



CONSOLIDATED DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2014

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



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Aeorema Communications plc

Aeorema Communications plc, the AIM-traded live events agency, announces its results for the year ended 30 June 2014.

Overview

- Positive progress made towards building the Group as a leading provider of live events
- Increased profits before tax from continuing operations to £504,841 (2013: £358,864)
- Increased revenues to £4,764,584 (2013: 3,992,751)
- Cash at bank and in hand of £1,620,895 (2013: £1,581,790)
- Recommend dividend payment of 2p - plus special 3p dividend to return cash to shareholders (2013: dividend payment: 1.5p and special dividend: nil)
- Secured preferred supplier status positions with leading financial clients
- A new single brand, Cheerful 21st, and an associated website is being developed to reflect future strategy to become the live event agency of choice



Chairman's Statement

Aeorema continues to build its position as a leading provider of live events by exploiting the strengths of its team and bringing new innovative ideas and products effectively to life.

During the year under review, we signed a number of deals, increasing both market share and profitability. We were particularly pleased to win a three year contract worth over £2 million with an existing technology client to run a live event at the annual Cannes Lions advertising festival. We ran the first of these events this year, which was a great success. Furthermore, Aeorema extended and won new roster positions with key organisations in the financial services industry. Notably, we also created several 'bid' films for clients, which resulted in them winning major projects.

I believe that organisations choose to work with Aeorema for various reasons. Firstly, we provide both new and existing customers with award-winning solutions using the latest technologies and interactive platforms; during the year we won several awards at the event industry's two major ceremonies - Eventia and Livecom. Secondly, our clients choose us because they know we are committed to their success, have the reputation for encouraging them to push boundaries, provide seamless, progressive, solutions and help them to stand out in a crowded market now, and into the future.

It is inspiring to see the way our team works together and strives for ways to improve our collective performance. Throughout the year, their commitment, talent and integrity have led to the delivery of remarkable results. Post period end, we strengthened this team with the appointment of Steve Garvey as our new CEO. Steve's 25 years' experience in corporate communications, which saw him work for a number of cutting edge businesses in the sector, will be invaluable as we take Aeorema into a new phase of growth.

Our emphasis now is on enabling Aeorema to achieve its full potential by continuing to excite our clients with superb concepts and exceptional end results. Our five year plan is to become 'the' live events agency of choice, with a strong focus on innovation. To this end, we are launching a new single brand, Cheerful 21st, as well as a website, with a focus on live events. We intend to continue to grow our business organically, expanding both revenues and profits. Importantly, we signed a new five-year lease on our office in the West End, which is large enough to support this growth.

The results for the year show a profit before taxation from continuing operations of £504,841 (2013: £358,864) on revenue of £4,764,584 (2013: £3,992,751). We remain cash positive with cash at bank and in hand of £1,620,895 (2013: £1,581,790).

The Board is proposing a dividend of 2 pence per share to be paid on 21 November 2014 to shareholders on the register on 24 October 2014. This has increased substantially from last year's dividend of 1.5p and additionally, in light of our strong cash position at the year end, the Board is delighted to propose a special dividend of 3 pence per share to be paid on 21 November 2014 to shareholders on the register on 24 October 2014. The ex-dividend date for both the final dividend and the special dividend will be 23 October 2014.

On behalf of the board, I would like to thank our team for their hard work during the past year. Our thanks also go to our shareholders, whose continued support of Aeorema has helped us achieve record levels of performance in the year to June 2014.

M Hale

Chairman

14 October 2014

Strategic Report

For the year ended 30 June 2014

The directors present their Strategic Report on the Group for the year ended 30 June 2014.

Principal activities

Aeorema is a live events agency with film capabilities 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 £504,841 (2013: £358,864). It is proposed that the retained profit after taxation of £415,696 (2013: £263,501) is transferred to the Group's reserves.

Revenue for the year from continuing operations was £4,764,584 (2013: £3,992,751). The gross profit remained consistent at 41% (2013: 44%) and gross profit from continuing operations was £1,969,955 (2013: £1,167,261).

Key Financial Highlights

Year	2014 £	2013 £	2012 £	2011 £
Continuing operations				
Revenue	4,764,584	3,992,751	2,837,345	2,147,844
Profit / (loss) before taxation, impairment losses and write off of development costs	504,841	358,864	41,399	(90,336)

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

Capital Expenditure

Total capital expenditure, including expenditure on tangible assets, was £41,988 compared with £51,335 last year.

Cashflows

Net cash inflow from operating activities was £106,751 compared with a net cash inflow of £847,834 for the year ended 30 June 2013, due to an increase in trade receivables, as a result of significant sales shortly before the year end. Total cashflow, representing operating cashflow after taxation, interest, capital expenditure and financing activities, increased by £39,105 compared with an increase of £825,148 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.



Strategic Report *continued*

For the year ended 30 June 2014

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.

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.

Key risks of a financial nature

The principal risks and uncertainties facing the Group are with customer dependency. Though the Group has a very diverse customer base in certain market sectors, key customers can represent a significant amount of revenue. Key customer relationships are closely monitored but the loss of a key client could have adverse effect on the Group's performance. Further details of risks, uncertainties and financial instruments are contained in note 26.

Key risks of non financial nature

The Group is operating in a highly competitive global market that is undergoing continual change. The Group's ability to respond to many competitive factors including, but not limited to technological innovations, product quality, customer service and employment of qualified personnel will be key in the achievement of its objectives, but its ultimate success will depend on the purchase spends of its customers and the buoyancy in the market.

On behalf of the Board

S Garbutta

Director

14 October 2014

Directors' Report

For the year ended 30 June 2014

The directors present their annual report and financial statements for the year ended 30 June 2014. The financial statements are for Aeorema Communications plc ("the Company") and its subsidiaries (together, "the Group").

In accordance with section 414C of the Companies Act 2006, the company has produced a Strategic Report which is set out on pages 4 to 5.

Directors

The following directors have held office since 1 July 2013:

P Litten

R Owen

S Garbutta

M Hale

G Fitzpatrick

S Quah

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.

Dividends

The Board is proposing a dividend of 2 pence per share to be paid on 21 November 2014 to shareholders on the register on 24 October 2014. This has increased substantially from last year's dividend of 1.5p and additionally, in light of our strong cash position at the year end, the Board is delighted to propose a special dividend of 3 pence per share to be paid on 21 November 2014 to shareholders on the register on 24 October 2014. The ex-dividend date for both the final dividend and the special dividend will be 23 October 2014.

Financial instruments

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

Non-current assets

The significant changes in non-current assets during the year are explained in notes 10 and 11 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 2014, 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	38.5
M Hale	1,650,000	18.9
Reverse Take-Over Investments Plc	300,000	3.7
B Smith	300,000	3.4



Directors' Report *continued*

For the year ended 30 June 2014

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.

Corporate governance

Although not required to do so, the Company seeks within the practical confines of being a small company to comply with a number of the principles of good governance and the UK Corporate Governance Code ("The 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 three 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.

Future developments

On 1 July 2014 Mr S Garvey was appointed Director of Aeorema Limited and became Chief Executive Officer.

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, 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 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.

Directors' Report *continued*

For the year ended 30 June 2014

Auditor

On 31 October 2013 our auditors changed their name to Baker Tilly Audit Limited. Subsequently Baker Tilly Audit Limited ceased trading on 31 March 2014. The directors, having been notified of the cessation of trade of Baker Tilly Audit Limited, appointed Baker Tilly UK Audit LLP as auditor on 1 April 2014 to fill the casual vacancy. In accordance with the Companies Act a resolution proposing the appointment of Baker Tilly UK Audit LLP will be put to the members.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report and the Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group and the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing the group and company financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Aeorema Communications plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

S Garbutta

Director

14 October 2014



Independent Auditors' Report

To the Members of Aeorema Communications plc

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 11 to 39. 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 auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent's affairs as at 30 June 2014 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's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' Report *continued*

To the shareholders of Aeorema Communications plc

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ian Hughes (*Senior Statutory Auditor*)

For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor

Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
20 October 2014

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 £	2013 As restated £
Continuing operations			
Revenue	2	4,764,584	3,992,751
Cost of sales		(2,794,629)	(2,253,321)
Gross profit		1,969,955	1,739,430
Administrative expenses		(1,465,520)	(1,434,769)
Operating Profit	3	504,435	304,661
Gain recognised on disposal of former subsidiary	24	–	54,021
Finance income	4	406	195
Finance expense	4	–	(13)
Profit before taxation		504,841	358,864
Taxation	5	(89,145)	(79,087)
Profit for the year from continuing operations		415,696	279,777
Discontinued operations			
Loss for the period from discontinued operations	7	–	(16,276)
Total comprehensive income for the year attributable to owners of the parent		415,696	263,501
Profit per ordinary share:			
Basic	9		
From continuing operations		5.02290p	3.4809p
From discontinued operations		–	(0.2025p)
Total basic earnings per share		5.02290p	3.2784p
Diluted	9		
From continuing operations		4.55487p	3.25117p
From discontinued operations		–	(0.18914p)
Total diluted earnings per share		4.55487p	3.06203p

There were no other comprehensive income items.

The notes on pages 15 to 39 are an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2014

	Notes	Group		Company	
		2014 £	2013 £	2014 £	2013 £
Non-current assets					
Intangible assets	10	365,154	365,154	–	–
Property, plant and equipment	11	67,449	77,040	–	–
Deferred taxation	6	24,145	8,277	–	–
Investments in subsidiaries	12	–	–	553,196	538,307
Total non-current assets		456,748	450,471	553,196	538,307
Current assets					
Inventories		2,674	2,675	–	–
Trade and other receivables	13	1,475,921	606,557	357,873	468,462
Cash and cash equivalents	14	1,620,895	1,581,790	734,628	782,780
Total current assets		3,099,490	2,191,022	1,092,501	1,251,242
Total assets		3,556,238	2,641,493	1,645,697	1,789,549
Current liabilities					
Trade and other payables	15	(1,589,007)	(1,140,377)	(89,730)	(282,081)
Net assets		1,967,231	1,501,116	1,555,967	1,507,468
Equity					
Share capital	16	1,079,688	1,004,688	1,079,688	1,004,688
Merger reserve	17	16,650	16,650	16,650	16,650
Other reserve	18	19,500	–	19,500	–
Share-based payment reserve		110,972	96,083	110,972	96,083
Capital redemption reserve		257,812	257,812	257,812	257,812
Retained earnings		482,609	125,883	71,345	132,235
Equity attributable to owners of the parent		1,967,231	1,501,116	1,555,967	1,507,468

The notes on pages 15 to 39 are an integral part of these financial statements.

The financial statements were approved and authorised by the board of directors on 14 October 2014 and were signed on its behalf by

G Fitzpatrick, *Director*

S Garbutta, *Director*

Company Registration No. 04314540

Statement of Changes in Equity

For the year ended 30 June 2014

Group	Share capital £	Merger reserve £	Other reserve £	Share-based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
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
At 1 July 2013	1,004,688	16,650	–	96,083	257,812	125,883	1,501,116
Comprehensive income for the year, net of tax	–	–	–	–	–	415,696	415,696
Tax credit relating to share option scheme	–	–	–	–	–	61,594	61,594
Dividends paid	–	–	–	–	–	(120,564)	(120,564)
Shares issued in the period	75,000	–	19,500	–	–	–	94,500
Share-based payments	–	–	–	14,889	–	–	14,889
At 30 June 2014	1,079,688	16,650	19,500	110,972	257,812	482,609	1,967,231

Company	Share capital £	Merger reserve £	Other reserve £	Share-based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
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
At 1 July 2013	1,004,688	16,650	–	96,083	257,812	132,235	1,507,468
Comprehensive income for the year, net of tax	–	–	–	–	–	59,674	59,674
Dividends paid	–	–	–	–	–	(120,564)	(120,564)
Shares issued in the period	75,000	–	19,500	–	–	–	94,500
Share-based payments	–	–	–	14,889	–	–	14,889
At 30 June 2014	1,079,688	16,650	19,500	110,972	257,812	71,345	1,555,967

The notes on pages 15 to 39 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	Group		Company	
		2014 £	2013 £	2014 £	2013 £
Net cash flow from operating activities	25	106,751	847,834	(152,338)	493,244
Cash flows from investing activities					
Finance income		406	195	250	138
Purchase of property, plant and equipment	11	(41,988)	(51,335)	–	–
Proceeds from sale of property, plant and equipment		–	44,875	–	–
Dividends received by the Company		–	–	130,000	–
Disposal of subsidiary (net of cash disposed)	24	–	(16,421)	–	–
Cash (used) / generated in investing activities		(41,582)	(22,686)	130,250	138
Cash flows from financing activities					
Proceeds of share issue		94,500	–	94,500	–
Dividends paid to owners of the Company		(120,564)	–	(120,564)	–
Cash used in financing activities		(26,064)	–	(26,064)	–
Net increase / (decrease) in cash and cash equivalents		39,105	825,148	(48,152)	493,382
Cash and cash equivalents at beginning of year		1,581,790	756,642	782,780	289,398
Cash and cash equivalents at end of year	14	1,620,895	1,581,790	734,628	782,780

The notes on pages 15 to 39 are an integral part of these financial statements.



Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 2013.

- IFRS 1 (Amended) 'First-time Adoption of International Financial Reporting Standards', effective 1 January 2013.
- IFRS 7 'Financial Instruments: Disclosures', effective 1 January 2013.
- 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.
- IAS 1 (Amended) 'Presentation of Other Comprehensive Income', effective 1 January 2013.
- IAS 16 (Amended) 'Property, Plant and Equipment', effective 1 January 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.
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine', effective 1 January 2013.

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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 2013 and have not been adopted early by the Group:

- IFRS 2 (Amended) 'Share-Based Payments', effective 1 July 2014.
- IFRS 3 (Amended) 'Business Combinations', effective 1 July 2014.
- IFRS 7 (Amended) 'Financial Instruments: Disclosures', effective 1 January 2015.
- IFRS 8 (Amended) 'Operating Segments', effective 1 July 2014.
- IFRS 9 'Financial Instruments', effective 1 January 2018.
- IFRS 11 (Amended) 'Accounting for Acquisitions of Interests in Joint Operations', effective 1 July 2016.
- IFRS 14 'Regulatory Deferral Accounts', effective 1 July 2016.
- IFRS 15 'Revenue for Contracts with Customers', effective 1 July 2017.
- 'Investment Entities' (Amendments to IFRS 10, IFRS 12 and IAS 27) effective 1 January 2014.
- IAS 16 (Amended) 'Property, Plant and Equipment', effective 1 July 2014.
- IAS 19 (Amended) 'Employee Benefits', effective 1 July 2014.
- IAS 24 (Amended) 'Related Party Disclosures', effective 1 July 2014.
- IAS 27 (Amended) 'Separate Financial Statements', effective 1 January 2016.
- IAS 32 (Amended) 'Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities', effective 1 January 2014.
- IAS 36 (Amended) 'Recoverable Amounts Disclosures for Non-Financial Assets', effective 1 January 2014.
- IAS 38 (Amended) 'Intangible Assets', effective 1 July 2014.
- IAS 39 (Amended) 'Novation of Derivatives and Continuation of Hedge Accounting', effective 1 January 2014.
- IAS 40 (Amended) 'Investment Property', effective 1 January 2014.
- 'Clarification of Acceptable Methods of Depreciation and Amortisation' (Amendments to IAS 16 and IAS 38) effective 1 January 2016.
- 'Agriculture: Bearer Plants' (Amendments to IAS 16 and IAS 41) effective 1 January 2016.
- IFRIC Interpretation 21 'Levies', effective 1 January 2014.

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.

Presentation

The Directors have determined that wages and salaries relating to production personnel previously disclosed in the Consolidated Statement of Comprehensive Income within Cost of Sales should now be reflected as Administrative Expenses, in order to more accurately reflect the nature of these costs. Accordingly, an amount of £739,679 (2013: £572,169) has been reclassified to present these expenses in a consistent manner.



Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2014. 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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

Impairment

The carrying amounts of the Group's assets are reviewed at each period end 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 period end 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. 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.

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 end of the reporting period, and any adjustment to tax payable in respect of previous years.



Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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 end of the reporting period.

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 Statement of Financial Position 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 end of the reporting period. 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 awards

The Group issues equity settled payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

The fair value is estimated using option pricing models 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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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 2014

2 Revenue and segment information

The Company uses several factors in identifying and analysing reportable segments, including the basis of organisation, such as differences in products and geographical areas. The Board of Directors, being the Chief Operating Decision Makers, have determined that for the period ending 30 June 2014 there is only a single reportable segment.

All revenue represents sales to external customers. Three customers (2013: one) are defined as major customers by revenue, contributing more than 10% of the Group revenue.

	2014 £	2013 £
Customer one	1,214,324	1,217,332
Customer two	809,290	–
Customer three	571,188	–
Major customers	2,594,802	1,217,332

The geographical analysis of revenue from continuing operations by geographical location of customer is as follows:

Geographical market	2014	2013	2014	2013	2014	2013	2014	2013
	UK £	UK £	Europe £	Europe £	Rest of the World £	Rest of the World £	Total £	Total £
Revenue	4,493,297	3,803,651	262,306	1,752	8,981	187,348	4,764,584	3,992,751

All non-current assets are based in the UK.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

3 Operating profit

Operating profit is stated after charging	2014 £	2013 £
Depreciation of property, plant and equipment	51,579	35,934
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	11,500
Staff costs (see note 21)	1,029,306	1,001,550
Operating leases – land and buildings	77,596	91,438

4 Financial income and expenses

Finance income	2014 £	2013 £
Bank interest received	406	195
Finance expenses	2014 £	2013 £
Other interest payable	–	13

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

5 Taxation

	2014 £	2013 £
The tax charge comprises:		
Current tax		
Prior period adjustment	234	–
Current year	104,779	67,652
	105,013	67,652
Deferred tax		
Current year	(15,868)	11,435
	(15,868)	11,435
Total tax charge in the statement of comprehensive income	89,145	79,087
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation from continuing operations	504,841	358,864
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23% (2013: 20%)	116,113	82,539
Effects of:		
Non deductible expenses	(1,114)	12,494
Income that is exempt from taxation	–	(22,745)
Depreciation, impairment losses and disposals	11,863	8,130
Capital allowances	(11,617)	(8,671)
Share-based payment	3,424	7,785
Losses utilised	–	(9,505)
Share options exercised	(12,167)	–
Marginal relief	(1,723)	(2,375)
Prior period adjustment	234	–
Deferred tax asset movement	(15,868)	11,435
	(29,968)	(3,452)
Total taxation charge	89,145	79,087

The Group has estimated losses of £375,762 (2013: £375,762) available to carry forward against future trading profits. These losses are in Aeorema Communications plc which is not currently making taxable profits as all trading is undertaken by its subsidiary Aeorema Limited.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

6 Deferred taxation

	2014 £	2013 £
Property, plant and equipment temporary differences	(5,174)	(1,094)
Temporary differences	29,319	9,371
	24,145	8,277
At 1 July	8,277	19,712
Transfer to Statement of Comprehensive Income	15,868	(11,435)
At 30 June	24,145	8,277

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

7 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 previous year is set out below.

	2014 £	2013 £
Loss for the year from discontinued operations		
Revenue	–	69,002
Expenses	–	(85,278)
Loss for the year from discontinued operations attributable to owners of the company	–	(16,276)
Cash flows from discontinued operations		
Net cash outflows from operating activities	–	(90,006)
Net cash inflows from investing activities	–	51,319
Net cash outflows	–	(38,687)

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

8 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 £59,674 (2013: £680,821).

9 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:

	2014 £	2013 £
Basic earnings per share		
Profit for the year attributable to owners of the Company	415,696	263,501
Loss for the period from discontinued operations used in the calculation of basic earnings per share from discontinued operations	–	16,276
Earnings used in the calculation of basic earnings per share from continuing operations	415,696	279,777
 Basic weighted average number of shares	 8,276,021	 8,037,500
Dilutive potential ordinary shares:		
Employee share options	850,380	567,915
Diluted weighted average number of shares	9,126,401	8,605,415

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 July 2012	2,805,963
Disposal of subsidiary	(77,671)
At 30 June 2013	2,728,292
At 30 June 2014	2,728,292
Impairment and amortisation	
At 1 July 2012	2,440,809
Eliminated on disposal	(77,671)
At 30 June 2013	2,363,138
At 30 June 2014	2,363,138
Net book value	
At 1 July 2012	365,154
At 30 June 2013	365,154
At 30 June 2014	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 2015 budgeted figures as approved by the Board of Directors extended for a period to 5 years and discounted at a rate of 10%. It has been assumed that future growth will be at 1.5%. Using these assumptions, which are based upon past experience, 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 £326,000 and a one percentage fall in future growth would reduce the recoverable amount by £342,000. 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 2014

11 Property, plant and equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 July 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
Additions	-	41,988	41,988
At 30 June 2014	24,034	863,055	887,089
Depreciation			
At 1 July 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
Charge for the year	16,104	35,475	51,579
At 30 June 2014	21,305	798,335	819,640
Net book value			
At 1 July 2012	3,225	62,703	65,928
At 30 June 2013	18,833	58,207	77,040
At 30 June 2014	2,729	64,720	67,449

The gross carrying amount of fully depreciated property, plant and equipment still in use is £nil (2013: £nil) in relation to leasehold land and buildings and £735,908 (2013: £696,292) in relation to fixtures, fittings and equipment.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

12 Non-current assets – Investments

Company	Shares in subsidiary £
Cost	
At 1 July 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
Increase in respect of share based payments	14,889
At 30 June 2014	3,247,409
Provision	
At 1 July 2012	2,780,713
Disposal of subsidiary	(86,500)
At 30 June 2013	2,694,213
At 30 June 2014	2,694,213
Net book value	
At 1 July 2012	526,268
At 30 June 2013	538,307
At 30 June 2014	553,196

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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	Non-trading

13 Trade and other receivables

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade receivables	1,401,432	526,982	-	-
Related party receivables	-	-	353,337	457,863
Other receivables	19,084	20,516	-	6,180
Prepayments and accrued income	55,405	59,059	4,536	4,419
	1,475,921	606,557	357,873	468,462

All trade and other receivables are expected to be recovered within 12 months of the end of the reporting period. 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 2014

At the year end, trade receivables of £344,096 (2013: £262,488) 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	
	2014 £	2013 £
Less than 90 days	317,802	239,164
More than 90 days	26,294	23,324
	344,096	262,488

14 Cash and cash equivalents

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Bank balances	1,620,895	1,581,790	734,628	782,780
Cash and cash equivalents	1,620,895	1,581,790	734,628	782,780
Cash and cash equivalents in the statement of cash flows	1,620,895	1,581,790	734,628	782,780

15 Trade and other payables

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade payables	902,860	686,742	1,656	11,114
Related party payables	-	-	67,355	197,355
Taxes and social security costs	301,004	186,474	1,369	250
Other payables	43,842	160	-	-
Accruals and deferred income	341,301	267,001	19,350	73,362
	1,589,007	1,140,377	89,730	282,081

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

16 Share capital

	2014 £	2013 £
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000

	Number	Ordinary shares £
Allotted, called up and fully paid		
At 1 July 2012	8,037,500	1,004,688
At 30 June 2013	8,037,500	1,004,688
Issue of shares	600,000	75,000
At 30 June 2014	8,637,500	1,079,688

£19,500 share options were exercised just before the year end with the shares being issued on 2 July 2014.

See note 22 for details of share options outstanding

17 Merger reserve

	Merger reserve £
At 1 July 2012	16,650
At 30 June 2013	16,650
At 30 June 2014	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 2014

18 Other reserve

	Subscriptions received reserve £
At 1 July 2012	–
At 30 June 2013	–
Exercise of options	19,500
At 30 June 2014	19,500

On 16 June 2014 104,000 share options were exercised and fully paid for at 18.75p each. The shares were allotted on 2 July 2014. For the earnings per share note these shares are treated as issued on the exercise date. This reserve holds the funds at the year end. The reserve is not distributable.

19 Financial commitments

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

Group	Land and Buildings	
	2014 £	2013 £
Not later than one year	10,417	–
Later than one year and not later than five years	–	62,500

20 Directors' emoluments

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

	Salary or Fees 2014 £	Salary or Fees 2013 £	Pensions 2014 £	Pensions 2013 £	Total 2014 £	Total 2013 £
P Litten	65,000	50,000	59,834	52,483	124,834	102,483
G Fitzpatrick	52,885	50,000	59,834	52,483	112,719	102,483
M Hale	–	–	–	–	–	–
S Garbutta	3,000	1,500	–	–	3,000	1,500
R Owen	7,500	7,500	–	–	7,500	7,500
S Quah (appointed 15 April 2013)	133,000	25,296	–	–	133,000	25,296
	261,385	134,296	119,668	104,966	381,053	239,262

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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
S Quah	20 July 2010	300,000	12.50p	20 July 2013	19 July 2020
S Quah	25 April 2013	300,000	16.50p	25 April 2016	24 April 2023

G Fitzpatrick exercised 64,000 shares on 16 June 2014 at 18.75p each resulting in a gain of £31,200.

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	2014 Number	2013 as restated Number
Administration and Production	19	17

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

Employment costs	2014 £	2013 £
Wages and salaries	821,680	782,230
Social security costs	72,897	94,367
Pension costs	119,840	105,138
Share-based payments	14,889	19,815
	1,029,306	1,001,550

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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:

Date of grant	Exercise price	Exercise period		Number of options 2014	Number of options 2013
		From	To		
28 October 2004	18.75p	28 October 2007	27 October 2014	9,000	113,000
20 July 2010	12.5p	20 July 2013	19 July 2020	300,000	1,200,000
25 April 2013	16.5p	25 April 2016	24 April 2023	300,000	300,000
				609,000	1,613,000

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

	Number of options 2014	Weighted average exercise price 2014 £	Number of options 2013	Weighted average exercise price 2013 £
Outstanding at beginning of the year	1,613,000	0.11	1,943,000	0.09
Lapsed during the year	(300,000)	(0.13)	(630,000)	(0.23)
Granted during the year	–	–	300,000	0.17
Exercised during the year	(704,000)	(0.13)	–	–
Outstanding at end of the year	609,000	0.15	1,613,000	0.11
Exercisable at the end of the year	309,000	0.13	113,000	0.19

The exercise price of options outstanding at the year-end ranged between £0.125 and £0.1875 (2013: £0.125 and £0.2325) and their weighted average contractual life was 7.7 years (2013: 7.7 years).

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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:

	2014	2013
	£	£
Share-based payment charge	14,889	19,815

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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:

	2014 £	2013 £
Management fees charged by subsidiaries to Aeorema Communications plc		
Aeorema Limited (formerly Cheerful Scout Productions Limited)	–	102,483
Amounts owed by subsidiaries		
Total amount owed by subsidiaries	353,337	457,863
Amounts owed to subsidiaries		
Total amount owed to subsidiaries	67,355	197,355

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

	2014 £	2013 £
Short-term employee benefits	297,687	119,176
Post-employment benefits	119,668	104,966
Share based payment expense	14,889	4,353
	432,244	228,495

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

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	2014 £	2013 £
Aeorema Communications plc	15,000	17,071
Aeorema Limited (formerly Cheerful Scout Productions Limited)	22,325	7,200
Twentyfirst Limited	–	7,200
ST16 Limited	–	1,600
	37,325	33,071

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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	2014 £	2013 £
Consideration received in cash and cash equivalents	–	5
	–	5

Analysis of assets and liabilities over which control was lost	2014 £	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	2014 £	2013 £
Consideration received	–	5
Net liabilities disposed of	–	54,016
	–	54,021

Net cash outflow on disposal of subsidiary	2014 £	2013 £
Consideration received in cash and cash equivalents	–	5
Less: Cash and cash equivalent balances disposed of	–	(16,426)
	–	(16,421)

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

25 Cash flows

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Cash flows from operating activities				
Profit after taxation	415,696	263,501	59,674	680,821
Tax expense recognised in Consolidated Statement of Comprehensive Income	89,145	79,087	–	–
Depreciation	51,579	35,934	–	–
Profit on disposal of property, plant and equipment	–	(44,875)	–	–
Profit on disposal of subsidiary	–	(54,021)	–	–
Share-based payment	14,889	19,815	–	7,776
Impairment of investment in subsidiaries	–	–	–	(20,000)
Dividend received by the Company	–	–	(130,000)	–
Finance income	(406)	(195)	(250)	(138)
	570,903	299,246	(70,576)	668,459
Increase / (decrease) in trade and other payables	448,630	272,572	(192,351)	240,986
(Increase) / decrease in trade and other receivables	(869,364)	201,285	110,589	(416,201)
Changes in working capital due to disposal of subsidiary:				
Trade and other receivables	–	(11,700)	–	–
Trade and other payables	–	86,431	–	–
Taxation paid	(43,418)	–	–	–
Cash generated / (used) from operating activities	106,751	847,834	(152,338)	493,244

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.

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 2014 was £1,401,432 (2013: £526,982). 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.



Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2014

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 meet its obligations of £1,589,007 (2013: £1,140,377).

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 £1,620,895 (2013: £1,581,790). 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 £1,967,231 (2013: £1,501,116).

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 £119,840 (2013: £105,138). At the end of the reporting period £24,998 (2013: £17,948) of contributions were due in respect of the period. The amounts were paid subsequent to the end of the reporting period.

28 Dividends

On the 29 November 2013 an enhanced maiden dividend of 1.5 pence per share (total dividend £120,564) was paid to holders of fully paid ordinary shares.

In respect of the current year, the directors propose that a final dividend of 2 pence per share and a special dividend of 3 pence per share be paid to shareholders on 21 November 2014. The dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as liabilities in these consolidated financial statements. The proposed dividends are payable to all shareholders on the Register of Members on 24 October 2014. The total estimated dividend to be paid is £437,525. The payment of this dividend will not have any tax consequences for the Group.

29 Control

There is no overall controlling party.

Notice of Annual General Meeting

Aeorema Communications plc (Incorporated and registered in England and Wales with company number 4314540)

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 19th November 2014 at 10.30 a.m. 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 2014.
2. To re-appoint Richard Owen as a Director of the Company, who retires in accordance with article 122 of the Company's Articles of Association.
3. To re-appoint Peter Litten as a Director of the Company, who retires in accordance with article 122 of the Company's Articles of Association.
4. To appoint Baker Tilly UK Audit LLP 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 2014 of 2 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 2015 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 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.



Notice of Annual General Meeting *continued*

Aeorema Communications plc (Incorporated and registered in England and Wales with company number 4314540)

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

Stephen Haffner
Company Secretary

Registered Office:
64 New Cavendish Street
London W1G 8TB
Dated: 14 October 2014

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, PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF 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	<p>M Hale (Non-Executive Chairman)</p> <p>P Litten (Deputy Chairman and Creative Director)</p> <p>G Fitzpatrick (Chief Executive)</p> <p>S Garbutta (Non-Executive)</p> <p>R Owen (Non-Executive)</p> <p>S Quah (Executive Director)</p>
Secretary	S Haffner
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 UK Audit LLP 25 Farringdon Street London, EC4A 4AB
Solicitors	Howard Kennedy LLP No.1 London Bridge London SE1 9BG
	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 Asset Services The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU

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