CONSOLIDATED DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2017

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

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

aeorema
COMMUNICATIONS PLC

Contents

Aeorema Communications plc

Aeorema Communications plc, the AIM-traded live events agency, announces its audited results for the year ended 30 June 2017.

- Profits before tax from continuing operations of £248,887 (2016: £340,165)
- Revenues of £4,156,592 (2016: £4,583,050)
- Cash at bank and in hand of £1,897,212 (2016: £1,427,723)
- Recommend final dividend payment of 0.5p per share (2016: 2p)

Chairman's Statement

Further to the 13 September 2017 trading update, the Company announces revenue of £4,156,592 and pre-tax Profits of £248,887 for the year ended 30 June 2017. Reported pre-tax Profits are down on the preceding year as a result of a written off investment of £90,000 in a new, proprietary, interactive database, Imaginarium. Imaginarium gives customers access to hundreds of creative technologies and ideas and will help the Company's events division, Cheerful Twentyfirst, to be more innovative and creative in pitching for clients. We believe this investment provides the Company with the first database of its kind in the events business and will, we anticipate, stand us apart from our competitors. The database now needs minimal additional expenditure to continually update. There may be other revenue generating opportunities for the technology, which we are currently exploring.

During the year, the Company ran a number of cutting edge corporate events for blue-chip clients both in the UK and in Europe including a well-received event at Cannes Lions, the international festival of creativity. In tandem with this, our high-margin video division delivered a steady stream of projects for long-standing clients.

Post year end, the Company underwent a major change when its two founders, Peter Litten and Gary Fitzpatrick, stepped down from the board; I would like to reiterate our thanks to them for their 21 years of input and leadership. At the same time, their shares were placed with a broad spread of new investors and Steve Quah and Andrew Harvey were promoted to the role of Joint Managing Directors.

The board is very supportive of the new management team and believes that the Company is well positioned and has the resources and skills to build a much stronger business: it has a stable, creative and motivated team; and the market dynamics are robust given the growing trend for big brands to use events to re-engage with their clients and employees on a more personal level.

Additionally, Aeorema has a healthy balance sheet with £1,897,212 in cash at year end (2016: £1,427,723). The Board is proposing a final dividend of 0.5 pence per share (2016: 2 pence per share) to be paid to shareholders on the register on 15 December 2017. The ex-dividend date will be on 14 December 2017. Subject to the proposed dividend being approved by shareholders at the AGM, it will be paid on 12 January 2018. Despite a strong operational performance and balance sheet, the proposed dividend is lower compared to the previous year in order to preserve cash balances in anticipation of future development initiatives that the Board intends to undertake in order to build further value for shareholders. This includes considering complementary investment within the business to help capture potential organic growth opportunities and exploring potential acquisition opportunities.

Finally, I would like to welcome the new shareholders and thank the current shareholders for their continued support. I look to the future with confidence as the Company embarks on a new, exciting phase in its development.

M Hale

Chairman

9 November 2017

Strategic Report

For the year ended 30 June 2017

The directors present their Strategic Report on the Group for the year ended 30 June 2017.

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 £248,887 (2016: £340,165). It is proposed that the retained profit after taxation of £211,603 (2016: £273,502) is transferred to the Group's reserves.

Revenue for the year was £4,156,592 (2016: £4,583,050). The gross profit margin remained consistent at 40% (2016: 39%) and gross profit was £1,661,105 (2016: £1,803,147).

Total capital expenditure, including expenditure on tangible assets, was £22,536 compared with £39,225 last year.

The group had net assets of £1,657,515 at the end of the year (2016: £1,626,922) and net current assets of £1,258,159 (2016: £1,195,434).

Key Performance Indicators

Year	2017 £	2016 £	2015 £	2014 £
Revenue	4,156,592	4,583,050	4,934,560	4,764,584
Profit before taxation	248,887	340,165	383,216	504,841

Cashflows

Net cash inflow from operating activities was £672,516 compared with a net cash inflow of £450,608 for the year ended 30 June 2016. Total cashflow, representing operating cashflow after taxation, interest, capital expenditure and financing activities, increased by £469,489 compared with a decrease of £130,730 last year. The cash position at the end of the year was £1,897,212 compared with £1,427,723 at the end of the prior 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 21 to the financial statements.

Strategic Report *continued*

For the year ended 30 June 2017

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 24.

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 Haffner

Director

9 November 2017

Directors' Report

For the year ended 30 June 2017

The directors present their annual report and financial statements for the year ended 30 June 2017. 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 2016:
M Hale
S Quah
A Harvey (appointed 23 October 2017)
R Owen
S Haffner
G Fitzpatrick (resigned 20 September 2017)
P Litten (resigned 20 September 2017)

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 0.5 pence per share to be paid on 12 January 2018 to shareholders on the register on 15 December 2017. The ex-dividend date for the final dividend will be 14 December 2017.

Financial instruments

Details of financial instruments are given in note 24 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 2017, the directors were aware that the following were the beneficial owners of 3% or more of the Company's issued share capital:

Directors	Number of shares	Percentages held
M Hale	1,725,000	19.1
S Quah	481,010	5.3
Other shareholders with more than 3%		
Spreadex Ltd	1,242,333	13.7
R Labrum	585,610	6.5
S Perring	474,666	5.2
J Hicking	455,000	5.0
B Geary	434,667	4.8
Barnard Nominees Ltd	434,666	4.8
B Smith	300,000	3.3

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 Haffner 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.

Research and Development

During the financial year, the Group has written off £90,000 in relation to the development of a new database, Imaginarium, as described in the Chairman's statement.

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. See note 1 for further information.

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 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 2017

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 Haffner
Director
9 November 2017

Independent Auditors' Report

To the Members of Aeorema Communications plc

We have audited the financial statements of Aeorema Communications plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the consolidated statement of comprehensive income, the group and company statements of financial position, the consolidated and company statement of changes in equity, the group and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We have determined that there are no Key audit matters to report.

Independent Auditors' Report *continued*

To the Members of Aeorema Communications plc

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £60,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £3,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit scope included all components and was performed to component materiality. Our audit work therefore covered 100% of group revenue, group profit and total group assets and liabilities. It was performed to the materiality levels set out above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Ian Hughes *(Senior Statutory Auditor)*

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
25 Farringdon Street
London EC4A 4AB

9 November 2017

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 £	2016 £
Continuing operations			
Revenue	**2**	**4,156,592**	**4,583,050**
Cost of sales		(2,495,487)	(2,779,903)
Gross profit		**1,661,105**	**1,803,147**
Administrative expenses		(1,412,737)	(1,463,899)
Operating Profit	**3**	**248,368**	**339,248**
Finance income	**4**	519	917
Profit before taxation		**248,887**	**340,165**
Taxation	**5**	(37,284)	(66,663)
Profit and total comprehensive income for the year attributable to owners of the parent		**211,603**	**273,502**
Profit per ordinary share:			
Total basic earnings per share	**8**	2.33803p	3.02195p
Total diluted earnings per share	**8**	2.26301p	2.92500p

There were no other comprehensive income items.

The notes on pages 17 to 37 are an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2017

	Notes	Group		Company	
		2017 £	2016 £	2017 £	2016 £
Non-current assets					
Intangible assets	**9**	365,154	365,154	–	–
Property, plant and equipment	**10**	31,341	60,259	–	–
Deferred taxation	**6**	2,861	6,075	–	–
Investments in subsidiaries	**11**	–	–	580,490	580,490
Total non-current assets		**399,356**	**431,488**	**580,490**	**580,490**
Current assets					
Trade and other receivables	**12**	1,007,592	1,174,337	748,661	807,418
Cash and cash equivalents	**13**	1,897,212	1,427,723	459,180	469,923
Total current assets		**2,904,804**	**2,602,060**	**1,207,841**	**1,277,341**
Total assets		**3,304,160**	**3,033,548**	**1,788,331**	**1,857,831**
Current liabilities					
Trade and other payables	**14**	(1,615,603)	(1,340,583)	(94,173)	(98,805)
Current tax payable	**14**	(31,042)	(66,043)	–	–
Total current liabilities		**(1,646,645)**	**(1,406,626)**	**(94,173)**	**(98,805)**
Net assets		**1,657,515**	**1,626,922**	**1,694,158**	**1,759,026**
Equity					
Share capital	**15**	1,131,313	1,131,313	1,131,313	1,131,313
Share premium	**16**	7,063	7,063	7,063	7,063
Merger reserve	**17**	16,650	16,650	16,650	16,650
Capital redemption reserve		257,812	257,812	257,812	257,812
Retained earnings		244,677	214,084	281,320	346,188
Equity attributable to owners of the parent		**1,657,515**	**1,626,922**	**1,694,158**	**1,759,026**

The notes on pages 17 to 37 are an integral part of these financial statements.

The retained profit for the financial year of the holding company was £116,142 (2016: £821,663).

The financial statements were approved and authorised by the board of directors on 9 November 2017 and were signed on its behalf by

R Owen, *Director* S Haffner, *Director*

Company Registration No. 04314540

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

Group	Share capital £	Share premium £	Merger reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 July 2015	1,131,313	7,063	16,650	257,812	471,202	1,884,040
Profit and total comprehensive income for the year, net of tax	–	–	–	–	273,502	273,502
Dividends paid	–	–	–	–	(543,030)	(543,030)
Share-based payments	–	–	–	–	12,410	12,410
At 30 June 2016	**1,131,313**	**7,063**	**16,650**	**257,812**	**214,084**	**1,626,922**
Profit and total comprehensive income for the year, net of tax	–	–	–	–	211,603	211,603
Dividends paid	–	–	–	–	(181,010)	(181,010)
At 30 June 2017	**1,131,313**	**7,063**	**16,650**	**257,812**	**244,677**	**1,657,515**

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

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.

Capital redemption reserve represents a statutory non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

The notes on pages 17 to 37 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2017

Company	**Share capital £**	**Share premium £**	**Merger reserve £**	**Capital redemption reserve £**	**Retained earnings £**	**Total equity £**
At 1 July 2015	1,131,313	7,063	16,650	257,812	55,145	1,467,983
Comprehensive income for the year, net of tax	–	–	–	–	821,663	821,663
Dividends paid	–	–	–	–	(543,030)	(543,030)
Share-based payments	–	–	–	–	12,410	12,410
At 30 June 2016	**1,131,313**	**7,063**	**16,650**	**257,812**	**346,188**	**1,759,026**
Comprehensive income for the year, net of tax	–	–	–	–	116,142	116,142
Dividends paid	–	–	–	–	(181,010)	(181,010)
At 30 June 2017	**1,131,313**	**7,063**	**16,650**	**257,812**	**281,320**	**1,694,158**

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

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.

Capital redemption reserve represents a statutory non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

The notes on pages 17 to 37 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2017

	Notes	Group		Company	
		2017 £	2016 £	2017 £	2016 £
Net cash flow from operating activities	**23**	**672,516**	**450,608**	**(29,846)**	**(545,174)**
Cash flows from investing activities					
Finance income		519	917	113	254
Purchase of property, plant and equipment	**10**	(22,536)	(39,225)	–	–
Dividends received by the Company		–	–	200,000	900,000
Cash (used) / generated in investing activities		**(22,017)**	**(38,308)**	**200,113**	**900,254**
Cash flows from financing activities					
Dividends paid to owners of the Company		(181,010)	(543,030)	(181,010)	(543,030)
Cash used in financing activities		**(181,010)**	**(543,030)**	**(181,010)**	**(543,030)**
Net increase / (decrease) in cash and cash equivalents		**469,489**	**(130,730)**	**(10,743)**	**(187,950)**
Cash and cash equivalents at beginning of year		1,427,723	1,558,453	469,923	657,873
Cash and cash equivalents at end of year	**13**	**1,897,212**	**1,427,723**	**459,180**	**469,923**

The notes on pages 17 to 37 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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 24, 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 24, 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 2016. Their adoption has not had a material impact on the financial statements:

- IAS 1 (Amended), 'Disclosure Initiative', effective 1 January 2016.
- IAS 27 (Amended), 'Equity Method in Separate Financial Statements', 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.
- Annual Improvements to IFRSs 2012 – 2014 Cycle, effective 1 January 2016.

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 2016 and have not been adopted early by the Group:

- IFRS 9 'Financial Instruments', effective 1 January 2018.
- IFRS 15 'Revenue for Contracts with Customers', effective 1 January 2018.
- IFRS 16 'Leases', effective 1 January 2019.
- IAS 7 (Amended), 'Statement of Cash Flows', effective 1 January 2017.

Management are currently assessing the impact they may have on future reporting periods.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

1 Accounting policies *continued*

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2017. 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.

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 (three years)
Fixtures, fittings and equipment	straight line over four years

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.

1 Accounting policies *continued*

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.

The group leases office facilities under operating leases. The lease typically runs for a period of 5 years, with a break clause in year 3. The group is restricted from entering into any sub-lease arrangements.

Investments

Fixed asset investments are stated at cost less provision for diminution in 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 2017

1 Accounting policies *continued*

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 operates a pension scheme for its employees. It also makes 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 21 to the financial statements.

1 Accounting policies *continued*

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. There are no critical judgements that the directors have made in the process of applying the Group's accounting policies.

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 2017 there is only a single reportable segment.

All revenue represents sales to external customers. Two customers (2016: two) are defined as major customers by revenue, contributing more than 10% of the Group revenue.

	2017 £	**2016 £**
Customer one	722,825	–
Customer two	715,074	819,443
Customer three	35,916	1,006,510
Major customers	1,473,815	1,825,953

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

Geographical market	**2017 UK £**	**2016 UK £**	**2017 Europe £**	**2016 Europe £**	**2017 Rest of the World £**	**2016 Rest of the World £**	**2017 Total £**	**2016 Total £**
Revenue	**4,089,412**	**3,410,154**	**29,589**	**66,990**	**37,591**	**1,105,906**	**4,156,592**	**4,583,050**

All non-current assets are based in the UK.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

3 Operating profit

Operating profit is stated after charging or crediting:	**2017** **£**	**2016** **£**
Cost of sales		
Depreciation of property, plant and equipment	21,577	21,910
Administrative expenses		
Depreciation of property, plant and equipment	29,877	22,191
(Profit)/Loss on foreign exchange differences	(426)	(2,307)
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	7,500	7,500
Audit of the Company's subsidiaries	20,000	20,000
Staff costs (see note 20)	918,336	1,029,928
Operating leases – land and buildings	91,000	91,000

4 Finance income

Finance income	**2017** **£**	**2016** **£**
Bank interest received	519	917

5 Taxation

	2017 £	2016 £
The tax charge comprises:		
Current tax		
Prior period adjustment	3,028	291
Current year	31,042	66,043
	34,070	**66,334**
Deferred tax (see note 6)		
Current year	3,214	329
	3,214	**329**
Total tax charge in the statement of comprehensive income	**37,284**	**66,663**
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation from continuing operations	248,887	340,165
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.75% (2016: 20%)	49,155	68,033
Effects of:		
Non-deductible expenses	8,086	1,764
Research and development claim	(22,985)	–
Other adjustments	–	(3,425)
Marginal relief	–	–
Prior period adjustment	3,028	291
	(11,871)	**(1,370)**
Total tax charge	**37,284**	**66,663**

The Group has estimated losses of £375,762 (2016: £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, therefore no deferred tax asset has been recognised.

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these consolidated financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset is realised.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

6 Deferred taxation

	2017 £	2016 £
Property, plant and equipment temporary differences	(2,269)	(5,681)
Temporary differences	5,130	11,756
	2,861	**6,075**
At 1 July	6,075	6,404
Transfer to Statement of Comprehensive Income	(3,214)	(329)
At 30 June	**2,861**	**6,075**

The deferred tax asset is expected to be utilised given the continued 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.

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:

	2017 £	2016 £
Basic earnings per share		
Profit for the year attributable to owners of the Company	211,603	273,502
Basic weighted average number of shares	**9,050,500**	**9,050,500**
Dilutive potential ordinary shares: Employee share options	300,000	300,000
Diluted weighted average number of shares	**9,350,500**	**9,350,500**

9 Intangible fixed assets

Group	**Goodwill £**
Cost	
At 1 July 2015	2,728,292
At 30 June 2016	2,728,292
At 30 June 2017	**2,728,292**
Impairment and amortisation	
At 1 July 2015	2,363,138
At 30 June 2016	2,363,138
At 30 June 2017	**2,363,138**
Net book value	
At 1 July 2015	365,154
At 30 June 2016	365,154
At 30 June 2017	**365,154**

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 2017-18 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 2%. Using these assumptions, which are based upon past experience, there was no impairment in the year. The value in use exceeds the carrying value by £508,988.

Management has assessed the sensitivity of the recoverable amounts in the key assumptions to be as follows: a five percentage-point increase in the discount rate would reduce the recoverable amount by £103,449 and a 25% fall in future growth would reduce the recoverable amount by £173,295. 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 2017

10 Property, plant and equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 30 June 2015	17,761	301,944	319,705
Additions	36,537	2,688	39,225
Disposals	–	(160,562)	(160,562)
At 30 June 2016	54,298	144,070	198,368
Additions	4,238	18,298	22,536
Disposals	–	(67,316)	(67,316)
At 30 June 2017	**58,536**	**95,052**	**153,588**
Depreciation			
At 30 June 2015	1,379	253,191	254,570
Charge for the year	22,191	21,910	44,101
Eliminated on disposal	–	(160,562)	(160,562)
At 30 June 2016	23,570	114,539	138,109
Charge for the year	29,877	21,577	51,454
Eliminated on disposal	–	(67,316)	(67,316)
At 30 June 2017	**53,447**	**68,800**	**122,247**
Net book value			
At 1 July 2015	16,382	48,753	65,135
At 30 June 2016	30,728	29,531	60,259
At 30 June 2017	**5,089**	**26,252**	**31,341**

11 Non-current assets – Investments

Company	**Shares in subsidiary £**
Cost	
At 1 July 2015	3,262,293
Increase in respect of share based payments	12,410
At 30 June 2016	3,274,703
At 30 June 2017	**3,274,703**
Provision	
At 1 July 2015	2,694,213
At 30 June 2016	2,694,213
At 30 June 2017	**2,694,213**
Net book value	
At 1 July 2015	568,080
At 30 June 2016	580,490
At 30 June 2017	**580,490**

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 registered address of Aeorema Limited and Twentyfirst Limited is 64 New Cavendish Street, London, W1G 8TB.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

12 Trade and other receivables

	Group		Company	
	2017 **£**	**2016** **£**	**2017** **£**	**2016** **£**
Trade receivables	810,908	1,038,669	–	–
Related party receivables	–	–	743,037	802,543
Other receivables	19,166	19,585	–	–
Prepayments and accrued income	177,518	116,083	5,624	4,875
	1,007,592	**1,174,337**	**748,661**	**807,418**

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 £61,560 (2016: £36,232) 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	
	2017 **£**	**2016** **£**
Less than 90 days overdue	61,560	27,190
More than 90 days overdue	–	9,042
	61,560	**36,232**

13 Cash and cash equivalents

	Group		Company	
	2017 **£**	**2016** **£**	**2017** **£**	**2016** **£**
Bank balances	1,897,212	1,427,723	459,180	469,923
Cash and cash equivalents	**1,897,212**	**1,427,723**	**459,180**	**469,923**
Cash and cash equivalents in the statement of cash flows	**1,897,212**	**1,427,723**	**459,180**	**469,923**

14 Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Trade payables	1,012,687	663,797	7,380	6,950
Related party payables	–	–	67,355	67,355
Taxes and social security costs	284,415	177,985	–	–
Other payables	7,529	14,614	–	–
Accruals and deferred income	342,014	550,230	19,438	24,500
	1,646,645	**1,406,626**	**94,173**	**98,805**

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

	2017	**2016**
	£	**£**
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000

		Ordinary shares
Allotted, called up and fully paid	**Number**	**£**
At 1 July 2015	9,050,500	1,131,313
At 30 June 2016	9,050,500	1,131,313
At 30 June 2017	**9,050,500**	**1,131,313**

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company

See note 21 for details of share options outstanding.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

16 Share Premium

	Share Premium £
At 1 July 2015	7,063
At 30 June 2016	7,063
At 30 June 2017	**7,063**

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

17 Merger reserve

	Merger reserve £
At 1 July 2015	16,650
At 30 June 2016	16,650
At 30 June 2017	**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.

18 Financial commitments

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

	Land and Buildings	
	2017 £	2016 £
Not later than one year	91,000	91,000
Later than one year and not later than five years	106,167	15,167
Total	**197,167**	**106,167**

19 Directors' emoluments

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

	Salary, bonus or fees 2017 £	Salary, bonus or fees 2016 £	Pensions 2017 £	Pensions 2016 £	Total 2017 £	Total 2016 £
P Litten	60,000	77,000	33,554	39,932	93,554	116,932
G Fitzpatrick	40,000	40,000	7,562	18,272	47,562	58,272
M Hale	10,000	10,000	–	–	10,000	10,000
S Garbutta	–	5,000	–	–	–	5,000
S Haffner	15,000	7,500	–	–	15,000	7,500
R Owen	10,000	10,000	–	–	10,000	10,000
S Quah	90,000	115,000	155	–	90,155	115,000
	225,000	**264,500**	**41,271**	**58,204**	**266,271**	**322,704**

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

Name	Grant date	Number awarded	Exercise price	Earliest exercise date	Expiry date
S Quah	25 April 2013	300,000	16.50p	25 April 2016	24 April 2023

Fees for S Garbutta and S Haffner are charged by Harris & Trotter LLP, a firm in which they are members. See note 22.

20 Employee information

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

Number of employees	Group		Company	
	2017 Number	2016 Number	2017 Number	2016 Number
Administration and production	20	20	6	6

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

20 Employee information *continued*

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

Employment costs	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Wages and salaries	788,365	871,534	35,000	32,500
Social security costs	85,708	86,409	–	–
Pension costs	44,263	59,575	–	–
Share-based payments	–	12,410	–	–
Total	**918,336**	**1,029,928**	**35,000**	**32,500**

21 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 From	To	Number of options 2017	Number of options 2016
25 April 2013	16.5p	25 April 2016	24 April 2023	300,000	300,000
				300,000	**300,000**

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

	Number of options 2017	Weighted average exercise price 2017 £	Number of options 2016	Weighted average exercise price 2016 £
Outstanding at beginning of the year	300,000	0.17	300,000	0.17
Outstanding at end of the year	300,000	0.17	300,000	0.17
Exercisable at the end of the year	300,000	0.17	300,000	0.17

The exercise price of options outstanding at the year end was £0.165 (2016: £0.165) and their weighted average contractual life was 5.8 years (2016: 6.8 years).

21 Share-based payments *continued*

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	25 April 2013
Model used	Black-Scholes
Share price at grant date	16.5p
Exercise price	16.5p
Contractual life	10 years
Risk free rate	0.5%
Expected volatility	104%
Expected dividend rate	0%
Fair value option	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 official 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:

	2017 £	2016 £
Share-based payment charge	–	12,410

22 Related party transactions

The Group has a related party relationship with its subsidiaries and its key management personnel (including directors). Details of transactions between the Company and its subsidiaries are as follows:

	2017 £	2016 £
Amounts owed by subsidiaries		
Total amount owed by subsidiaries	743,037	802,543
Amounts owed to subsidiaries		
Total amount owed to subsidiaries	67,355	67,355

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

22 Related party transactions *continued*

The company received dividends during the year of £200,000 (2016: £900,000) from its subsidiary Aeorema Limited. The company transferred a VAT receivable of £10,200 (2016: £14,810) to Aeorema Limited due to being part of a common VAT group.

Aeorema Limited transferred a net amount of expenses to Aeorema Communications plc during the year of £38,700 (2016: £7,317).

Aeorema Limited paid expenses totalling £49,996 (2016: £nil) on behalf of Aeorema Communications plc during the year.

During the year, Aeorema Limited made a net transfer of cash of £181,010 (2016: £443,030) to Aeorema Communications plc.

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

	2017 £	2016 £
Short-term employee benefits	251,204	287,317
Post-employment benefits	41,271	58,204
Share based payment expense	–	12,410
	292,475	**357,931**

Harris and Trotter LLP is a firm in which S Haffner and S Garbutta are members. The amount charged to the Group for professional services is as follows:

Harris and Trotter LLP – charged during the year	2017 £	2016 £
Aeorema Communications plc	15,000	12,500
Aeorema Limited	7,850	15,060
	22,850	**27,560**

At the year end, the group had an outstanding trade payable balance to Harris and Trotter LLP of £5,640 (2016: £6,600).

23 Cash flows

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Cash flows from operating activities				
Profit before taxation	248,887	340,165	116,141	821,663
Depreciation	51,454	44,101	–	–
Share-based payment	–	12,410	–	–
Dividends received by the Company	–	–	(200,000)	(900,000)
Finance income	(519)	(917)	(113)	(254)
	299,822	**395,759**	**(83,972)**	**(78,591)**
Increase / (decrease) in trade and other payables	275,021	(71,760)	(4,631)	12,699
(Increase) / decrease in trade and other receivables	166,745	178,061	58,757	(479,282)
Taxation paid	(69,072)	(51,452)	–	–
Cash generated / (used) from operating activities	**672,516**	**450,608**	**(29,846)**	**(545,174)**

24 Financial instruments

Financial instruments recognised in the consolidated statement of financial position

All financial instruments are recognised initially at their fair value and subsequently measured at amortised cost.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£	**£**	**£**	**£**
Loans and receivables				
Trade and other receivables	847,525	1,070,627	743,037	802,543
Cash and cash equivalents	1,897,212	1,427,723	459,180	469,923
Investments in subsidiaries	–	–	580,490	580,490
Total	**2,744,737**	**2,498,350**	**1,782,707**	**1,852,956**
Other financial liabilities				
Trade and other payables	1,020,216	678,411	74,735	74,305
Accruals	236,068	439,956	19,440	24,500
Total	**1,256,284**	**1,118,367**	**94,175**	**98,805**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2017

24 Financial instruments *continued*

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 2017 was £810,908 (2016: £1,038,669). Trade receivables are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. At the year end, the credit quality of trade receivables is considered to be satisfactory.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to meet its liabilities when they fall due. The Group monitors cash flow on a regular basis. At the year end, the Group has sufficient liquid resources to meets its obligations of £1,540,698 (2016: £1,296,626).

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 £1,897,212 (2016: £1,427,723). 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 £1,657,515 (2016: £1,626,922).

25 Pension costs defined contribution

The Group makes pre-defined contributions to employees' personal pension plans. Contributions payable by the Group for the year were £44,263 (2016: £59,575). At the end of the reporting period £nil (2016: £12,880) of contributions were due in respect of the period.

26 Dividends

On the 25 November 2016 a final dividend of 2 pence per share (total dividend £181,010) was paid to holders of fully paid ordinary shares.

In respect of the current year, the directors propose that a final dividend of 0.5 pence per share be paid to shareholders on 12 January 2018. 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 15 December 2017. The total estimated dividend to be paid is £45,253. The payment of this dividend will not have any tax consequences for the Group.

27 Contingent Liability

Company

The company is a member of a group VAT registration with all other companies in the Aeorema Communications group and, under the terms of the registration, is jointly and severally liable for the VAT payable by all members of the group. At 30 June 2017 the company had no potential liability under the terms of the registration.

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 04314540)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Aeorema Communications plc will be held at Moray House, 23-31 Great Titchfield Street, London W1W 7PA on 7 December 2017 at 11.30 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 2017.
2. To re-appoint Andrew Harvey as a Director of the Company, who retires in accordance with article 128 of the Company's Articles of Association.
3. 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.
4. To re-appoint 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 2017 of 0.5 pence per ordinary share.

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

6. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(3) of the Act) on the AIM Market of the London Stock Exchange plc of ordinary shares of 12.5 pence each in the capital of the Company ("Ordinary Shares") provided that:
   (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,190,625 Ordinary Shares;
   (ii) the minimum price which may be paid for an Ordinary Share is 1 pence;
   (iii) the maximum price which shall be paid for an Ordinary Share shall be an amount equal to 105 per cent. of the average middle market quotations taken from the AIM Appendix to the Daily Official List of the UKLA for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;
   (iv) unless renewed the authority hereby conferred shall expire on the earlier of the Company's Annual General Meeting in 2018 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.

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: 9 November 2017

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, Link 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

Directors	M Hale	(Non-Executive Chairman)
	S Haffner	(Non-Executive)
	R Owen	(Non-Executive)
	S Quah	(Executive Director)
	A Harvey	(Executive Director – appointed 23 October 2017)
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	RSM 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	Link Asset Services The Registry 34 Beckenham Road Beckenham, Kent, BR3 4TU	

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