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# **CONSOLIDATED DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30TH JUNE 2015

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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

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Aeorema Communications plc, the AIM-traded live events agency, announces its results for the year ended 30 June 2015.

### **Overview**

- Profits before tax from continuing operations to £383,216 (2014: £504,841)
- Revenues of £4,934,560 (2014: £4,764,584)
- Cash at bank and in hand of £1,558,453 (2014: £1,620,895)
- Recommend dividend payment of 3p (2014: 2p)



# Chairman's Statement

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During the year, Aeorema reinforced its position as a leading provider of live events under the single brand, Cheerful Twentyfirst, and navigated through a competitive market to return a profit in excess of the trading update on profits issued to the market in May 2015. The year also saw us investing in a new website, developing a stronger single brand, creating a highly visible social media presence, and completing the refurbishment of our new offices to allow for future growth.

Our ability to respond and adapt our offering in a competitive, rapidly evolving market has enabled us to attract new clients and further develop our relationships with existing clients. We work with senior leaders of forward-thinking brands who value innovation and want to take live communication to the next level, which is where we excel. Year-on-year, our talented team produces original, outstanding work for these clients, resulting in several nominations at prestigious award events. These include nominations for work completed on behalf of two internationally renowned companies, further highlighting the excellent reputation that we have built in the space.

Our focus on delivering creative live events, incorporating superb screen content and award-winning video, naturally attracts leading people to our team. During the year and as part of our growth strategy, we recruited several new team members to focus on new business development and strengthen our capabilities in design and content. These appointments will each be pivotal in supporting our growth in the year ahead.

The results for the year show a profit before taxation from continuing operations of £383,216 (2014: £504,841) on revenue of £4,934,560 (2014: £4,764,584). We remain cash positive with cash at bank and in hand of £1,558,453 (2014: £1,620,895).

The Board is proposing a dividend of 3 pence per share (2014: 2 pence per share) to be paid to shareholders on the register on 6 November 2015. The ex-dividend date will be on 5 November 2015. Subject to the proposed dividend being approved by the shareholders, it will be paid on 27 November 2015.

Looking ahead, the market is extremely competitive and, as has been the custom over the last few years, we anticipate the second half of the year to contribute the greater part of both turnover and profitability. Investors should be assured that our brand is gaining recognition and we are carving out a niche position in the sector, which we believe will yield positive longer term results.

On behalf of the board, I would like to thank our team for their work during the past year as well as our shareholders for their continued support.

**M Hale**

*Chairman*

20 October 2015



# Strategic Report

For the year ended 30 June 2015

The directors present their Strategic Report on the Group for the year ended 30 June 2015.

## 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 £383,216 (2014: £504,841). It is proposed that the retained profit after taxation of £315,237 (2014: £415,696) is transferred to the Group's reserves.

Revenue for the year from continuing operations was £4,934,560 (2014: £4,764,584). The gross profit remained consistent at 39% (2014: 41%) and gross profit from continuing operations was £1,916,926 (2014: £1,969,955).

## Key Financial Highlights

Year	2015 £	2014 £	2013 £	2012 £
<b>Continuing operations</b>				
Revenue	4,934,560	4,764,584	3,992,751	2,837,345
Profit before taxation, impairment losses and write off of development costs	383,216	504,841	358,864	41,399

Further information can be found within the Chairman's Statement on pages 4 to 5.

## Capital Expenditure

Total capital expenditure, including expenditure on tangible assets, was £43,785 compared with £44,462 last year.

## Cashflows

Net cash inflow from operating activities was £383,894 compared with a net cash inflow of £109,225 for the year ended 30 June 2014, due to a decrease in trade receivables as a result of quicker payment. Total cashflow, representing operating cashflow after taxation, interest, capital expenditure and financing activities, decreased by £62,442 compared with an increase of £39,105 last year. The cash position at the end of the year was £1,558,453 compared with £1,620,895 at the end of the prior year. The group had net assets of £1,884,040 at the end of the year (2014: £1,967,231) and net current assets of £1,447,347 (2014: £1,510,483).

## 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.



# Strategic Report *continued*

For the year ended 30 June 2015

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## **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.

## **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 25.

## **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*

20 October 2015

# Directors' Report

For the year ended 30 June 2015

The directors present their annual report and financial statements for the year ended 30 June 2015. 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 2014:

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 3 pence per share to be paid on 27 November 2015 to shareholders on the register on 6 November 2015. The ex-dividend date for the final dividend will be 5 November 2015.

## Financial instruments

Details of financial instruments are given in note 25 to the accounts.

## Non-current assets

The significant changes in non-current assets during the year are explained in notes 9, 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 2015, 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	37.2
M Hale	1,725,000	19.1
S Quah	300,000	3.3
B Smith	300,000	3.3

As civil partner of P Litten, G Fitzpatrick has a beneficial interest in 3,426,500 ordinary shares.



# Directors' Report *continued*

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For the year ended 30 June 2015

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## **Corporate governance**

Although not required to do so, the Company seeks within the practical confines of being a small company to have regard to 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**

Refer to the Chairman's Statement for more information on future developments.

## **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.

A resolution to reappoint Baker Tilly UK Audit LLP, whose name will change on 26 October 2015 to RSM UK Audit LLP, as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.



## Directors' Report *continued*

For the year ended 30 June 2015

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### **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*

20 October 2015



# Independent Auditors' Report

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To the Members of Aeorema Communications plc

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We have audited the Group and Parent Company financial statements ("the financial statements") on pages 11 to 36. 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 2015 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

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### **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 2015

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 £	2014 £
<b>Continuing operations</b>			
<b>Revenue</b>	<b>2</b>	<b>4,934,560</b>	<b>4,764,584</b>
Cost of sales		(3,017,634)	(2,794,629)
<b>Gross profit</b>		<b>1,916,926</b>	<b>1,969,955</b>
Administrative expenses		(1,534,471)	(1,465,520)
<b>Operating Profit</b>	<b>3</b>	<b>382,455</b>	<b>504,435</b>
Finance income	<b>4</b>	761	406
<b>Profit before taxation</b>		<b>383,216</b>	<b>504,841</b>
Taxation	<b>5</b>	(67,979)	(89,145)
<b>Profit and total comprehensive income for the year attributable to owners of the parent</b>		<b>315,237</b>	<b>415,696</b>
<b>Profit per ordinary share:</b>			
Total basic earnings per share	<b>8</b>	3.51904p	5.02290p
Total diluted earnings per share	<b>8</b>	3.37134p	4.55487p

There were no other comprehensive income items.

The notes on pages 16 to 36 are an integral part of these financial statements.

# Statement of Financial Position

As at 30 June 2015

	Notes	Group		Company	
		2015 £	2014 £	2015 £	2014 £
<b>Non-current assets</b>					
Intangible assets	9	365,154	365,154	–	–
Property, plant and equipment	10	65,135	67,449	–	–
Deferred taxation	6	6,404	24,145	–	–
Investments in subsidiaries	11	–	–	568,080	553,196
<b>Total non-current assets</b>		<b>436,693</b>	<b>456,748</b>	<b>568,080</b>	<b>553,196</b>
<b>Current assets</b>					
Inventories		–	2,674	–	–
Trade and other receivables	12	1,352,398	1,475,921	328,135	357,873
Cash and cash equivalents	13	1,558,453	1,620,895	657,873	734,628
<b>Total current assets</b>		<b>2,910,851</b>	<b>3,099,490</b>	<b>986,008</b>	<b>1,092,501</b>
<b>Total assets</b>		<b>3,347,544</b>	<b>3,556,238</b>	<b>1,554,088</b>	<b>1,645,697</b>
<b>Current liabilities</b>					
Trade and other payables	14	(1,463,504)	(1,589,007)	(86,105)	(89,730)
<b>Net assets</b>		<b>1,884,040</b>	<b>1,967,231</b>	<b>1,467,983</b>	<b>1,555,967</b>
<b>Equity</b>					
Share capital	15	1,131,313	1,079,688	1,131,313	1,079,688
Share premium	16	7,063	–	7,063	–
Merger reserve	17	16,650	16,650	16,650	16,650
Other reserve	18	–	19,500	–	19,500
Share-based payment reserve		–	110,972	–	110,972
Capital redemption reserve		257,812	257,812	257,812	257,812
Retained earnings		471,202	482,609	55,145	71,345
<b>Equity attributable to owners of the parent</b>		<b>1,884,040</b>	<b>1,967,231</b>	<b>1,467,983</b>	<b>1,555,967</b>

The notes on pages 16 to 36 are an integral part of these financial statements.

The financial statements were approved and authorised by the board of directors on 20 October 2015 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 2015

Group	Share capital £	Share premium £	Merger reserve £	Other reserve £	Share-based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 July 2013	1,004,688	–	16,650	–	96,083	257,812	125,883	1,501,116
Profit and total 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/ to be issued	75,000	–	–	19,500	–	–	–	94,500
Share-based payments	–	–	–	–	14,889	–	–	14,889
<b>At 30 June 2014</b>	<b>1,079,688</b>	<b>–</b>	<b>16,650</b>	<b>19,500</b>	<b>110,972</b>	<b>257,812</b>	<b>482,609</b>	<b>1,967,231</b>
At 1 July 2014	1,079,688	–	16,650	19,500	110,972	257,812	482,609	1,967,231
Profit and total comprehensive income for the year, net of tax	–	–	–	–	–	–	315,237	315,237
Dividends paid	–	–	–	–	–	–	(452,500)	(452,500)
Shares issued in the period	51,625	7,063	–	(19,500)	–	–	–	39,188
Share-based payments	–	–	–	–	14,884	–	–	14,884
Transfer	–	–	–	–	(125,856)	–	125,856	–
<b>At 30 June 2015</b>	<b>1,131,313</b>	<b>7,063</b>	<b>16,650</b>	<b>–</b>	<b>–</b>	<b>257,812</b>	<b>471,202</b>	<b>1,884,040</b>

The notes on pages 16 to 36 are an integral part of these financial statements.

## Statement of Changes in Equity *continued*

For the year ended 30 June 2015

Group	Share capital £	Share premium £	Merger reserve £	Other reserve £	Share- based payment reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
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/ to be issued	75,000	–	–	19,500	–	–	–	94,500
Share-based payments	–	–	–	–	14,889	–	–	14,889
<b>At 30 June 2014</b>	<b>1,079,688</b>	<b>–</b>	<b>16,650</b>	<b>19,500</b>	<b>110,972</b>	<b>257,812</b>	<b>71,345</b>	<b>1,555,967</b>
At 1 July 2014	1,079,688	–	16,650	19,500	110,972	257,812	71,345	1,555,967
Comprehensive income for the year, net of tax	–	–	–	–	–	–	310,444	310,444
Dividends paid	–	–	–	–	–	–	(452,500)	(452,500)
Shares issued in the period	51,625	7,063	–	(19,500)	–	–	–	39,188
Share-based payments	–	–	–	–	14,884	–	–	14,884
Transfer	–	–	–	–	(125,856)	–	125,856	–
<b>At 30 June 2015</b>	<b>1,131,313</b>	<b>7,063</b>	<b>16,650</b>	<b>–</b>	<b>–</b>	<b>257,812</b>	<b>55,145</b>	<b>1,467,983</b>

The notes on pages 16 to 36 are an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 30 June 2015

	Notes	Group		Company	
		2015 £	2014 £	2015 £	2014 £
<b>Net cash flow from operating activities</b>	<b>24</b>	<b>383,894</b>	<b>109,225</b>	<b>(63,711)</b>	<b>(152,338)</b>
<b>Cash flows from investing activities</b>					
Finance income		761	406	268	250
Purchase of property, plant and equipment	<b>10</b>	(43,785)	(44,462)	–	–
Proceeds from sale of property, plant and equipment		10,000	–	–	–
Dividends received by the Company		–	–	400,000	130,000
<b>Cash (used) / generated in investing activities</b>		<b>(33,024)</b>	<b>(44,056)</b>	<b>400,268</b>	<b>130,250</b>
<b>Cash flows from financing activities</b>					
Proceeds of share issue		39,188	94,500	39,188	94,500
Dividends paid to owners of the Company		(452,500)	(120,564)	(452,500)	(120,564)
<b>Cash used in financing activities</b>		<b>(413,312)</b>	<b>(26,064)</b>	<b>(413,312)</b>	<b>(26,064)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(62,442)</b>	<b>39,105</b>	<b>(76,755)</b>	<b>(48,152)</b>
Cash and cash equivalents at beginning of year		1,620,895	1,581,790	734,628	782,780
<b>Cash and cash equivalents at end of year</b>	<b>13</b>	<b>1,558,453</b>	<b>1,620,895</b>	<b>657,873</b>	<b>734,628</b>

The notes on pages 16 to 36 are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

## 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 25, 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 25, 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 2014.

- IFRS 2 (Amended) 'Share-Based Payments', effective 1 July 2014.
- IFRS 3 (Amended) 'Business Combinations', effective 1 July 2014.
- IFRS 8 (Amended) 'Operating Segments', effective 1 July 2014.
- IFRS 11 (Amended) 'Accounting for Acquisitions of Interests in Joint Operations', effective 1 July 2016.
- 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 38 (Amended) 'Intangible Assets', effective 1 July 2014.
- 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 39 (Amended) 'Novation of Derivatives and Continuation of Hedge Accounting', effective 1 January 2014.
- IAS 40 (Amended) 'Investment Property', effective 1 January 2014.
- IFRIC Interpretation 21 'Leases', effective 1 January 2014.

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 2015

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## 1 Accounting policies *continued*

### 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 2014 and have not been adopted early by the Group:

- IFRS 9 'Financial Instruments', effective 1 January 2018.
- IFRS 14 'Regulatory Deferral Accounts', effective 1 July 2016.
- IFRS 15 'Revenue for Contracts with Customers', effective 1 January 2018.
- IFRS 10, IFRS 12 and IAS 28 (Amended): 'Investment Entities: Applying the Consolidation Exception', effective 1 January 2016.
- IAS 1 (Amended), 'Disclosure Initiative', effective 1 January 2016.
- Annual improvements to IFRS's 2012-2014 Cycle, effective 1 January 2016.
- IFRS 10 and IAS 28 (Amended): 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', effective 1 January 2016.
- IAS 27 (Amended), 'Equity Method in Separate Financial Statements', effective 1 January 2016.
- IAS 16 and IAS 41 (Amended), 'Bearer Plants', effective 1 January 2016.
- IAS 16 and IAS 38 (Amended), 'Clarification of Acceptable Methods of Depreciation and Amortisation' effective 1 January 2016.
- IFRS 11 (Amended), 'Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016.

Management does not currently anticipate 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 2015. Subsidiaries are all entities (including structured entities) over which the group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that 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.



# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 1 Accounting policies *continued*

### 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 (3 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 Statement of Comprehensive Income 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 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 Statement of Comprehensive Income 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.



# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

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## **1 Accounting policies *continued***

### **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.

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. Deferred tax assets and liabilities are not discounted.

### **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.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 1 Accounting policies *continued*

### 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.

### 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.
- e) An allowance for dilapidations is estimated based on a total value of works to restore the property to its original condition at the end of the lease.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 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 2015 there is only a single reportable segment.

All revenue represents sales to external customers. Three customers (2014: three) are defined as major customers by revenue, contributing more than 10% of the Group revenue.

	2015 £	2014 £
Customer one	1,320,762	1,214,324
Customer two	632,892	571,188
Customer three	581,546	809,290
<b>Major customers</b>	<b>2,535,200</b>	<b>2,594,802</b>

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

Geographical market	2015	2014	2015	2014	2015	2014	2015	2014
	UK £	UK £	Europe £	Europe £	Rest of the World £	Rest of the World £	Total £	Total £
<b>Revenue</b>	<b>4,479,022</b>	<b>4,493,297</b>	<b>391,519</b>	<b>262,306</b>	<b>64,019</b>	<b>8,981</b>	<b>4,934,560</b>	<b>4,764,584</b>

All non-current assets are based in the UK.

## Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

### 3 Operating profit

<b>Operating profit is stated after charging</b>	<b>2015 £</b>	<b>2014 £</b>
Depreciation of property, plant and equipment	30,708	48,185
Loss on disposal of property, plant and equipment	5,389	–
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	8,500	6,000
Audit of the Company's subsidiaries	14,000	11,500
Staff costs (see note 21)	1,063,817	1,029,306
Operating leases – land and buildings	80,813	77,596

### 4 Financial income and expenses

<b>Finance income</b>	<b>2015 £</b>	<b>2014 £</b>
Bank interest received	761	406



# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 5 Taxation

	2015 £	2014 £
<b>The tax charge comprises:</b>		
<b>Current tax</b>		
Prior period adjustment	(923)	234
Current year	51,161	104,779
	<b>50,238</b>	<b>105,013</b>
<b>Deferred tax (see note 6)</b>		
Current year	17,741	(15,868)
	<b>17,741</b>	<b>(15,868)</b>
<b>Total tax charge in the statement of comprehensive income</b>	<b>67,979</b>	<b>89,145</b>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation from continuing operations	383,216	504,841
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.75% (2014: 23%)	79,517	116,113
Effects of:		
Non deductible expenses	1,204	(1,114)
Depreciation, impairment losses and disposals	7,490	11,863
Capital allowances	(7,938)	(11,617)
Share-based payment	–	3,424
Share options exercised	(28,645)	(12,167)
Marginal relief	(467)	(1,723)
Prior period adjustment	(923)	234
	<b>(29,279)</b>	<b>(11,100)</b>
<b>Current tax charge</b>	<b>50,238</b>	<b>105,013</b>

The Group has estimated losses of £375,762 (2014: £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 2015

## 6 Deferred taxation

	2015 £	2014 £
Property, plant and equipment temporary differences	(8,296)	(5,174)
Temporary differences	14,700	29,319
	<b>6,404</b>	<b>24,145</b>
At 1 July	24,145	8,277
Transfer to Statement of Comprehensive Income	(17,741)	15,868
<b>At 30 June</b>	<b>6,404</b>	<b>24,145</b>

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

## 7 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 £310,444 (2014: £59,674).

## 8 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:

	2015 £	2014 £
<b>Basic earnings per share</b>		
Profit for the year attributable to owners of the Company	315,237	415,696
<b>Basic weighted average number of shares</b>	<b>8,958,044</b>	<b>8,276,021</b>
Dilutive potential ordinary shares:		
Employee share options	392,456	850,380
<b>Diluted weighted average number of shares</b>	<b>9,350,500</b>	<b>9,126,401</b>

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 9 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 1 July 2013	2,728,292
At 30 June 2014	2,728,292
<b>At 30 June 2015</b>	<b>2,728,292</b>
<b>Impairment and amortisation</b>	
At 1 July 2013	2,363,138
At 30 June 2014	2,363,138
<b>At 30 June 2015</b>	<b>2,363,138</b>
<b>Net book value</b>	
At 1 July 2013	365,154
At 30 June 2014	365,154
<b>At 30 June 2015</b>	<b>365,154</b>

Goodwill arose for the Group on consolidation of its subsidiary company, Aeorema Limited.

### Impairment – Aeorema 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 £292,306 and a one percentage fall in future growth would reduce the recoverable amount by £352,473. 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 2015

## 10 Property, plant and equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 July 2013	24,034	815,199	839,233
Additions	—	44,462	44,462
At 30 June 2014	24,034	859,661	883,695
Additions	17,761	26,024	43,785
Disposals	(24,034)	(583,741)	(607,775)
<b>At 30 June 2015</b>	<b>17,761</b>	<b>301,944</b>	<b>319,705</b>
<b>Depreciation</b>			
At 1 July 2013	5,201	762,860	768,061
Charge for the year	16,104	32,081	48,185
At 30 June 2014	21,305	794,941	816,246
Charge for the year	4,108	26,600	30,708
Eliminated on disposal	(24,034)	(568,350)	(592,384)
<b>At 30 June 2015</b>	<b>1,379</b>	<b>253,191</b>	<b>254,570</b>
<b>Net book value</b>			
At 1 July 2013	18,833	52,339	71,172
At 30 June 2014	2,729	64,720	67,449
<b>At 30 June 2015</b>	<b>16,382</b>	<b>48,753</b>	<b>65,135</b>

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 11 Non-current assets – Investments

Company	Shares in subsidiary £
<b>Cost</b>	
At 1 July 2013	3,232,520
Increase in respect of share based payments	14,889
At 30 June 2014	3,247,409
Increase in respect of share based payments	14,884
<b>At 30 June 2015</b>	<b>3,262,293</b>
<b>Provision</b>	
At 1 July 2013	2,694,213
At 30 June 2014	2,694,213
<b>At 30 June 2015</b>	<b>2,694,213</b>
<b>Net book value</b>	
At 1 July 2013	538,307
At 30 June 2014	553,196
<b>At 30 June 2015</b>	<b>568,080</b>

### 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	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	Provision of business communication services
Twentyfirst Limited	Dormant



# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 12 Trade and other receivables

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade receivables	1,055,898	1,401,432	–	–
Related party receivables	–	–	323,447	353,337
Other receivables	19,230	19,084	–	–
Prepayments and accrued income	277,270	55,405	4,688	4,536
	<b>1,352,398</b>	<b>1,475,921</b>	<b>328,135</b>	<b>357,873</b>

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.

At the year end, trade receivables of £284,944 (2014: £344,096) 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	
	2015 £	2014 £
Less than 90 days	284,944	317,802
More than 90 days	–	26,294
	<b>284,944</b>	<b>344,096</b>

## 13 Cash and cash equivalents

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Bank balances	1,558,453	1,620,895	657,873	734,628
<b>Cash and cash equivalents</b>	<b>1,558,453</b>	<b>1,620,895</b>	<b>657,873</b>	<b>734,628</b>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1,558,453</b>	<b>1,620,895</b>	<b>657,873</b>	<b>734,628</b>

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 14 Trade and other payables

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade payables	685,375	902,860	2,878	1,656
Related party payables	–	–	67,355	67,355
Taxes and social security costs	187,778	301,004	–	1,369
Other payables	33,543	43,842	–	–
Accruals and deferred income	556,808	341,301	15,872	19,350
	<b>1,463,504</b>	<b>1,589,007</b>	<b>86,105</b>	<b>89,730</b>

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.

## 15 Share capital

	2015 £	2014 £
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000

Allotted, called up and fully paid	Ordinary shares Number	£
At 1 July 2013	8,037,500	1,004,688
Issue of shares	600,000	75,000
At 30 June 2014	8,637,500	1,079,688
Issue of shares	413,000	51,625
<b>At 30 June 2015</b>	<b>9,050,500</b>	<b>1,131,313</b>

See note 22 for details of share options outstanding

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 16 Share Premium

	Share Premium £
At 1 July 2013	–
At 30 June 2014	–
Issue of shares	7,063
<b>At 30 June 2015</b>	<b>7,063</b>

Share premium represents the value of shares issued in excess of their list price.

## 17 Merger reserve

	Merger reserve £
At 1 July 2013	16,650
At 30 June 2014	16,650
<b>At 30 June 2015</b>	<b>16,650</b>

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.

## 18 Other reserve

	Subscriptions received reserve £
At 1 July 2013	–
Exercise of options	19,500
At 30 June 2014	19,500
Allotment of shares	(19,500)
<b>At 30 June 2015</b>	<b>–</b>

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. The reserve was fully transferred out by 30 June 2015. The reserve is not distributable.

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 19 Financial commitments

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

Group	Land and Buildings	
	2015 £	2014 £
Not later than one year	91,000	10,417
Later than one year and not later than five years	106,167	–

## 20 Directors' emoluments

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

	Salary, bonus or fees 2015 £	Salary, bonus or fees 2014 £	Pensions 2015 £	Pensions 2014 £	Total 2015 £	Total 2014 £
P Litten	78,333	65,000	45,993	59,834	124,326	124,834
G Fitzpatrick	46,667	52,885	45,993	59,834	92,660	112,719
M Hale	–	–	–	–	–	–
S Garbutta	7,500	3,000	–	–	7,500	3,000
R Owen	7,500	7,500	–	–	7,500	7,500
S Quah	132,000	133,000	–	–	132,000	133,000
	<b>272,000</b>	<b>261,385</b>	<b>91,986</b>	<b>119,668</b>	<b>363,986</b>	<b>381,053</b>

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	25 April 2013	300,000	16.50p	25 April 2016	24 April 2023

On 21 October 2014, S Quah exercised 300,000 share options with an exercise price of 12.5p each. The gain on these shares amounted to £132,000. The net value of shares received under the long term incentive scheme was £169,500.

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

Some directors were awarded a bonus in the year. S Quah was awarded a bonus of £30,000 (2014: £38,000) and P Litten was awarded a bonus of £20,000 (2014: £15,000).

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 21 Employee information

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

Number of employees	2015 Number	2014 Number
Administration and production	19	19

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

Employment costs	2015 £	2014 £
Wages and salaries	874,703	821,680
Social security costs	81,972	72,897
Pension costs	92,258	119,840
Share-based payments	14,884	14,889
	<b>1,063,817</b>	<b>1,029,306</b>

## 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 2015	Number of options 2014
		From	To		
28 October 2004	18.75p	28 October 2007	27 October 2014	–	9,000
20 July 2010	12.5p	20 July 2013	19 July 2020	–	300,000
25 April 2013	16.5p	25 April 2016	24 April 2023	300,000	300,000
				<b>300,000</b>	<b>609,000</b>

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 22 Share-based payments *continued*

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

	Number of options 2015	Weighted average exercise price 2015 £	Number of options 2014	Weighted average exercise price 2014 £
Outstanding at beginning of the year	609,000	0.15	1,613,000	0.11
Lapsed during the year	–	–	(300,000)	(0.13)
Exercised during the year	(309,000)	0.13	(704,000)	(0.13)
Outstanding at end of the year	300,000	0.17	609,000	0.15
Exercisable at the end of the year	–	–	309,000	0.13

The exercise price of options outstanding at the year-end was £0.165 (2014: ranged between £0.125 and £0.1875) and their weighted average contractual life was 7.8 years (2014: 7.7 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	25 April 2013
Model used	Binomial	Black-Scholes	Black-Scholes
Share price at grant date	16.25p	8.75p	16.5p
Exercise price	18.75p	8.75p	16.5p
Contractual life	10 years	10 years	10 years
Risk free rate	6%	0.5%	0.5%
Expected volatility	43%	100%	104%
Expected dividend rate	0%	0%	0%
Fair value option	5.9868p	7.779p	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 Group recognised the following charges in the Statement of Comprehensive Income in respect of its share-based payment plans:

	2015 £	2014 £
Share-based payment charge	14,884	14,889

# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 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:

	2015 £	2014 £
<b>Amounts owed by subsidiaries</b>		
Total amount owed by subsidiaries	323,447	353,337
<b>Amounts owed to subsidiaries</b>		
Total amount owed to subsidiaries	67,355	67,355

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

	2015 £	2014 £
Short-term employee benefits	302,076	297,687
Post-employment benefits	91,986	119,668
Share based payment expense	14,884	14,889
	<b>408,946</b>	<b>432,244</b>

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:

<b>Harris and Trotter LLP – charged during the year</b>	2015 £	2014 £
Aeorema Communications plc	15,250	15,000
Aeorema Limited	29,390	22,325
	<b>44,640</b>	<b>37,325</b>



# Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 24 Cash flows

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
<b>Cash flows from operating activities</b>				
Profit after taxation	315,237	415,696	310,444	59,674
Tax expense recognised in Consolidated Statement of Comprehensive Income	67,979	89,145	–	–
Depreciation	30,708	48,185	–	–
Profit on disposal of property, plant and equipment	5,389	–	–	–
Share-based payment	14,884	14,889	–	–
Dividends received by the Company	–	–	(400,000)	(130,000)
Finance income	(761)	(406)	(268)	(250)
	<b>433,436</b>	<b>567,509</b>	<b>(89,824)</b>	<b>(70,576)</b>
Increase / (decrease) in trade and other payables	(132,788)	454,498	(3,624)	(192,351)
(Increase) / decrease in trade and other receivables	123,523	(869,364)	29,737	110,589
(Increase) / decrease in inventories	2,674	–	–	–
Taxation paid	(42,951)	(43,418)	–	–
<b>Cash generated / (used) from operating activities</b>	<b>383,894</b>	<b>109,225</b>	<b>(63,711)</b>	<b>(152,338)</b>

## 25 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 2015 was £1,055,898 (2014: £1,401,432). 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 2015

## 25 Financial instruments *continued*

### 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 £1,463,504 (2014: £1,589,007).

### 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 £1,558,453 (2013: £1,620,895). 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 £1,884,040 (2014: £1,967,231).

### Fair value of financial assets

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

## 26 Pension costs defined contribution

The Group makes pre-defined contributions to employees' personal pension plans. Contributions payable by the Group for the year were £92,258 (2014: £119,840). At the end of the reporting period £30,000 (2014: £24,998) of contributions were due in respect of the period. The amounts were paid subsequent to the end of the reporting period.

## 27 Dividends

On the 21 November 2014 a final dividend of 2 pence per share and a special dividend of 3 pence per share (total dividend £452,500) was paid to holders of fully paid ordinary shares.

In respect of the current year, the directors propose that a final dividend of 3 pence per share be paid to shareholders on 27 November 2015. 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 6 November 2015. The total estimated dividend to be paid is £271,515. The payment of this dividend will not have any tax consequences for the Group.

## 28 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)

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**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 23rd November 2015 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 2015.
2. To re-appoint Steven Quah as a Director of the Company, who retires in accordance with article 122 of the Company's Articles of Association.
3. To re-appoint Michael Hale as a Director of the Company, who retires in accordance with article 122 of the Company's Articles of Association.
4. To re-appoint Baker Tilly UK Audit LLP, whose name will change to RSM 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 2015 of 3 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 2016 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: 20 October 2015

## 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 Asset Services, 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

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## 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	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	

# Notes

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