual arrangement fee and incurs interest at 1% above the US Prime Rate on drawdown. This Facility remains undrawn at the year end. The Group has other operational facilities of \$0.5 million (2023: \$0.5 million).

Share capital

The number of shares increased by 287,900 to 71,135,730 (2023: 70,847,830). All of the shares issued in the period were in respect of deferred bonus share awards and are detailed in note 5 with further disclosures related to Directors' interests in note 4.

The Company issued share options to senior management of nil (2023: 2,648,000). During the year the number of share options exercised was nil (2023: 166,666) with the number of share options and warrants lapsed being 1,636,000 (2023: 1,211,110). The total number of share options outstanding at the year-end is 4,741,447 (2023: 6,357,447).

KEY PERFORMANCE INDICATORS

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

| | Year ended | Year ended | Impact of currency translation | Underlying change | | Total change | |
|------------------------------------|---------------|---------------|--------------------------------|-------------------|-------|--------------|-----|
| | 31 March 2024 | 31 March 2023 | | | | | |
| | £'000 | £'000 | | | | | |
| Revenue | 24,009 | 18,761 | (950) | 6,198 | 33.0% | 5,248 | 28% |
| Gross profit | 10,374 | 8,605 | (391) | 2,160 | 25.1% | 1,769 | 21% |
| Gross margin | 43% | 46% | | | | | |
| Adjusted operating profit* | 2,407 | 1,957 | (141) | 591 | 30.2% | 450 | 23% |
| Adjusted profit before tax*** | 1,152 | 915 | (24) | 261 | 28.5% | 237 | 26% |
| Statutory profit/(loss) before tax | (5) | 152 | (9) | (148) | - | (157) | - |

Other KPI definitions used in the report

"Annualised expected revenue" is used in the context of ACS annualised revenue expectations. When a potential affiliate goes through an extensive vetting process with the team prior to signing their contract the annual expected sales levels are identified and selling commissions are agreed upon based on these levels. The expected level of sales generated is then measured against the actual performance of the affiliate and updated annually according to experienced performance, adjusting for one off large orders and other influencing factors. As the sales are usually non-contractual then they are called "expected".

"Annualised expected average revenue" is used in the context of our Gear Shop contracts. On tendering for a contract during the Request for Proposal ("RFP") the institution will usually release revenue histories which form a basis for the tender process. The quality of this information can vary, and management will review and take a prudent view of the expected contract size. It is usually expected that the year 1 revenues generated will be under the expected and that at some point during a 5-year contract the revenues may exceed the original view therefore management call the expected annualised sales as "average". The expected value will be reviewed annually and updated as appropriate.

**Adjusted operating profit is before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges is a consistently used measure used to show the performance of the revenue generating activities and the related costs involved in the delivery of the revenue for the current year*

*** Basic adjusted earnings per share is calculated using profit after tax but before share-based payment charges, amortisation of acquired intangible assets and exceptional charges and the weighted average number of equity voting shares in issue and, when relevant, in respect of diluted earnings per share includes the effect of share options that could potentially dilute basic earnings per share. This provides a consistent metric with the Income Statement for underlying performance*

****Adjusted profit before tax is profit before tax adjusted for share based charges, exceptional costs and amortisation on acquired intangibles. This metric is to review the performance of the underlying business including the depreciation for development costs*

Significant judgements and estimates

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

Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Board considers the principal risks faced by the Group to be as follows at 31 March 2024:

- a significant deterioration in economic conditions, particularly in USA affecting SME's, the principal target customers for the Group's technology products
- significant delays and or cost overruns in developing and delivering products to meet customer requirements in the targeted market sectors
- a risk of cyber attack that targets our systems causing downtime to end user processing or point of sale
- significant AMPs wins requiring investment over and above our cash resources
- predatory pricing or other actions by established competitors in our market sectors
- the risk of bad debts arising from AIM Capital Solutions
- a significant, adverse movement in the short-term in the US \$ exchange rate compared with GBP
- the propensity of AIM distributor members to migrate orders to AIM preferred suppliers
- the propensity of AIM distributor members to upgrade membership to include enhanced marketing and sales support services
- deteriorating retention of the membership base of the acquired AIM business
- a risk of under-reported revenue through incomplete visibility of member transactions

In all cases the Group seeks to mitigate these risks wherever possible by continuous marketing initiatives and promotions to stimulate market demand and continuous development of enhanced member services and the promotion of AIM Capital Solutions to high quality distributors with careful attention to credit risk. In addition, we maintain close relationships with all customers with service contracts based on transactional volume, and monitor progress using data sampling and quarterly confirmation. Growth in our AMPs contracts require investment in inventory at the onset of the contract and fit out usually at the end of the first year of the contract. Management review funding requirements depending on pipeline wins to assess this risk and work closely with the Board on major contract tenders. The COO manages development projects closely and works with the Executive team to ensure that we continue to offer services that meet our customer needs.

US operations are self-funding, mitigating the risk from short term exchange rate fluctuations. The US now regularly remits a funds back to the UK, generally on a monthly basis at relatively low levels. Management have reviewed the requirement of a formal hedging strategy however this will only be necessary if the funding levels increase. In the meantime, spot rates have been utilised with an outsourced foreign currency firm.

AIM is the largest distributor member organisation in the USA, with a 9-11% estimated member share of the promotional products aggregate sales figures in a very fragmented market. We assess the risk of predatory pricing from other

Products aggregate sales figures in a very, fragmented market. We assess the risk of predatory pricing from other established competitors to be low as they do not possess the scale or geographic coverage necessary influence the market as a whole. AIM members are incentivised to order from AIM preferred suppliers through the provision of significant discounts.

Cyber Security processes and controls including reminders and training and regularly provided to all staff to ensure they remain extra vigilant and exercise extreme caution when using email and the internet.

Liquidity

The Group remains debt free as at the year end with a cash balance of £1.2 million.

We have extended our finance facilities to \$3.2 million from \$1.7 million with TD Bank. The facility has supported the growth in Merchanting and was utilised during the year to manage the peaks and troughs in our working capital cycle.

Graham Feltham
Chief Financial Officer
29 July 2024

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2024

| | Notes | Year to 31 March 2024 £'000 | Year to 31 March 2023 £'000 |
|---|-------|--------------------------------------|--------------------------------------|
| Revenue | 2 | 24,009 | 18,761 |
| Cost of sales | | (13,635) | (10,156) |
| Gross profit: | | 10,374 | 8,605 |
| | | | |
| Administrative expenses before share-based payment charges, depreciation, amortisation, and exceptional charges | | (7,967) | (6,648) |
| Operating profit before share-based payment charges, depreciation, amortisation, and exceptional charges | | 2,407 | 1,957 |
| Share-based payment charges | | (708) | (511) |
| Depreciation and Amortisation | | (1,325) | (1,131) |
| Exceptional charges | 3 | (295) | (101) |
| Total administrative expenses | | (10,295) | (8,391) |
| Operating profit | | 79 | 214 |
| | | | |
| Finance charges | | (84) | (62) |
| (Loss)/profit before taxation | | (5) | 152 |
| | | | |
| Taxation | | 702 | 238 |
| Profit attributable to operations | | 697 | 390 |
| | | | |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Foreign exchange differences | | (174) | 425 |
| Total comprehensive income for the year | | 523 | 815 |
| | | | |
| Earnings per ordinary share attributable to the equity shareholders of the Company: | | | |
| - Basic (pence) | | 4 | 0.98p |
| - Diluted (pence) | | 4 | 0.96p |
| | | | 0.55p |

Consolidated Statement of Changes in Equity

for the year ended 31 March 2024

| | Share capital £'000 | Share premium £'000 | Retained losses £'000 | Foreign exchange translation reserve £'000 | Total equity £'000 |
|--|---------------------------|---------------------------|-----------------------------|--|--------------------------|
| Group | | | | | |
| At 31 March 2022 | 283 | 20,194 | (11,962) | (410) | 8,105 |
| Profit for the period | - | - | 390 | - | 390 |
| Foreign exchange differences | - | - | - | 425 | 425 |
| Total comprehensive income | - | - | 390 | 425 | 815 |
| Transactions with owners recorded directly in equity | | | | | |

| | | | | | |
|---|------------|---------------|-----------------|--------------|---------------|
| Share-based payment credit | - | - | 511 | - | 511 |
| Total transactions with owners | - | - | 511 | - | 511 |
| At 31 March 2023 | 283 | 20,194 | (11,061) | 15 | 9,431 |
| Profit for the period | - | - | 697 | - | 697 |
| Foreign exchange differences | - | - | - | (174) | (174) |
| Total comprehensive income | - | - | 697 | (174) | 523 |
| Transactions with owners recorded directly in equity | | | | | |
| Share-based payment charge | - | - | 708 | - | 708 |
| Shares issued | 2 | - | (2) | - | - |
| Total transactions with owners | 2 | - | 706 | - | 708 |
| At 31 March 2024 | 285 | 20,194 | (9,658) | (159) | 10,662 |

Consolidated Balance Sheet

as at 31 March 2024

| | Notes | As at 31 March 2024 | As at 31 March 2023 |
|---|-------|---------------------------|---------------------------|
| | | £'000 | £'000 |
| Non-current assets | | | |
| Goodwill | | 2,881 | 2,934 |
| Intangible assets | | 3,089 | 2,652 |
| Property, plant and equipment | | 326 | 202 |
| Right of use assets | | 270 | 471 |
| Deferred tax assets | | 668 | 458 |
| Total non-current assets | | 7,234 | 6,717 |
| Current assets | | | |
| Inventory | | 1,044 | 361 |
| Trade and other receivables | | 4,882 | 5,521 |
| Corporation Tax Receivable | | 115 | 91 |
| Cash and cash equivalents | | 1,220 | 1,173 |
| Total current assets | | 7,261 | 7,146 |
| Total assets | | 14,495 | 13,863 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | (3,642) | (3,699) |
| | | (3,642) | (3,699) |
| Net current assets | | 3,619 | 3,447 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | - | (347) |
| Lease liabilities | | (191) | (386) |
| | | (191) | (733) |
| Total liabilities | | (3,833) | (4,261) |
| Net assets | | 10,662 | 9,431 |
| Equity attributable to equity holders of the Company | | | |
| Called up share capital | | 285 | 283 |
| Share premium account | | 20,194 | 20,194 |
| Retained losses and foreign exchange | | (9,817) | (11,046) |
| Total equity | | 10,662 | 9,431 |

Consolidated Cash Flow Statement

for the year ended 31 March 2024

| | Year to 31 March 2024 | Year to 31 March 2023 |
|-----------------------------------|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| Operating profit | | |
| Operating profit | 79 | 214 |
| Amortisation of intangible assets | 1,071 | 901 |
| Depreciation | 254 | 230 |

| | | |
|--|----------------|----------------|
| Share-based payment charges | 708 | 511 |
| Exceptional items | 295 | 101 |
| Operating cash flow before changes in working capital and exceptional items | 2,407 | 1,957 |
| Movement in inventory | (694) | (339) |
| Movement in trade and other receivables | 540 | (1,532) |
| Movement in trade and other payables | 23 | 1,404 |
| Changes in working capital | (131) | (467) |
| Net cash flow from operating activities before exceptional items | 2,276 | 1,490 |
| Exceptional items | (263) | (84) |
| Net cash flow from operating activities after exceptional items | 2,013 | 1,406 |
| Income tax received | 121 | 144 |
| Net cash flow from operating activities | 2,134 | 1,550 |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (223) | (119) |
| Purchase of intangible assets | (1,573) | (986) |
| Net cash flow from investing activities | (1,796) | (1,105) |
| Cash flows from financing activities | | |
| Repayment of lease borrowings | (174) | (163) |
| Lease interest paid | (33) | (47) |
| Other interest paid | (50) | (15) |
| Issue of shares for cash (net of expenses) | - | - |
| Net cash flow from financing activities | (257) | (225) |
| Net increase in cash and cash equivalents | 81 | 220 |
| Cash and cash equivalents at the beginning of the period | 1,173 | 902 |
| Effect of foreign exchange rate changes on cash and cash equivalents | (34) | 51 |
| Net increase in cash and cash equivalents | 81 | 220 |
| Cash and cash equivalents at the end of the period | 1,220 | 1,173 |

Notes to the Consolidated Financial Statements

1. Accounting policies

The financial information in this preliminary announcement has been extracted from the audited Group Financial Statements for the year ended 31 March 2024 and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Group Financial Statements for 2023 were delivered to the registrar of companies, and those for 2024 will be delivered in due course. The auditor's report on the Group Financial Statements for 2023 and 2024 were both unqualified and unmodified. The auditors' report was signed on 29 July 2024. The Group Financial Statements and this preliminary announcement were approved by the Board of Directors on 29 July 2024.

The audited accounts will be posted to all shareholders and will be available on the Group's website (<https://www.altitudeplc.com/reports-results>) in due course.

Basis of preparation

The group financial statements have been prepared in accordance with UK adopted International Accounting Standards. The Company financial statements have been prepared under FRS 101.

Both financial statements have been prepared on the historical cost basis, with the exception of certain items which are measured at fair value as disclosed in the accounting policies set out below. The financial information is presented in Sterling and has been rounded to the nearest thousand (£000).

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 of information. 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.

New standards impacting the Group that are not yet effective and have not been adopted in the annual financial statements for the year ended 31 March 2024 are:

- Supplier Finance Arrangement (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Non-Current Liabilities with Covenants (Amendments to IAS 1)

These new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, will be reviewed for their impact on the financial statements prior to their initial application but are not currently expected to have a material impact.

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

Going concern

The financial statements have been prepared on a going concern basis.

The Group is following a strong growth trajectory despite the macro-economic conditions of high inflation and interest rates. The conflicts in Ukraine and Israel have continued to create instability however the initial signs of a reduction in inflation with signs that interest rates will be reducing in the shorter term is encouraging for global economic recovery. The Promo Industry's growth has unsurprisingly slowed compared to the post-covid recovery year of 2022 which resulted in a flat calendar Q4 in 2023 and a marginal decline in Q4 2024 as reported by ASI central. This is not surprising with the significant growth experienced post covid to then have a period of normalisation. The Group continues to deliver diversified growth by maintain strong relationships within the AIM network, growing ACS Affiliate recruitment and delivered significant AMPs contracts whilst generating cashflow.

The Board is confident that the Group has sufficient liquidity to manage the growth of the company and group and can flex on overhead spend should any part of the business underperform against our expectations. The financial statements have therefore been prepared on a going concern basis. The directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate. The key conditions are summarised below:

- The Directors have prepared cash flow forecasts extending to July 2025. The cash flow forecasts include a mid scenario and sensitised cases.
- The low scenario assumes reductions in revenue of c5% compared to the mid-scenario.
- The forecasts assume regular collections and payments in line with the normalised conditions experienced with detailed modelling of growth cash outflows included.
- The base and sensitised cash flow forecasts do not include any mitigating factors available to management in terms of:
 - discontinuing the development of AIM Capital Services to release working capital
 - reduced tendering activities for AMPs to avoid investment in working capital, fit out and set up costs along with exiting contracts to recover inventory value
 - reactionary cost reduction programmes in respect of headcount and organisation
 - securing new working capital facilities in respect of any growth of Merchanting business outside of the sensitised forecast.
- The Group maintains the distributor membership and preferred suppliers throughout the forecast period.
- The Group continues to develop the product offerings to meet the demands of the market and customers.
- The Directors have considered the position of the individual trading companies in the Group to ensure that these companies are also able to continue to meet their obligations as they fall due.
- There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.

Based on the above indications and assumptions, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

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

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

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

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

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

Contract costs

Costs to fulfil a contract are capitalised, amortised and assessed for impairment if they meet the required criteria. If the costs do not meet the criteria they are expensed as incurred.

Costs to fulfil a contract are recognised as an asset only if they:

- Relate directly to a contract, or to an anticipated contract that can be specifically identified
- Generate or enhance resources to be used to satisfy performance obligations in future, and
- Are expected to be recovered.

The policy applies to contracts that are greater than one year in length.

The asset is amortised over the life of the contract once the contract is live.

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 sales taxes, returns, rebates and discounts.

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

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

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

The difference between the amount of income recognised and the amount invoiced on a particular contract is included in the balance sheet as accrued or deferred income. Amounts included in accrued and deferred income due within one year are expected to be recognised within one year and are included within current assets and current liabilities respectively.

The Group has a number of different revenue streams which are described below.

Services Revenue

Includes a range of member and member-related revenues as well as legacy software license revenue.

Member subscription revenues

AIM distributor members pay a monthly subscription fee for basic membership which confers immediate access to a range of commercial benefits at no additional cost to the member. Members may elect to upgrade their membership to access a range of enhanced services provided by AIM in exchange for an increased monthly subscription fee. Subscription revenues are recognised on a monthly basis over the membership period.

Other discretionary services

Certain other services are made available to AIM members on a discretionary usage basis such as artwork processing services, catalogues and merchandise boxes. These revenues are recognised upon performance of the service or delivery of the product. For example, catalogue and merchandise box revenues are recognised on dispatch of the products to members.

Events and exhibitions revenues

AIM promotes and arranges events for AIM members and groups of supplier customers to meet and build relationships. Revenue from these events is recognised once the performance obligations have been satisfied, typically on completion of an event or exhibition.

Preferred Partner revenues

AIM provides services to vendors within the promotional products industry whereby Preferred Partners are actively promoted to AIM members via a variety of methods including utilising the AIM technology platform, webinars, email communications and quarterly publications.

Revenues are variable and depend on the value of purchases made and services utilised by the AIM members from Preferred Partners. Revenue is recognised over time by reference to the value of transactions in the period. Payment for AIM's marketing services is made by Preferred Partner customers on a calendar quarter or annual basis. Revenue is recognised to the extent that it is highly probable that it will not reverse based on historic fact pattern and latest market information.

Software and technology services revenues

Revenues in respect of software product licences and associated maintenance and support services are recognised evenly over the period to which they relate. An element of technology services revenue is dependent on the value of orders processed via the Group's technology platforms. Revenue is accrued based on the value of underlying transactions and the relevant contractual arrangements with the customer. Revenue is constrained to the extent that it is highly probable that it will not reverse.

Merchandising revenues

Merchandising revenues arise when group companies contract with customers to supply promotional products, branded merchandise, graduation regalia, non-textbooks course materials and supplies, food and beverage items and personal care.

ACS sells promotional products via AIM member affiliates who act as independent sales representatives of ACS to secure sales with customers. All transactions are mandatorily processed through the AIM technology platform and utilise ACS people and know-how to efficiently operate the full end to end process.

ACS bears the risk of the transaction as Principal, provisioning of orders and contracting with the customer, determining the transaction price, provision of fulfilment and supplier contracts and pricing, performing credit control and processing payments. The sale of the promotional products, with the related costs of goods supplied, freight and AIM affiliates selling commission recognised as the cost of goods sold. The revenue is recognised on the shipment of the goods from the supplier and as notified by the supplier invoice which are raised following shipment. The Directors accept that the technical transfer of risks and rewards to the customer occur on delivery of the goods which are usually delivered within 2-5 days of shipment. The Directors use a proxy of the shipment date as the trigger for recognising revenue.

The Group also sources products directly through its network of Preferred Partners, which it sells to AIM members and adjacent markets, where such sales do not conflict with the interest of either suppliers or the AIM membership.

AMPs, "Gear Shops", contracts sell branded merchandise, graduation regalia, non-textbooks course materials and supplies, food and beverage items and personal care. The majority of sales are either store sales or promotional product sales as described above. Graduation regalia sales are made in coordination with specialist graduation regalia providers. A subsection of graduation regalia are sold via the providers online store in which a commission is derived from this sale for the Group that are recognised at the time of sale. The online sales usually occur after the Group performs graduation events, fairs, in-store selling and marketing to drive any latecomers to the online solution so that students still have an opportunity to obtain their graduation regalia.

2. Segmental information

The chief operating decision maker has been identified as the Board of Directors and the segmental analysis is presented based on the Group's internal reporting to the Board. At 31 March 2024, the Group has two operating segments, North America, and the United Kingdom & Europe along with a Central segment. The Group further analyses performance to Gross Profit by presenting 'Service' and 'Merchandising' as shown. Service revenues are derived from servicing our AIM membership base and generating throughput with our contracted Preferred Partners. Merchandising revenues are sales of promotional products where the Group acts as principal in the underlying transaction.

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations. Assets and liabilities at 31 March 2024 and capital expenditure for the period then ended are as follows.

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2024 £'000 | Year ended 31 March 2024 £'000 | Year ended 31 March 2024 £'000 |
|--|---|---|---|---|
| | North America | UK and Europe | Central | Group |
| Turnover | | | | |
| Services | 7,540 | 1,150 | - | 8,690 |
| Merchancing | 15,319 | - | - | 15,319 |
| Total | 22,859 | 1,150 | - | 24,009 |
| Cost of Sales | | | | |
| Services | (651) | (177) | - | (828) |
| Merchancing | (12,807) | - | - | (12,807) |
| Total | (13,458) | (177) | - | (13,635) |
| Gross Profit | | | | |
| Services | 6,889 | 973 | - | 7,862 |
| Merchancing | 2,512 | - | - | 2,512 |
| Total | 9,401 | 973 | - | 10,374 |
| Operating Profit/(Loss) before share-based payment charges, depreciation, amortisation, and exceptional charges | | | | |
| Share-based payment charges | 3,824 | (57) | (1,360) | 2,407 |
| Depreciation | - | - | (708) | (708) |
| Amortisation | (193) | (61) | - | (254) |
| Management fees | (231) | (840) | - | (1,071) |
| Exceptional charges | (2,273) | 1,104 | 1,169 | - |
| Finance charges | (200) | (36) | (59) | (295) |
| Segmental profit before income tax | 853 | 104 | (962) | (5) |
| Assets* | 11,486 | 2,366 | 643 | 14,495 |
| Liabilities* | (3,390) | (393) | (352) | (4,135) |
| Net Assets | 8,096 | 1,973 | 291 | 10,360 |

*external balances disclosed for segmental purposes

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2024 £'000 | Year ended 31 March 2024 £'000 | Year ended 31 March 2024 £'000 |
|--------------------------------------|---|---|---|---|
| | North America | UK and Europe | Central | Group |
| Capital expenditure | | | | |
| Intangible assets | (303) | (1,270) | - | (1,573) |
| Property, plant and equipment | (203) | (13) | (7) | (223) |
| Right of use assets | - | - | - | - |
| Capital Expenditure | (506) | (1,283) | (7) | (1,796) |
| Timing of Revenue Recognition | | | | |
| At a point in time | 16,380 | 90 | - | 16,470 |
| Over time | 6,479 | 1,060 | - | 7,539 |
| Total Revenue | 22,859 | 1,150 | - | 24,009 |

| | Year ended 31 March 2023 £'000 | Year ended 31 March 2023 £'000 | Year ended 31 March 2023 £'000 | Year ended 31 March 2023 £'000 |
|----------------------|---|---|---|---|
| | North America | UK and Europe | Central | Group |
| Turnover | | | | |
| Services | 7,155 | 1,368 | - | 8,523 |
| Merchancing | 10,238 | - | - | 10,238 |
| Total | 17,393 | 1,368 | - | 18,761 |
| Cost of Sales | | | | |
| Services | (582) | (223) | - | (805) |
| Merchancing | (9,351) | - | - | (9,351) |
| Total | (9,933) | (223) | - | (10,156) |
| Gross Profit | | | | |
| Services | 6,573 | 1,145 | - | 7,718 |

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Merchanting | 88/ | - | - | 88/ |
| Total | 7,460 | 1,145 | - | 8,605 |
| Operating Profit/(Loss) before share-based payment charges, depreciation, amortisation, and exceptional charges | | | | |
| Share-based payment charges | 3,426 | 170 | (1,639) | 1,957 |
| Depreciation | (171) | (59) | - | (230) |
| Amortisation | (168) | (733) | - | (901) |
| Management fees | (2,397) | 778 | 1,619 | - |
| Exceptional charges | (65) | (14) | (22) | (101) |
| Finance charges | (41) | (21) | - | (62) |
| Segmental profit before income tax | 584 | 121 | (553) | 152 |
| Assets* | 11,187 | 2,368 | 308 | 13,863 |
| Liabilities* | (3,475) | (462) | (495) | (4,432) |
| Net Assets | 7,712 | 1,906 | (187) | 9,431 |

*external balances disclosed for segmental purposes

| | | | | |
|-------------------------------|--------------|--------------|------------|----------------|
| Capital expenditure | | | | |
| Intangible assets | (99) | (887) | - | (986) |
| Property, plant and equipment | (91) | (26) | (2) | (119) |
| Right of use assets | - | - | - | - |
| Capital Expenditure | (190) | (913) | (2) | (1,105) |

| | Year ended 31 March 2023 £'000 | Year ended 31 March 2023 £'000 | Year ended 31 March 2023 £'000 | Year ended 31 March 2023 £'000 |
|--------------------------------------|---|---|---|---|
| | North America | UK and Europe | Central | Group |
| Timing of Revenue Recognition | | | | |
| At a point in time | 11,216 | 186 | - | 11,402 |
| Over time | 6,177 | 1,182 | - | 7,359 |
| Total Revenue | 17,393 | 1,368 | - | 18,761 |

3. Exceptional charges

Analysis of exceptional items:

| | Year ended 31 March 2024 £'000 | Year ended 31 March 2023 £'000 |
|---|---|---|
| Legal, professional and consultancy costs | 109 | 84 |
| Other exceptional costs | 186 | 17 |
| Total | 295 | 101 |

Exceptional charges principally relate to acquisition projects, a strategic restructure of the sales organisation and new ERP system. (2023: to second-phase finance transformation costs, along with a provision for the historic portion of a VAT reclaim). Other exceptional costs principally relate to restructuring costs, other costs associated with the strategic review and bad debt, offset by a historical VAT reclaim (2023: relates to a reversal of a historical VAT reclaim).

4. Basic and diluted earnings per ordinary share

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

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|--------------------------------|--------------------------------|
| Profit attributable to the equity shareholders of the Company (£'000) | 697 | 390 |
| Weighted average number of shares (number '000) | 70,972 | 70,813 |
| Fully diluted weighted average number of shares (number '000) | 72,621 | 71,198 |
| Basic profit per ordinary share (pence) | 0.98p | 0.55p |
| Diluted profit per ordinary share (pence) | 0.96p | 0.55p |
| Adjusted profit per ordinary share (pence) | | |
| Profit attributable to the equity shareholders of the Company (£'000) | 697 | 390 |
| add back: | | |
| Share based payments | 708 | 511 |
| Amortisation on acquired intangibles | 154 | 151 |
| Exceptional charges | 295 | 100 |
| Adjusted earnings | 1,854 | 1,152 |
| Adjusted basic earnings per ordinary share (pence) | 2.61p | 1.63p |
| Adjusted diluted earnings per ordinary share (pence) | 2.55p | 1.62p |

We determine potentially dilutive shares as any share which is exercisable on publishing of the Annual Report.

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