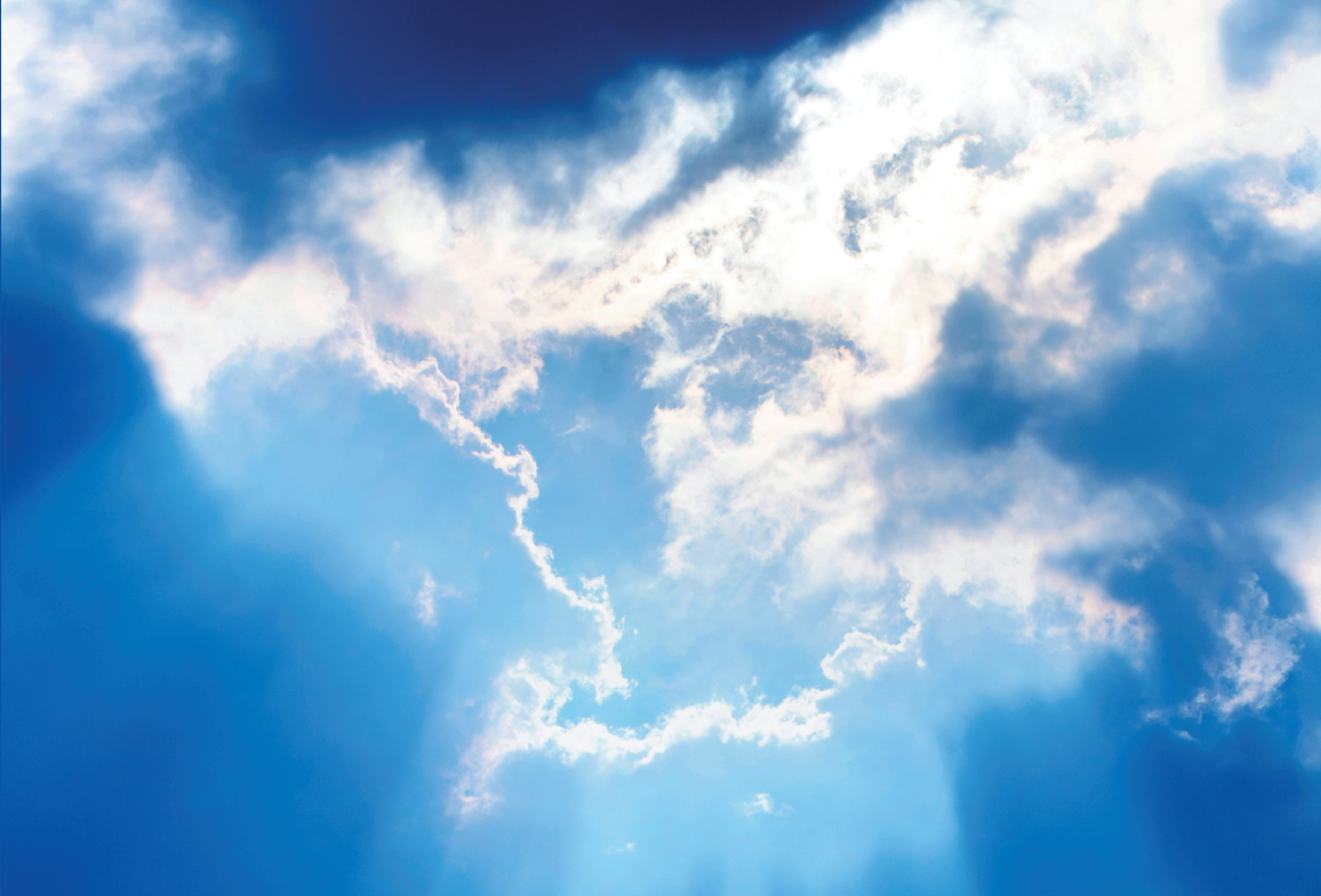

CONSOLIDATED DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2013

In ancient Greek drama, an apparently insoluble crisis was often solved by the intervention of the gods who magically descended onto the stage from the skies above.

The elaborate crane mechanisms that enabled this impressive effect were known as aeorema.

aeorema
COMMUNICATIONS PLC

Contents

Aeorema Communications plc

Aeorema Communications plc, the AIM-traded corporate communications and events specialist, announces its results for the year ended 30 June 2013.

Overview

- Return to profitability with pre-tax profits from continuing operations of £358,864 (2012: loss of £36,272)
- 41% increase in revenues from continuing operations to £3,992,751 (2012: £2,837,345)
- Healthy cash position of £1,581,790 (2012: £756,642)
- Successful office move and integration of video and events divisions
- Strengthened team and board
- Recommending maiden dividend

Chairman's Statement

Aeorema has had a busy year which has seen it increase sales and return to profitability. This strong financial performance is a reflection of the confidence in our core offering and subsequent strengthened position as a provider of screen media and events that bring new ideas, innovation and products vividly to life.

We continue to work closely with leading international companies operating primarily in the professional and financial services, telecommunications and technology sectors. Work undertaken during the year includes films and strategic advice on two events run by a professional services firm, events at the Cannes Lions for a global software company and a series of films for a leading management consultant for its new graduate recruitment microsite.

A key change and benefit to the organisation during the year was our office move. This has seen our events and video companies working closer than ever, now being together on a single open-plan floor. Not only does this help us to deliver an even better service to our clients, but it also makes it a more conducive workplace for our employees.

As you all know, we pride ourselves on our exceptional team and have strengthened it during the year. We have continued to win awards for the work we do for our clients both in events and film. To enhance this even further, during the year we have invested in new technologies, including an upgrade to our media storage and new presentation software. This should allow us to create a better offering to our events clients.

The results for the year show a profit before taxation from continuing operations of £358,864 (2012: loss of £36,272) on an increased revenue of £3,992,751 (2012: £2,837,345) helped considerably by the thriving events business. We achieved significant cost saving through the office move - £150,000 per year and nominal associated dilapidations. We remain cash positive with reserves of £1,581,790 (2012: £756,642).

In light of the excellent progress and significant growth potential, the Board is proposing an enhanced maiden dividend of 1.5 pence per share. This will be paid on 29 November 2013 to shareholders on the register on 25 October 2013. The Ex Dividend date is 23 October 2013. The total dividend amounts to £120,563. Going forward the Board will consider a more normalised dividend level.

In summary, our focus and confidence in our core offering have created a stronger business closely aligned with our clients' requirements. We believe that having reduced overheads and added new clients that Aeorema is positioned well for future growth but that we are reliant on the decisions of our clients to our creative proposals. The proposed payment of a maiden dividend demonstrates our confidence in Aeorema's strategic direction.

I would like to take this opportunity to thank both our shareholders for their support and our dedicated and talented creative team for their hard work over the period.

M Hale
Chairman

7 October 2013

Directors' Report

The directors present their annual report and financial statements for the year ended 30 June 2013. The financial statements are for Aeorema Communications plc ("the Company") and its subsidiaries (together, "the Group").

Principal activities

Aeorema is a multidisciplinary creative consultancy that specialises in devising and delivering corporate communication solutions.

Business review

The results for the year show a profit before taxation from continuing operations of £358,864 (2012: loss from continuing operations of £36,272). It is proposed that the retained profit after taxation of £263,501 (2012: loss of £85,183) is transferred to the Group's reserves.

Revenue for the year from continuing operations was £3,992,751 (2012: £2,837,345). The gross profit margin remained consistent at 29% (2012: 28%) and gross profit from continuing operations was £1,167,261 (2012: £795,011).

The board recommends an enhanced maiden dividend for the financial year ended 30 June 2013 of 1.5 pence per ordinary share to be paid on 29 November 2013 to all shareholders on the register at the close of business on 25 October 2013, subject to shareholders' approval on 25 November 2013 (2012: no dividends).

Key Financial Highlights

Year	**2013** **£**	**2012** **£**	**2011** **£**	**2010** **£**
Continuing operations				
Revenue	3,992,751	2,837,345	2,147,844	1,809,757
Profit / (loss) before taxation, impairment losses and write off of development costs	358,864	41,399	(90,336)	1,144

Further information can be found within the Chairman's statement on page 3.

Capital Expenditure

Total capital expenditure, including expenditure on intangible assets, was £51,335 compared with £13,653 last year.

Cashflows

Net cash inflow from operating activities was £847,834 compared with a net cash inflow of £263,309 for the year ended 30 June 2012. Total cashflow, representing operating cashflow after taxation, interest, capital expenditure and financing activities, increased by £825,148 compared with an increase of £228,227 last year.

Employees

Our priority is to attract and retain talented employees and to harness their creativity to drive growth through development and delivery of services that bring value to our customers' business operations.

We continue to focus on ensuring that the performance of staff is measured against clear, business focused objectives and behavioural criteria through continual appraisals.

Reward

The Group benchmarks employee salaries against the market and reviews salaries annually to ensure that we are paying at a level to attract and retain high-quality employees.

Key employees are offered access to a share option scheme: further details of which are provided in note 22 to the financial statements.

Equal Opportunities

We are committed to ensuring equal opportunities for our staff. We have introduced training which covers equal opportunities legislation and best practice. Our policy in respect of employment of disabled persons is the same as that relating to all other employees in matters of training, career development and promotion. Where employees become disabled during the course of their employment, we make every effort to make reasonable adjustments to their working environment to enable their continued employment.

Safety, Health and Environment

The commitment and participation of all employees is vital to efficient and effective occupational risk control. In order to meet our responsibility to protect the environment, staff and the business, the Group continues to focus on maintaining a risk aware culture.

We believe the Group maintains a low environmental impact. We therefore continue to work on the potential environmental impacts of energy consumption, waste and travel.

Trade payables payment policy

The Company's and the Group's current policy concerning the payment of trade payables is to:-

– settle the terms of payment with suppliers when agreeing the terms of each transaction;

– ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

– pay in accordance with the Company's contractual and other legal obligations.

On average, trade payables at the year end represented 89 (2012: 76) days purchases.

Directors' Policies for Managing Principal Risks

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the business. Risk reviews are undertaken regularly by the respective business areas throughout the year to identify and assess the key risks associated with the achievement of our business objective.

Details of the financial risks faced by the Group and its policies for managing these are given in note 26. Details of other risks and uncertainties faced by the Group are included in the Chairman's Statement on page 3.

Financial instruments

Details of financial instruments are given in note 26 to the accounts.

Directors' Report *continued*

For the year ended 30 June 2013

Directors

The following directors have held office since 1 July 2012:

P Litten

R Owen

S Garbutta

M Hale

G Fitzpatrick

S Quah (Appointed 15 April 2013)

In accordance with regulation 122 of the Company's Articles of Association, one third of the directors retire by rotation, or if their number is not three, or a multiple of three, the nearest to but not exceeding one third, and, being eligible, offer themselves for re-election.

Non-current assets

The significant changes in non-current assets during the year are explained in notes 11, 12 and 13 to the financial statements. As pioneers in visual technologies, the Group has utilised its resources to develop unique and highly innovative communications products.

Shareholdings

At 30 September 2013, the directors were aware that the following were the beneficial owners of 3% or more of the Company's issued share capital:

	Number of shares	Percentages held
P Litten	3,362,500	41.8
M Hale	1,650,000	20.5
R Hodgson	463,606	5.7
Reverse Take-Over Investments Plc	300,000	3.7
B Smith	300,000	3.7
N J Newman	275,000	3.4

R Owen is a director and has an interest in Reverse Take-Over Investments Plc through its parent company Westside Acquisitions Plc. As civil partner of P Litten, G Fitzpatrick has a beneficial interest in 3,362,500 ordinary shares. N J Newman holds his shares on behalf of Harris & Trotter LLP. As a partner in Harris & Trotter LLP, S Garbutta has an indirect holding in these shares.

Corporate governance

Although not required to do so, the Company seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice (the "Combined Code") appended to the Listing Rules of the Financial Services Authority.

The Board

The aim of the Board is to function at the head of the Company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value. The Board currently consists of two executive directors and three non-executive directors. The Company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

Internal control

The Board has overall responsibility for ensuring that the Group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information both for use within the business and for external publication and that the assets are safeguarded.

Audit Committee

There is an Audit Committee consisting of the Chairman, for the time being, and a non-executive director. The terms of reference of the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and internal control. Its duties include maintaining an appropriate relationship with the Company's auditors, keeping under review the scope and the results of the audit and its effectiveness.

Remuneration Committee

The Remuneration Committee consists of two Non-Executive Directors, Stephen Garbutta and Michael Hale, and a meeting will be held in no less than once a year. The Remuneration Committee is responsible for reviewing the performance of the executives of the Company and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Company.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, they have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all the relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

On 1 October 2013, RSM Tenon Audit Limited changed its name to Baker Tilly Audit Limited.

Directors' Report *continued*

For the year ended 30 June 2013

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law and as required by the AIM rules of the London Stock Exchange, the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Company financial statements in accordance with these standards. Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:-

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are responsible and prudent;

– state whether they have been prepared in accordance with IFRS as adopted by the European Union;

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

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

The maintenance and the integrity of the website is the responsibility of the directors; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were presented on the Company and the Group's website. Legislation in the UK governing dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

S Garbutta
Director
7 October 2013

Independent Auditors' Report

To the shareholders of Aeorema Communications plc

We have audited the financial statements of Aeorema Communications plc for the year ended 30 June 2013 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Independent Auditors' Report *continued*

To the shareholders of Aeorema Communications plc

Opinion on other matters 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:

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

Tony Castagnetti 7 October 2013

(Statutory Auditor)

for and on behalf of Baker Tilly Audit Limited
66 Chiltern Street,
London, W1U 4JT

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 £	2012 £
Continuing operations			
Revenue	2	**3,992,751**	**2,837,345**
Cost of sales		(2,825,490)	(2,042,334)
Gross profit		**1,167,261**	**795,011**
Administrative expenses		(862,600)	(833,011)
Operating Profit / (loss)	3	**304,661**	**(38,000)**
Gain recognised on disposal of former subsidiary	24	54,021	–
Finance income	4	195	228
Finance expense	4	(13)	–
Other income	5	–	1,500
Profit / (loss) before taxation		**358,864**	**(36,272)**
Taxation	6	(79,087)	(2,342)
Profit / (loss) for the year from continuing operations		279,777	(38,614)
Discontinued operations			
Loss for the period from discontinued operations	8	(16,276)	(46,569)
Total comprehensive income / (expense) for the year attributable to owners of the parent		**263,501**	**(85,183)**
Profit / (loss) per ordinary share:			
Basic	10		
From continuing operations		3.4809p	(0.48876p)
From discontinued operations		(0.2025p)	(0.58946p)
Total basic earnings per share		**3.2784p**	**(1.07822p)**
Diluted	10		
From continuing operations		3.25117p	(0.45576p)
From discontinued operations		(0.18914p)	(0.54966p)
Total diluted earnings per share		**3.06203p**	**(1.00542p)**

There were no other comprehensive income items.

The notes on pages 15 to 38 are an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2013

	Notes	Group		Company	
		2013 £	2012 £	2013 £	2012 £
Non-current assets					
Intangible assets	**11**	365,154	365,154	-	-
Property, plant and equipment	**12**	77,040	65,928	-	-
Investments in subsidiaries	**13**	-	-	538,307	526,268
Deferred taxation	**7**	8,277	19,712	-	-
		450,471	**450,794**	**538,307**	**526,268**
Current assets					
Inventories		2,675	2,675	–	–
Trade and other receivables	**14**	606,557	807,841	468,462	31,453
Cash and cash equivalents	**15**	1,581,790	756,642	782,780	289,398
		2,191,022	**1,567,158**	**1,251,242**	**320,851**
Total assets		**2,641,493**	**2,017,952**	**1,789,549**	**847,119**
Current liabilities					
Trade and other payables	**16**	(1,140,377)	(800,152)	(282,081)	(40,287)
Net assets		**1,501,116**	**1,217,800**	**1,507,468**	**806,832**
Equity					
Share capital	**17**	1,004,688	1,004,688	1,004,688	1,004,688
Merger reserve	**18**	16,650	16,650	16,650	16,650
Share-based payment reserve		96,083	76,268	96,083	76,268
Capital redemption reserve		257,812	257,812	257,812	257,812
Retained earnings		125,883	(137,618)	132,235	(548,586)
Equity attributable to owners of the parent		**1,501,116**	**1,217,800**	**1,507,468**	**806,832**

The notes on pages 15 to 38 are an integral part of these financial statements.

The financial statements were approved and authorised by the board of directors on 7 October 2013 and were signed on its behalf by

P Litten, *Director* S Garbutta, *Director*

Company Registration No. 04314540

Statement of Changes in Equity

For the year ended 30 June 2013

Group	Share capital £	Merger reserve £	Share-based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 July 2011	979,688	-	31,116	257,812	(52,435)	1,216,181
Comprehensive expense for the year	-	-	-	-	(85,183)	(85,183)
Issue of shares	25,000	21,500	-	-	-	46,500
Share issue costs	-	(4,850)	-	-	-	(4,850)
Share-based payments	-	-	45,152	-	-	45,152
At 30 June 2012	**1,004,688**	**16,650**	**76,268**	**257,812**	**(137,618)**	**1,217,800**
At 1 July 2012	1,004,688	16,650	76,268	257,812	(137,618)	1,217,800
Comprehensive income for the year, net of tax	-	-	-	-	263,501	263,501
Share-based payments	-	-	19,815	-	-	19,815
At 30 June 2013	**1,004,688**	**16,650**	**96,083**	**257,812**	**125,883**	**1,501,116**

Company	Share capital £	Merger reserve £	Share-based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 July 2011	979,688	-	31,116	257,812	(277,792)	990,824
Comprehensive expense for the year	-	-	-	-	(270,794)	(270,794)
Issue of shares	25,000	21,500	-	-	-	46,500
Share issue costs	-	(4,850)	-	-	-	(4,850)
Share-based payments	-	-	45,152	-	-	45,152
At 30 June 2012	**1,004,688**	**16,650**	**76,268**	**257,812**	**(548,586)**	**806,832**
At 1 July 2012	1,004,688	16,650	76,268	257,812	(548,586)	806,832
Comprehensive income for the year, net of tax	-	-	-	-	680,821	680,821
Share-based payments	-	-	19,815	-	-	19,815
At 30 June 2013	**1,004,688**	**16,650**	**96,083**	**257,812**	**132,235**	**1,507,468**

The notes on pages 15 to 38 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2013

	Notes	Group		Company	
		2013 £	2012 £	2013 £	2012 £
Net cash flow from operating activities	**25**	**847,834**	**263,309**	**493,244**	**(65,243)**
Cash flows from investing activities					
Finance expense		-	(13)	-	-
Finance income		195	228	138	189
Purchase of property, plant and equipment	**12**	(51,335)	(13,653)	-	-
Proceeds from sale of property, plant and equipment		44,875	-	-	-
Investments in subsidiaries (net of cash acquired)		-	(16,794)	-	(40,000)
Disposal of subsidiary (net of cash disposed)	**24**	(16,421)	-	-	-
Cash (used) / generated in investing activities		**(22,686)**	**(30,232)**	**138**	**(39,811)**
Cash flows from financing activities					
Cost of share issue		-	(4,850)	-	(4,850)
Cash used in financing activities		**-**	**(4,850)**	**-**	**(4,850)**
Net increase / (decrease) in cash and cash equivalents		**825,148**	**228,227**	**493,382**	**(109,904)**
Cash and cash equivalents at beginning of year		756,642	528,415	289,398	399,302
Cash and cash equivalents at end of year	**15**	**1,581,790**	**756,642**	**782,780**	**289,398**

The notes on pages 15 to 38 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

1 Accounting policies

Aeorema Communications plc is a public limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its principal place of business is Moray House, 23/31 Great Titchfield Street, London W1W 7PA. The Company's Ordinary Shares are traded on the AIM Market.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the review of business contained in the Chairman's Statement. The Group's financial statements show details of its financial position including, in note 26, details of its financial instruments and exposure to risk.

After reviewing the Group's budget for the next financial year, other medium term plans and considering the risks outlined in note 26, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Basis of Preparation

The Group's financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following new standards, amendments to standards and interpretations, applied for the first time from 1 July 2012.

- IAS 1 (Amended) 'Presentation of Other Comprehensive Income', effective 1 July 2012.
- IAS 12 (Amended) 'Income Taxes', effective 1 January 2012.

The adoption of these revised and amended standards has not impacted on the Annual Report and Financial Statements.

Adopted IFRSs not yet applied

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2012 and have not been adopted early by the group:

- IFRS 1 (Amended) 'First-time Adoption of International Financial Reporting Standards', effective 1 January 2013.
- IFRS 7 (Amended) 'Financial Instruments: Disclosures', effective 1 January 2015.
- IFRS 9 'Financial Instruments', effective 1 January 2015.
- IFRS 10 'Consolidated Financial Statements', effective 1 January 2013.
- IFRS 11 'Joint Arrangements', effective 1 January 2013.
- IFRS 12 'Disclosure of Interests in Other Entities', effective 1 January 2013.
- IFRS 13 'Fair Value Measurement', effective 1 January 2013.
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine', effective 1 January 2013.
- IAS 1 (Amended) 'Presentation of Other Comprehensive Income', effective 1 January 2013.
- IAS 16 (Amended) 'Property, Plant and Equipment', effective 1 January 2013.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

- IAS 19 (Amended) 'Employee Benefits', effective 1 January 2013.
- IAS 27 (Revised) 'Separate Financial Statements', effective 1 January 2013.
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures', effective 1 January 2013.
- IAS 32 (Amended) 'Financial Instruments: Presentation', effective 1 January 2013.
- IAS 34 (Amended) 'Interim Financial Reporting', effective 1 January 2013.

Management does not believe that the application of these standards, where applicable, will have an impact on the financial statements, except for the requirement of additional disclosures.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2013. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that such control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.

Revenue

Revenue represents amounts (excluding value added tax) derived from the provision of services to third party customers in the course of the Group's ordinary activities. Revenue is measured at the fair value of consideration received taking into account any trade discounts and volume rebates. Revenue for all business segments is recognised when the Group has earned the right to receive consideration for its services.

Intangible assets – goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill acquired represents the excess of the fair value of the consideration and associated costs over the fair value of the identifiable net assets acquired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units, usually at business segment level or statutory company level as the case may be, for the purpose of impairment testing and is tested at least annually for impairment. On subsequent disposal or termination of a business acquired, the profit or loss on termination is calculated after charging the carrying value of any related goodwill.

Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less accumulated depreciation and any impairment value. Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment over its expected useful life (which is reviewed at least at each financial year end), as follows:

Leasehold land and buildings	straight line over the life of the lease (5 years)
Fixtures, fittings and equipment	25% straight line

Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

Fully depreciated assets still in use are retained in the financial statements.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date and whenever there is an indication of impairment.

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 income statement in those expense categories consistent with the function of the impaired asset.

Operating leases

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently measured at amortised cost less any provision for impairment.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Cash and cash equivalents

Cash comprises, for the purpose of the Statement of Cash Flows, of cash in hand and deposits payable on demand and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents normally have a date of maturity of 3 months or less from the acquisition date.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

Finance income

Financial income consists of interest receivable on funds invested. It is recognised in the Statement of Comprehensive Income as it accrues.

Taxation

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Pension costs

The Group does not operate a pension scheme for its employees. It does however, make contributions to the private pension arrangements of certain employees. These arrangements are of the money purchase type and the amount charged to the Statement of Comprehensive Income represents the contributions payable by the Group for the period.

Financial instruments

The Group does not enter into derivative transactions and does not trade in financial instruments. Financial assets and liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provision of the instrument.

Equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group's equity instruments comprise 'share capital' in the Statement of Financial Position.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

Share-based payments

The Group has applied the transitional provisions of IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 July 2006.

The fair value of equity rights is estimated using option pricing models at the date of grant to key employees and is dependent on factors such as the exercise price, expected volatility, option price and risk free interest rate. The fair value is then amortised through the Statement of Comprehensive Income on a straight-line basis over the vesting period. Expected volatility is determined based on the historical share price volatility for the Company. Further information is given in note 22 to the financial statements.

Significant judgements and estimates

The preparation of the Group's financial statements in conforming with IFRS required management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in the accounting policies and / or notes to the financial statements and the key areas are summarised below:

a) Depreciation rates are based on the estimated useful lives and residual value of the assets involved.

b) The impairment review of goodwill is based on the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows.

c) The Group operates share incentive schemes as detailed in note 22. In order to calculate the annual charge in accordance with IFRS 2, management are required to make a number of assumptions and include, amongst others, volatility and expected life of options.

d) An allowance for uncollectable trade receivables is estimated based on a combination of aging analysis and any specific, known troubled customer accounts.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

2 Revenue and segment information

Revenue and segmental results have been disclosed by two operating segments of On Screen and Live Events in the manner that the information is presented to the Board of Directors, being the Chief Operating Decision Makers, in accordance with IFRS 8.

Viral Film operations were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 8.

	On Screen 2013 £	On Screen 2012 £	Live Events 2013 £	Live Events 2012 £	Total 2013 £	Total 2012 £
Continuing operations						
Revenue	**1,489,427**	**1,027,974**	**2,503,324**	**1,809,371**	**3,992,751**	**2,837,345**
Segment results	243,540	80,632	380,430	123,522	623,970	204,154
Unallocated expenses	–	–	–	–	(319,309)	(242,154)
Operating profit / (loss)	–	–	–	–	**304,661**	**(38,000)**
Finance expense	–	–	–	–	(13)	–
Finance income	–	–	–	–	195	228
Other income	–	–	–	–	–	1,500
Profit on disposal of subsidiary	–	–	–	–	54,021	–
Taxation	–	–	–	–	(79,087)	(2,342)
Profit / (loss) after tax (continuing operations)	–	–	–	–	**279,777**	**(38,614)**
Segment assets	553,540	501,613	935,599	792,857	1,489,139	1,294,470
Unallocated assets	–	–	–	–	1,152,354	658,764
Assets relating to Viral Film operations (now discontinued)	–	–	–	–	–	64,718
Total assets	**553,540**	**501,613**	**935,599**	**792,857**	**2,641,493**	**2,017,952**
Segment liabilities	(276,744)	(238,690)	(785,088)	(484,463)	(1,061,832)	(723,153)
Unallocated liabilities	–	–	–	–	(198,545)	(20,263)
Liabilities relating to Viral Film operations (now discontinued)	–	–	–	–	–	(56,736)
Total liabilities	**(276,744)**	**(238,690)**	**(785,088)**	**(484,463)**	**(1,260,377)**	**(800,152)**
Other segment information:						
Capital expenditure	50,700	12,809	635	844	51,335	13,653
Impairment losses	–	–	–	–	–	77,671
Depreciation and amortisation	34,026	58,653	1,321	1,137	35,347	59,790

All revenue represents sales to external customers. One customer (2012: One) is defined as a major customer by revenue, contributing more than 10% of the Group revenue.

	Segment	**2013** **£**	**2012** **£**
Major customer	Live Events	1,217,332	757,255

The geographical analysis of turnover and assets from continuing operations by geographical location of customer is as follows:

Geographical market	**2013** **UK** **£**	**2012** **UK** **£**	**2013** **Europe** **£**	**2012** **Europe** **£**	**2013** **USA** **£**	**2012** **USA** **£**	**2013** **Total** **£**	**2012** **Total** **£**
Revenue	**3,803,651**	**2,729,369**	**1,752**	**8,144**	**187,348**	**99,832**	**3,992,751**	**2,837,345**
Segment assets	466,554	591,538	-	-	60,428	83,449	526,982	674,987
Unallocated assets							2,114,511	1,342,965
Total assets							**2,641,493**	**2,017,952**
Capital expenditure – unallocated							**51,335**	**13,653**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

3 Operating profit / (loss)

Operating profit / (loss) is stated after charging	**2013 £**	**2012 £**
Depreciation of property, plant and equipment	35,934	59,790
Impairment of goodwill	–	77,671
Profit on disposal of property, plant and equipment	44,875	–
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	6,000	6,000
Audit of the Company's subsidiaries	11,500	13,000
Staff costs (see note 21)	1,001,550	1,037,826
Operating leases – land and buildings	91,438	105,068

4 Financial Income and expenses

Finance income	**2013 £**	**2012 £**
Bank interest received	195	228

Finance expenses	**2013 £**	**2012 £**
Other interest payable	13	–

5 Other income

	2013 £	**2012 £**
Rental income	–	1,500

6 Taxation

	2013 £	2012 £
The tax charge comprises:		
Current tax		
Current year	67,652	–
	67,652	–
Deferred tax		
Current year	11,435	2,342
	11,435	**2,342**
Total tax charge in the statement of comprehensive income	**79,087**	**2,342**
Factors affecting the tax charge for the year		
Profit / (loss) on ordinary activities before taxation from continuing operations	358,864	(36,272)
Profit / (loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23% (2012: 20%)	82,539	(7,254)
Effects of:		
Non deductible expenses	12,494	3,151
Income that is exempt from taxation	(22,745)	-
Depreciation, impairment losses and disposals	8,130	27,492
Capital allowances	(8,671)	(7,351)
Share-based payment	7,785	6,223
Losses utilised	(9,505)	(22,423)
Losses carried forward	-	162
Marginal relief	(2,375)	-
Deferred tax asset movement	11,435	2,342
	(3,452)	**9,596**
Total taxation charge	**79,087**	**2,342**

The Group has estimated losses of £375,762 (2012: £448,940) available to carry forward against future trading profits.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

7 Deferred taxation

	2013 £	2012 £
Property, plant and equipment temporary differences	(1,094)	622
Temporary differences	9,371	4,725
Losses	-	14,365
	8,277	**19,712**
At 1 July	19,712	22,054
Transfer to Statement of Comprehensive Income	(11,435)	(2,342)
At 30 June	**8,277**	**19,712**

The deferred tax asset is expected to be utilised given the return to profitability and future trading prospects.

8 Discontinued Operations

On 7 December 2012 the Group disposed of its 100% subsidiary ST16 Limited, which carried out Viral Film operations. ST16 Limited was sold to its directors, S Crofts and J Stinton for proceeds of £5. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 24.

The loss from the discontinued operation included in the profit for the year is set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

	2013 £	2012 £
Loss for the year from discontinued operations		
Revenue	69,002	62,257
Expenses	(85,278)	(108,826)
Loss for the year from discontinued operations attributable to owners of the company	**(16,276)**	**(46,569)**
Cash flows from discontinued operations		
Net cash inflows / (outflows) from operating activities	(90,006)	15,481
Net cash inflows from investing activities	51,319	-
Net cash inflows / (outflows)	**(38,687)**	**15,481**

9 Profit attributable to members of the parent company

As permitted by section 408 of the Companies Act 2006, the parent Company's Statement of Comprehensive Income has not been included in these financial statements. The retained profit for the financial year of the holding company was £680,821 (2012: retained loss of £270,794).

10 Earnings per ordinary share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used and dilutive earnings per share computations:

	2013 £	2012 £
Basic earnings per share		
Profit for the year attributable to owners of the Company	263,501	(85,183)
Loss for the period from discontinued operations used in the calculation of basic earnings per share from discontinued operations	16,276	46,569
Earnings used in the calculation of basic earnings per share from continuing operations	**279,777**	**(38,614)**
Basic weighted average number of shares	**8,037,500**	**7,900,342**
Dilutive potential ordinary shares:		
Employee share options	567,915	572,017
Diluted weighted average number of shares	**8,605,415**	**8,472,359**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

11 Intangible Fixed Assets

Group	**Goodwill £**
Cost	
At 1 July 2011	2,728,292
Acquisition of subsidiary	77,671
At 30 June 2012	2,805,963
Disposal of subsidiary	(77,671)
At 30 June 2013	**2,728,292**
Impairment and amortisation	
At 1 July 2011	2,363,138
Impairment charge	77,671
At 30 June 2012	2,440,809
Eliminated on disposal	(77,671)
At 30 June 2013	**2,363,138**
Net book value	
At 1 July 2011	365,154
At 30 June 2012	365,154
At 30 June 2013	**365,154**

Goodwill arose for the Group on consolidation of its subsidiary company, Aeorema Limited (formerly Cheerful Scout Productions Limited).

Impairment – Aeorema Limited (formerly Cheerful Scout Productions Limited)

Goodwill has been tested for impairment based on its future value in use. Future value has been calculated on a discounted cash flow basis using the 2014 budgeted figures as approved by the Board of Directors extended for a period of 5 years and discounted at a rate of 2.9%. It has been assumed that future growth will be at 1.5%. Based upon these assumptions, there was no impairment in the year.

Management has assessed the sensitivity of the recoverable amounts in the key assumptions to be as follows: a five percentage increase in the discount rate would reduce the recoverable amount by £75,000 and a one percentage fall in future growth would reduce the recoverable amount by £225,000. However, in both cases there would still be no indication of impairment of goodwill.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

12 Property, Plant and Equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 July 2011	157,063	870,983	1,028,046
Additions	-	13,653	13,653
Additions on acquisition of subsidiary	-	5,254	5,254
At 30 June 2012	157,063	889,890	1,046,953
Additions	24,034	27,301	51,335
Disposals	(157,063)	(90,870)	(247,933)
Derecognised on disposal of a subsidiary	-	(5,254)	(5,254)
At 30 June 2013	**24,034**	**821,067**	**845,101**
Depreciation			
At 1 July 2011	151,738	769,120	920,858
Charge for the year	2,100	58,067	60,167
At 30 June 2012	153,838	827,187	981,025
Eliminated on disposal of assets	(157,063)	(90,870)	(247,933)
Eliminated on disposal of a subsidiary	-	(965)	(965)
Charge for the year	8,426	27,508	35,934
At 30 June 2013	**5,201**	**762,860**	**768,061**
Net book value			
At 1 July 2011	5,325	101,863	107,188
At 30 June 2012	3,225	62,703	65,928
At 30 June 2013	**18,833**	**58,207**	**77,040**

The gross carrying amount of fully depreciated property, plant and equipment still in use is £nil (2012: £146,578) in relation to leasehold land and buildings and £696,292 (2012: £770,351) in relation to fixtures, fittings and equipment.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

13 Non-current Assets – Investments

Company	**Shares in subsidiary £**
Cost	
At 1 July 2011	3,175,929
Acquisition of subsidiary	86,500
Increase in respect of share based payments	45,152
Disposal of subsidiary	(600)
At 30 June 2012	3,306,981
Increase in respect of share based payments	12,039
Disposal of subsidiary	(86,500)
At 30 June 2013	**3,232,520**
Provision	
At 1 July 2011	2,694,813
Impairment of subsidiary	86,500
Disposal of subsidiary	(600)
At 30 June 2012	2,780,713
Disposal of subsidiary	(86,500)
At 30 June 2013	**2,694,213**
Net book value	
At 1 July 2011	481,116
At 30 June 2012	526,268
At 30 June 2013	**538,307**

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Subsidiary undertakings	Country of registration or incorporation	Shares held	
		Class	%
Aeorema Limited (formerly Cheerful Scout Productions Limited)	England and Wales	Ordinary	100
Twentyfirst Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

Company	Principal activity
Aeorema Limited (formerly Cheerful Scout Productions Limited)	Provision of business communication services
Twentyfirst Limited	Provision of event management services

During the year the company's subsidiary, ST16 Limited, was sold.

14 Trade and other receivables

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade receivables	526,982	674,987	-	-
Related party receivables	-	-	457,863	21,869
Other receivables	20,516	37,901	6,180	5,372
Prepayments and accrued income	59,059	94,953	4,419	4,212
	606,557	**807,841**	**468,462**	**31,453**

All trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying values shown above.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

At the year end, trade receivables of £262,488 (2012: £94,837) were past due but not impaired. These relate to a number of customers for whom there is no significant change in credit quality and the amounts are still considered recoverable. The ageing of these trade receivables is as follows:

	Group	
	2013 **£**	**2012** **£**
Less than 90 days	239,164	94,837
More than 90 days	23,324	-
	262,488	**94,837**

15 Cash and cash equivalents

	Group		Company	
	2013 **£**	**2012** **£**	**2013** **£**	**2012** **£**
Bank balances	1,581,790	756,642	782,780	289,398
Cash and cash equivalents	**1,581,790**	**756,642**	**782,780**	**289,398**
Cash and cash equivalents in the statement of cash flows	**1,581,790**	**756,642**	**782,780**	**289,398**

16 Trade and Other Payables

	Group		Company	
	2013 **£**	**2012** **£**	**2013** **£**	**2012** **£**
Trade payables	686,742	430,056	11,114	9,275
Related party payables	-	-	197,355	14,652
Taxes and social security costs	186,474	171,040	250	250
Other payables	160	10,866	-	-
Accruals and deferred income	267,001	188,190	73,362	16,110
	1,140,377	**800,152**	**282,081**	**40,287**

All trade and other payables are expected to be settled within 12 months of the balance sheet date. The fair value of trade and other payables is the same as the carrying values shown above.

17 Share capital

	2013 £	2012 £
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000

Allotted, called up and fully paid	**Number**	**Ordinary shares £**
At 1 July 2011	7,837,500	979,688
Issue of shares	200,000	25,000
At 30 June 2012	8,037,500	1,004,688
At 30 June 2013	**8,037,500**	**1,004,688**

See note 22 for details of share options outstanding.

18 Merger reserve

	Merger reserve £
At 1 July 2011	–
Premium on issue of shares	21,500
Share issue costs	(4,850)
At 30 June 2012	16,650
At 30 June 2013	**16,650**

In accordance with section 612 of the Companies Act 2006, the premium on ordinary shares issued in relation to acquisitions is recorded as a merger reserve. The reserve is not distributable.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

19 Financial commitments

Total future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	Land and Buildings	
	2013	**2012**
	£	**£**
Not later than one year	-	64,167
Later than one year and not later than five years	62,500	6,258

20 Directors' emoluments

The remuneration of Directors of the Company is set out below.

	Salary or Fees 2013 £	Salary or Fees 2012 £	Pensions 2013 £	Pensions 2012 £	Total 2013 £	Total 2012 £
P Litten	50,000	50,000	52,483	25,992	102,483	75,992
G Fitzpatrick	50,000	39,041	52,483	20,295	102,483	59,336
M Hale	-	-	-	-	-	-
S Garbutta	1,500	1,500	-	-	1,500	1,500
R Owen	7,500	7,500	-	-	7,500	7,500
S Quah (appointed 15 April 2013)	25,296	-	-	-	25,296	-
	134,296	**98,041**	**104,966**	**46,287**	**239,262**	**144,328**

The share options held by directors who served during the year are summarised below:

Name	Grant date	Number awarded	Exercise price	Earliest exercise price	Expiry date
G Fitzpatrick	28 October 2004	64,000	18.75p	27 October 2007	27 October 2014
S Quah	20 July 2010	300,000	8.75p	20 July 2013	19 July 2020
S Quah	25 April 2013	300,000	16.50p	25 April 2016	24 April 2023

No directors exercised share options during the year.

Fees for S Garbutta are charged by Harris & Trotter LLP, a firm in which he is a member. See note 23.

21 Employee information

The average monthly number of employees (including directors) employed by the Group during the year was:

Number of employees	2013 Number	2012 Number
Production	13	15
Administration	4	5
	17	**20**

The aggregate payroll costs of these employees charged in the Statement of Comprehensive Income was as follows:

Employment costs	2013 £	2012 £
Wages and salaries	782,230	844,962
Social security costs	94,367	95,556
Pension costs	105,138	52,156
Share-based payments	19,815	45,152
	1,001,550	**1,037,826**

22 Share-based payments

The Group operates an EMI Share option scheme for key employees. Options are granted to key employees at an exercise price equal to the market price of the Company's shares at the date of grant. Options are exercisable from the third anniversary of the date of grant and lapse if they remain unexercised at the tenth anniversary or upon cessation of employment. The following option arrangements exist over the Company's shares:

		Exercise period		Number of options	Number of options
Date of grant	Exercise price	From	To	2013	2012
28 October 2004	18.75p	28 October 2007	27 October 2014	113,000	143,000
20 July 2010	8.75p	20 July 2013	19 July 2020	1,200,000	1,200,000
9 March 2012	23.25p	9 March 2015	8 March 2022	-	600,000
25 April 2013	16.5p	25 April 2016	24 April 2023	300,000	-
				1,613,000	**1,943,000**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

Details of the number of share options and the weighted average exercise price outstanding during the year are as follows:

	Number of options 2013	Weighted average exercise price 2013 £	Number of options 2012	Weighted average exercise price 2012 £
Outstanding at beginning of the year	1,943,000	0.09	1,415,000	0.12
Lapsed during the year	(630,000)	(0.23)	(72,000)	(0.63)
Granted during the year	300,000	0.17	600,000	0.23
Outstanding at end of the year	1,613,000	0.11	1,943,000	0.09
Exercisable at the end of the year	113,000		143,000	

The exercise price of options outstanding at the year-end ranged between £0.0875 and £0.2325 (2012: £0.0875 and £0.2325) and their weighted average contractual life was 7.7 years (2012: 8.5 years).

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value as determined at the grant date of equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The estimated fair value of the options is measured using an option pricing model. The inputs into the model are as follows:

Grant date	28 October 2004	20 July 2010	9 March 2012	25 April 2013
Model used	Binomial	Black-Scholes	Black-Scholes	Black-Scholes
Share price at grant date	16.25p	8.75p	23.25p	16.5p
Exercise price	18.75p	8.75p	23.25p	16.5p
Contractual life	10 years	10 years	10 years	10 years
Risk free rate	6%	0.5%	0.5%	0.5%
Expected volatility	43%	100%	105%	104%
Expected dividend rate	0%	0%	0%	0%
Fair value option	5.9868p	7.779p	21.053p	14.889p

The expected volatility is determined by calculating the historical volatility of the company's share price over the last three years. The risk free rate is the office Bank of England base rate. The expected dividend rate is zero as the company has not paid dividends in the past.

The Group recognised the following charges in the Statement of Comprehensive Income in respect of its share-based payment plans:

	2013 £	2012 £
Share-based payment charge	19,815	45,152

23 Related Party Transactions

The Group has a related party relationship with its subsidiaries and its directors. Details of transactions between the Company and its subsidiaries are as follows:

	2013 £	2012 £
Management fees charged by subsidiaries to Aeorema Communications plc		
Aeorema Limited (formerly Cheerful Scout Productions Limited)	102,483	81,859
Amounts owed by subsidiaries		
Total amount owed by subsidiaries	457,863	41,869
Less provision	-	(20,000)
	457,863	**21,869**
Amounts owed by subsidiaries		
Total amount owed to subsidiaries	197,355	14,652

The compensation of key management (including directors) of the Group is as follows:

	2013 £	2012 £
Short-term employee benefits	119,176	119,293
Post-employment benefits	104,966	51,984
	224,142	**171,277**

Aeorema Communications Plc is a guarantor for a lease entered into by Aeorema Limited (formerly Cheerful Scout Productions Limited), its subsidiary undertaking.

During the year, the Company's investment in its subsidiary was impaired by £Nil (2012: £86,500). A loan to ST16 Limited of £Nil (2012: £20,000) was also impaired during the year.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

Harris and Trotter LLP is a firm in which S Garbutta is a member. The amounts charged to the Group for professional services is as follows:

Harris and Trotter LLP – charged during the year	**2013 £**	**2012 £**
Aeorema Communications plc	17,071	17,692
Aeorema Limited (formerly Cheerful Scout Productions Limited)	7,200	7,200
Twentyfirst Limited	7,200	7,200
ST16 Limited	1,600	4,000
	33,071	**36,092**

24 Disposal of a subsidiary

On 7 December 2012 the Group disposed of its 100% subsidiary ST16 Limited, which carried out Viral Film operations.

Consideration received	**2013 £**
Consideration received in cash and cash equivalents	5
	5

Analysis of assets and liabilities over which control was lost	**2013 £**
Current assets	
Cash and cash equivalents	16,426
Trade and other receivables	11,700
Non-current assets	
Property, plant and equipment	4,289
Current liabilities	
Trade and other payables	(86,431)
Net liabilities disposed of	**(54,016)**

Gain on disposal of subsidiary	**2013 £**
Consideration received	5
Net liabilities disposed of	54,016
	54,021

Net cash outflow on disposal of subsidiary	**2013** **£**
Consideration received in cash and cash equivalents	5
Less: Cash and cash equivalent balances disposed of	(16,426)
	(16,421)

25 Cash flows

	Group		**Company**	
	2013 **£**	**2012** **£**	**2013** **£**	**2012** **£**
Cash flows from operating activities				
Profit / (Loss) before taxation	342,588	(82,841)	680,821	(270,794)
Depreciation	35,934	60,167	-	-
Profit on disposal of property, plant and equipment	(44,875)	-	-	-
Profit on disposal of subsidiary	(54,021)	-	-	-
Share-based payment	19,815	45,152	7,776	-
Impairment of goodwill	-	77,671	-	-
Impairment of investment in subsidiaries	-	-	(20,000)	86,500
Finance expense	-	13	-	-
Finance income	(195)	(228)	(138)	(189)
	299,246	**99,934**	**668,459**	**(184,483**)
Increase in trade and other payables	272,572	439,645	240,986	27,734
(Increase) / decrease in trade and other receivables	201,285	(269,284)	(416,201)	91,506
Changes in working capital due to disposal of subsidiary:				
Trade and other receivables	(11,700)	-	-	-
Trade and other payables	86,431	-	-	-
Taxation paid	-	(6,986)	-	-
Cash generated / (used) from operating activities	**847,834**	**263,309**	**493,244**	**(65,243))**

26 Financial instruments

The Group is exposed to risks that arise from its use of financial instruments. There have been no significant changes in the Group's exposure to financial instrument risk, its objectives, policies and processes for managing those from previous periods. The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash and cash equivalents and trade and other payables.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2013

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2013 was £526,982 (2012: £674,987). Trade receivables are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. At the year end, the credit quality of trade receivables is considered to be satisfactory.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to meet its liabilities when they fall due. The Group monitors cash flow on a regular basis. At the year end, the Group has sufficient liquid resources to meets its obligations of £1,140,377 (2012: £800,152).

Market risk

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate. At the year end, the cash and cash equivalents of the Group was £1,581,790 (2012: £756,642). The Group ensures that its cash deposits earn interest at a reasonable rate.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Group Statement of Changes in Equity. At the year end, total equity was £1,501,116 (2012: £1,217,800).

Fair value of financial assets

The Group's book value of the financial assets equates to their fair values.

27 Pension costs defined contribution

The Group makes pre-defined contributions to employees' personal pension plans. Contributions payable by the Group for the year were £105,138 (2012: £52,156).

28 Control

There is no overall controlling party.

29 Events after the reporting period

In respect of the current year, the directors propose that a dividend of 1.5 pence per share be paid to shareholders on 29 November 2013. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 25 October 2013. The total estimated dividend to be paid is £120,563.

Notice of Annual General Meeting

Aeorema Communications plc (Incorporated and registered in England and Wales with company number 04314540)

Aeorema Communications plc (Incorporated and registered in England and Wales with company number 04314540)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Aeorema Communications plc will be held at Moray House, 23-31 Great Titchfield Street, London W1W 7PA on 25 November 2013 at 10.00am for the transaction of the following business:

As Ordinary Business to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 30 June 2013.
2. To re-appoint Stephen Garbutta as a Director of the Company, who retires in accordance with article 122 of the Company's Articles of Association.
3. To re-appoint Stephen Quah as a Director of the Company, who retires in accordance with article 128 of the Company's Articles of Association.
4. To re-appoint Baker Tilly Audit Limited as auditors of the Company and to authorise the Directors to fix their remuneration.
5. To declare a final dividend on the ordinary shares of 12.5 pence each in the capital of the Company for the year ended 30 June 2013 of 1.5 pence per ordinary share.

As Special Business to consider and, if thought fit, pass the following resolutions of which Resolutions 6 and 7 will be proposed as Ordinary Resolutions and Resolution 8 will be proposed as a Special Resolution:

6. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(3) of the Act) on the AIM Market of the London Stock Exchange plc of ordinary shares of 12.5 pence each in the capital of the Company ("Ordinary Shares") provided that:

   (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,190,625 Ordinary Shares;

   (ii) the minimum price which may be paid for an Ordinary Share is 1 pence;

   (iii) the maximum price which shall be paid for an Ordinary Share shall be an amount equal to 105 per cent. of the average middle market quotations taken from the AIM Appendix to the Daily Official List of the UKLA for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;

   (iv) unless renewed the authority hereby conferred shall expire on the earlier of the Company's Annual General Meeting in 2014 or eighteen months from the passing of this Resolution unless such authority is renewed, varied or revoked prior to such time; and

   (v) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

7. That the directors of the Company be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and/or to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to a maximum nominal amount of £1,000,000, provided that this authority shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this Resolution or, if earlier, fifteen months from the date of the

Notice of Annual General Meeting *continued*

Aeorema Communications plc (Incorporated and registered in England and Wales with company number 04314540)

passing of this Resolution save that the Company may prior to the expiry of such period make any offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot shares in the Company and to grant Rights pursuant to any such offer or agreement as if this authority had not expired.

8. That, subject to the passing of Resolution 7 set out above, the directors of the Company be empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by Resolution 7 above, as if section 561(1) of the Act did not apply to such allotment provided this power shall be limited to:

   (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of equity securities open for acceptance for a period fixed by the directors of the Company to holders of equity securities on the register on a fixed record date where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to their respective holdings of such equity securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory or by virtue of shares being represented by depositary receipts or any other matter); and

   (ii) the allotment to any person or persons (otherwise than pursuant to sub-paragraph (i) of this Resolution above) of equity securities up to an aggregate nominal amount of £1,000,000; provided that the power given by this Resolution shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this Resolution or, if earlier, fifteen months from the date of the passing of this Resolution, save that the directors of the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors of the Company shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired.

By order of the Board
G Fitzpatrick
Company Secretary

Registered Office:
64 New Cavendish Street
London W1G 8TB
Dated: 7 October 2013

Notice of Annual General Meeting *continued*

Aeorema Communications plc (Incorporated and registered in England and Wales with company number 04314540)

Notes:

(1) A member entitled to attend and vote at the above-mentioned annual general meeting (the "Meeting") is entitled to appoint a proxy or proxies to exercise any or all of his rights to attend, speak and vote at the Meeting instead of him. All members are entitled to attend and vote at the Meeting, whether or not they have returned a form of proxy.

(2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach the Company's registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of holding of the Meeting.

(3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those members of the Company on the register 48 hours before the time set for the Meeting shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

(4) A copy of the register of Directors' interests in shares in the Company and copies of the Directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during office hours only on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this notice until the date of the Meeting and at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

Company Information

Company Information

Directors	M Hale	(Non-Executive Chairman)
	P Litten	(Deputy Chairman and Creative Director)
	G Fitzpatrick	(Chief Executive)
	S Garbutta	(Non-Executive)
	R Owen	(Non-Executive)
	S Quah	(Executive Director)
Secretary	G Fitzpatrick	
Company number	04314540	
Registered office	64 New Cavendish Street London, W1G 8TB	
Financial advisers	Harris & Trotter LLP 64 New Cavendish Street London, W1G 8TB	
Stockbrokers	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London, E14 5RB	
Nominated adviser	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London, E14 5RB	
Auditors	Baker Tilly Audit Limited 66 Chiltern Street London, W1U 4JT	
Solicitors	HowardKennedyFsi LLP 179 Great Portland Street London, W1W 5LS	
	Ross & Craig 12a Upper Berkeley Street London, W1H 7PE	
Bankers	Barclays Bank plc P O Box 32106 London, NW1 2ZH	
Registrar and transfer office	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

Notes

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Aeorema Communications Plc, Moray House, 23-31 Great Titchfield Street, London, W1W 7PA