Aeorema Communications plc / Index: AIM / Epic: AEO / Sector: Media

7 November 2018

Aeorema Communications plc ("Aeorema" or the "Company")

Final Results

Aeorema Communications plc, the AIM-traded live events agency, announces its audited results for the year ended 30 June 2018. The Company's annual general meeting ("AGM") is expected to be held in the first week in December and a separate announcement will be made in due course to confirm postage of the Annual Report and Accounts for the year ended 30 June 2018 and the notice of AGM to shareholders, as well as availability of the documents on the Company's website www.aeorema.com.

Financial Overview

- Revenues of £4,820,167, a year-on-year increase of 16% (2017: £4,156,592)
- Profit before exceptional items of £289,650, a year-on-year increase of 17% (2017: £248,368)
- Maintained strong cash position with £1,436,314 in the bank
- Proposed final dividend payment of 0.75p (2017: 0.5p)

Operation Overview

- Aeorema successfully staged several large-scale events for blue chip clients in the UK, France, Italy and Germany
    - Events included annual partner conferences, a leadership event and a promotional event at Cannes Lions Festival
    - Blue chip clients including a top 4 accountancy firm, a top 10 law firm, a global management consulting firm, a global telecoms provider and a global newspaper publisher
- Developed the Company's film production arm of the business by securing new client wins
    - Produced film content in tandem with large scale events in addition to films for leading accountancy, legal, management and construction firms
    - Film production business continues to be highly profitable for the Company
- New management team appointed in the period implementing their strategy for the Company and supported by further key appointments including a Creative Director and Director of Experiential

For further information visit www.aeorema.com or contact:

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Chairman's Statement

The financial year ended 30 June 2018 was a pivotal period for Aeorema. The two founder shareholders, Peter Litten, Deputy Chairman and Creative Director, and Gary Fitzpatrick, CEO, advised that they wanted to leave to pursue other interests. The Board thanked them for 21 years of commitment to the Company and organised with them the orderly placement of their entire shareholdings equating to 38% of the Company's shares. This placement of shares by the Company's broker in September 2017 introduced an excellent group of new shareholders.

Many of these new shareholders are already investors in a range of AIM micro-caps and the Board is grateful for their support since this placement.

The Board appointed Steve Quah and Andrew Harvey as joint Managing Directors in September 2017. Steve and Andrew have been with the Company for a number of years and have contributed significantly to the growth of the Company. The Board fully endorses their vision for the company.

The results for the financial year ended 30 June 2018 were good considering the challenges and distraction of the management changes. Revenue was £4,820,167, an increase of 16% on 2016/17 (£4,156,592). Profit was £289,650 before exceptional items of £231,357, an increase of 17% on 2016/17 (£248,368). The exceptional items were in relation to the departure of its two founders, Peter Litten and Gary Fitzpatrick, from the board of directors.

The Board is proposing a final dividend of 0.75 pence (2016/17: 0.5 pence per share) to be paid to shareholders on the register on 14 December 2018. The ex-dividend date will be on 13 December 2018. Subject to the proposed dividend being approved by shareholders at the AGM, it will be paid on 11 January 2019. This is in line with the Company's policy of continuing to pay dividends when possible. At the year-end the Group maintained its strong cash position with £1,436,314 in the bank, net of bank overdrafts. The Board is focused on using the cash reserves to invest in new talent capable of driving the business forward organically, as well as exploring new acquisition opportunities which can help the Group increase in scale and drive increased revenues and profits.

During the financial year ended 30 June 2018 the Group successfully staged several large events for blue chip clients in the UK, France, Italy and Germany. These events included annual partner conferences for a top 4 accountancy firm, a top 10 law firm and a global management consulting firm. The Group also staged a leadership event for a global telecoms provider and an event for a global newspaper publisher at the Cannes Lions International Festival of Creativity, a global event for those working in creative, communications, advertising and related fields.

The Group's film production business continued to develop during the year. The Group provided film content for several of the large events mentioned above, as well as, producing films for top 4 accountancy firms, a top 10 law firm, a large multinational technology company and a multinational construction company. The films produced included films for internal training, high level strategy films and branded content. The film production business continues to operate with high gross profit margins and provides opportunities for the Group to showcase its outstanding creativity.

The Board is delighted with the performance of the new management team. The new team have made a number of key appointments including a new creative director and a director of experiential. These appointments are seen as essential to ensure the Group maintains its creative advantage and allow the Group to move into experiential events. Experiential events use experiences to connect brands with consumers, it is a form of event that is rapidly growing in popularity and is an area of business which we believe represents a significant and highly exciting growth opportunity.

Outlook

Looking forward to the financial year ended 30 June 2019 and beyond the outlook is very positive. The strength of the new team has led to an excellent series of new business gains since the year end with both existing and new clients. These gains include a major new client in the technology sector and a new global brand within the media sector. The Group continues to win new film production projects and the appointment of Julian Staveley as Experiential Director is also proving successful, with the Group recently winning a roadshow event for a global electronics company.

The Board wishes to thank the executive team and all members of staff for their commitment and hard work. The board also wishes to thank its shareholders for their continued support.

M Hale
Chairman
6 November 2018

Joint Managing Directors' Statement

We are delighted to complete our first financial year as Joint Managing Directors with a significant increase in revenue. The focus of the senior team has been to drive growth through strong account management and a greater sales function.

The average growth in revenue from our top five clients this financial year has been 29% and we would like to thank our wonderful, dedicated team for working harder than ever before to retain key accounts and continuing to foster strong relationships with our fantastic clients.

We are also proud to deliver growth in our three main client sectors of Professional Services, Telecommunications and Media & Technology. We have added a significant new client within Professional Services plus two new clients in the Media & Technology sector. Looking ahead to the current financial year we are confident of adding further well-known brands within our core sectors.

Although some of our larger individual projects continue to be repeated every two to three years, we have added some new annual large-scale conferences to our calendar and continue to seek out repeating six figure revenue generating events to support our growth plan. We are especially pleased to report that our pitch to win ratio has increased by approximately 40%.

We have invested within the technical support structure of our business, but our biggest investment has been in talent. We were delighted to make Julian Staveley our first significant hire as Experiential Director and in 2018 we have strengthened the team further with our new Creative Director Simon Baird, experienced Project Manager Natalie Richards and Senior Producer Jen Morris.

Simon has worked with some of the biggest brands in the world and he is excited to be joining our talented Cheerful Twentyfirst team and giving our own brand a vital update. We aim to launch our new brand and website in early 2019.

We continue to keep a close eye on overheads, but to match our ambition of organic growth going forwards we are focussed on bringing in the best talent to ensure our clients continue to get the best service.

Finally, we would like to thank our amazing team, our ambitious and loyal clients and our investors. We are excited by the opportunities that lie ahead and as we grow the business we are fully focused on delivering world class projects that continue to be game changers for our clients.

Steve Quah Andrew Harvey
Joint Managing Directors
6 November 2018

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 £	2017 £
Continuing operations			
Revenue	**2**	**4,820,167**	**4,156,592**
Cost of sales		(3,033,514)	(2,495,487)
Gross profit		**1,786,653**	**1,661,105**
Administrative expenses		(1,497,003)	(1,412,737)
Operating profit pre-exceptional items	**3**	**289,650**	**248,368**
Exceptional items	**4**	(231,357)	-
Operating profit post exceptional items		**58,293**	**248,368**
Finance income	**5**	392	519
Profit before taxation		**58,685**	**248,887**
Taxation	**6**	(8,280)	(37,284)
Profit and total comprehensive income for the year attributable to owners of the parent		**50,405**	**211,603**
Profit per ordinary share:			
Total basic earnings per share	9	0.55693p	2.33803p
Total diluted earnings per share	9	0.53906p	2.26301p

There were no other comprehensive income items.

The notes are an integral part of these financial statements.

Statement of Financial Position
As at 30 June 2018

	Notes	Group		Company	
		2018	**2017**	**2018**	**2017**
		£	**£**	**£**	**£**
Non-current assets					
Intangible assets	**10**	365,154	365,154	-	-
Property, plant and equipment	**11**	37,044	31,341	-	-
Deferred taxation	**7**	2,254	2,861	-	-
Investments in subsidiaries	**12**	-	-	580,490	580,490
Total non-current assets		**404,452**	**399,356**	**580,490**	**580,490**
Current assets					
Trade and other receivables	**13**	1,106,292	1,007,592	995,874	748,661
Cash and cash equivalents	**14**	1,437,904	1,897,212	-	459,180
Total current assets		**2,544,196**	**2,904,804**	**995,874**	**1,207,841**
Total assets		**2,948,648**	**3,304,160**	**1,576,364**	**1,788,331**
Current liabilities					
Bank loans and overdrafts	**16**	(1,590)	-	(1,590)	-
Trade and other payables	**15**	(1,274,979)	(1,615,603)	(102,647)	(94,173)
Current tax payable		(9,412)	(31,042)	-	-
Total current liabilities		**(1,285,981)**	**(1,646,645)**	**(104,237)**	**(94,173)**
Net assets		**1,662,667**	**1,657,515**	**1,472,127**	**1,694,158**
Equity					
Share capital	**17**	1,131,313	1,131,313	1,131,313	1,131,313
Share premium		7,063	7,063	7,063	7,063
Merger reserve		16,650	16,650	16,650	16,650
Capital redemption reserve		257,812	257,812	257,812	257,812
Retained earnings		249,829	244,677	59,289	281,320
Equity attributable to owners of the parent		**1,662,667**	**1,657,515**	**1,472,127**	**1,694,158**

The notes are an integral part of these financial statements.

The loss for the financial year of the holding company was £176,778 (profit in 2017: £116,142).

The financial statements were approved and authorised by the board of directors on 6 November 2018 and were signed on its behalf by

A Harvey, Director

S Haffner, Director

Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

Group	Share capital £	Share premium £	Merger reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 July 2016	1,131,313	7,063	16,650	257,812	214,084	1,626,922
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**
Comprehensive income for the year, net of tax	-	-	-	-	50,405	50,405
Dividends paid	-	-	-	-	(45,253)	(45,253)
At 30 June 2018	**1,131,313**	**7,063**	**16,650**	**257,812**	**249,829**	**1,662,667**

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 redemption or purchase of a company's own shares.

The notes an integral part of these financial statements.

Company Statement of Changes in Equity
For the year ended 30 June 2018

Company	Share capital £	Share premium £	Merger reserve £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 July 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**
Comprehensive income for the year, net of tax	-	-	-	-	(176,778)	(176,778)
Dividends paid	-	-	-	-	(45,253)	(45,253)
At 30 June 2018	**1,131,313**	**7,063**	**16,650**	**257,812**	**59,289**	**1,472,127**

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 redemption or purchase of a company's own shares.

The notes are an integral part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2018

	Notes	Group		Company	
		2018 £	2017 £	2018 £	2017 £
Net cash flow from operating activities	**23**	**(389,918)**	**672,516**	**(415,534)**	**(29,846)**
Cash flows from investing activities					
Finance income	**5**	392	519	17	113
Purchase of property, plant and equipment	**11**	(26,119)	(22,536)	-	-
Dividends received by the Company		-	-	-	200,000
Cash (used) / generated in investing activities		**(25,727)**	**(22,017)**	**17**	**200,113**
Cash flows from financing activities					
Dividends paid to owners of the Company		(45,253)	(181,010)	(45,253)	(181,010)
Cash used in financing activities		**(45,253)**	**(181,010)**	**(45,253)**	**(181,010)**
Net increase / (decrease) in cash and cash equivalents		**(460,898)**	**469,489**	**(460,770)**	**(10,743)**
Cash and cash equivalents at beginning of year		1,897,212	1,427,723	459,180	469,923
Cash and cash equivalents at end of year		**1,436,314**	**1,897,212**	**(1,590)**	**459,180**

Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of the Statement of Financial Position amounts:

	Notes	Group		Company	
		2018 £	**2017 £**	**2018 £**	**2017 £**
Cash and cash equivalents	**14**	1,437,904	**1,897,212**	**-**	**459,180**
Bank overdraft	**16**	(1,590)	-	(1,590)	-
		1,436,314	**1,897,212**	**(1,590)**	**459,180**

The notes are an integral part of these financial statements.

Notes to the consolidated financial statements
For the year ended 30 June 2018

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. The presentation currency is £ sterling.

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 have been applied for the first time from 1 July 2017. Their adoption has not had a material impact on the financial statements:

- IAS 7 (Amended) 'Statement of Cash Flows', effective 1 January 2017

Adopted IFRS 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 2017 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

Management have assessed the impact they may have on future reporting periods, and do not consider that the above standards will have a material impact on the Group's financial statements.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2018. 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 consolidated until 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.

Revenue is recognised by reference to the stage of completion of a transaction. The method used to determine the stage of completion is the cost-to-cost method. Under the cost-to-cost method the stage of completion is determined as a percentage of the costs incurred to date compared with estimated total costs of the transaction.

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.

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 cause 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, 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.

Bank loans and overdrafts comprise amounts due on demand.

Finance income

Finance 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 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.

Exceptional items
Exceptional items are one off, material items outside the normal course of business which are not related to the Group's trading activities.

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.

The company performs an impairment review of goodwill based on a value in use calculation. The calculation is based on a discounted cash flow model and an appropriate discount rate. The review includes an estimation of the annual growth rates and appropriate discount rates (see note 10 for key assumptions). Changes in the estimates which underpin the group's forecasts could have an impact on the value in use.

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 year ending 30 June 2018 there is only a single reportable segment.

All revenue represents sales to external customers. Four customers (2017: two) are defined as major customers by revenue, contributing more than 10% of the Group revenue.

	2018 **£**	**2017** **£**
Customer one	1,114,846	722,825
Customer two	886,981	715,074
Customer three	617,576	-
Customer four	493,766	392,894
Major customers	**3,113,169**	**1,830,793**

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

Geographical market	**2018 UK £**	**2017 UK £**	**2018 Europe £**	**2017 Europe £**	**2018 Rest of the World £**	**2017 Rest of the World £**	**2018 Total £**	**2017 Total £**
Revenue	**4,774,107**	**4,089,412**	**31,531**	**29,589**	**14,529**	**37,591**	**4,820,167**	**4,156,592**

3 Operating profit

Operating profit is stated after charging or crediting:	2018 £	2017 £
Cost of sales		
Depreciation of property, plant and equipment	15,327	21,577
Administrative expenses		
Depreciation of property, plant and equipment	5,089	29,877
(Profit)/Loss on foreign exchange differences	6,902	(426)
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	21,000	20,000
Staff costs (see note 20)	1,016,153	918,336
Operating leases – land and buildings	91,000	91,000

4 Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring, are considered as exceptional. During the year, the Group incurred expenditure totalling £231,357 (2017: £nil) in relation to the departure of its two founders, Peter Litten and Gary Fitzpatrick, from the board of directors. This expenditure included final salary payments of £120,000, pension payments of £40,361 and associated costs including legal and professional fees of £70,996.

5 Finance income

Finance income	2018 £	2017 £
Bank interest received	392	519

6 Taxation

	2018 £	2017 £
The tax charge comprises:		
Current tax		
Prior period adjustment	(1,739)	3,028
Current year	9,412	31,042
	7,673	**34,070**
Deferred tax (see note 7)		
Current year	607	3,214
	607	**3,214**
Total tax charge in the statement of comprehensive income	**8,280**	**37,284**
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation from continuing operations	58,685	248,887
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2017: 19.75%)	11,150	49,155
Effects of:		
Non-deductible expenses	(1,131)	8,086
Research and development claim	-	(22,985)
Prior period adjustment	(1,739)	3,028
	(2,870)	**(11,781)**
Total tax charge	**8,280**	**37,284**

The Group has estimated losses of £375,762 (2017: £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.

7 Deferred taxation

	2018 £	2017 £
Property, plant and equipment temporary differences	(4,016)	(2,269)
Temporary differences	6,270	5,130
	2,254	**2,861**
At 1 July	2,861	6,075
Transfer to Statement of Comprehensive Income	(607)	(3,214)
At 30 June	**2,254**	**2,861**

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

8 Profit attributable to members of the parent company

As permitted by section 408 of the Companies Act 2006, the parent Company's Statement of Comprehensive Income has not been included in these financial statements.

9 Earnings per ordinary share

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

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

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

	2018 £	2017 £
Basic earnings per share		
Profit for the year attributable to owners of the Company	50,405	211,603
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**

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 July 2016	2,728,292
At 30 June 2017	2,728,292
At 30 June 2018	**2,728,292**
Impairment and amortisation	
At 1 July 2016	2,363,138
At 30 June 2017	2,363,138
At 30 June 2018	**2,363,138**
Net book value	
At 1 July 2016	365,154
At 30 June 2017	365,154
At 30 June 2018	**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. The future value has been calculated on a discounted cash flow basis using the 2018-19 budgeted figures as approved by the Board of Directors, extended in perpetuity to calculate the terminal value and discounted at a rate of 10%. It has been assumed that future growth will be between 1.5% and 2%. Using these assumptions, which are based upon past experience, there was no impairment in the year.

11 Property, plant and equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
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
Additions	-	26,119	26,119
Disposals	-	(2,141)	(2,141)
At 30 June 2018	**58,536**	**119,030**	**177,566**
Depreciation			
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
Charge for the year	5,089	15,327	20,416
Eliminated on disposal	-	(2,141)	(2,141)
At 30 June 2018	**58,536**	**81,986**	**140,522**
Net book value			
At 1 July 2016	30,728	29,531	60,259
At 30 June 2017	5,089	26,252	31,341
At 30 June 2018	**-**	**37,044**	**37,044**

12 Non-current assets - Investments

Company	**Shares in subsidiary** **£**
Cost	
At 1 July 2016	3,274,703
At 30 June 2017	3,274,703
At 30 June 2018	**3,274,703**
Provision	
At 1 July 2016	2,694,213
At 30 June 2017	2,694,213
At 30 June 2018	**2,694,213**
Net book value	

At 1 July 2016	580,490
At 30 June 2017	580,490
At 30 June 2018	**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 (Dormant)	England and Wales	Ordinary	100

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

13 Trade and other receivables

	Group		Company	
	2018 **£**	**2017** **£**	**2018** **£**	**2017** **£**
Trade receivables	693,725	810,908	-	-
Related party receivables	-	-	981,850	743,037
Other receivables	25,870	19,167	4,718	-
Prepayments and accrued income	386,697	177,517	9,306	5,624
	1,106,292	**1,007,592**	**995,874**	**748,661**

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 £34,324 (2017: £61,560) 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	
	2018 **£**	**2017** **£**
Less than 90 days overdue	-	61,560
More than 90 days overdue	34,324	-
	34,324	**61,560**

14 Cash at bank and in hand

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank balances	1,437,904	1,897,212	-	459,180
	1,437,904	**1,897,212**	**-**	**459,180**

15 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade payables	736,442	1,012,687	13,257	7,380
Related party payables	-	-	67,355	67,355
Taxes and social security costs	220,825	253,373	-	-
Other payables	1,541	7,529	-	-
Accruals and deferred income	316,171	342,014	22,035	19,438
	1,274,979	**1,615,603**	**102,647**	**94,173**

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.

16 Loans

An analysis of the maturity of loans is given below:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	1,590	-	1,590	-
	1,590	**-**	**1,590**	**-**

17 Share capital

	2018	2017
	£	£
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000

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

At 30 June 2017	9,050,500	1,131,313
At 30 June 2018	**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.

18 Financial commitments

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

Group	Land and Buildings	
	2018 **£**	**2017** **£**
Not later than one year	91,000	91,000
Later than one year and not later than five years	15,167	106,167
Total	**106,167**	**197,167**

19 Directors' emoluments

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

	Salary, bonus or fees 2018 £	**Salary, bonus or fees 2017 £**	**Pensions 2018 £**	**Pensions 2017 £**	**Compensation for loss of office 2018 £**	**Compensation for loss of office 2017 £**	**Total 2018 £**	**Total 2017 £**
P Litten	12,167	60,000	33,590	33,554	70,000	-	115,757	93,554
G Fitzpatrick	8,111	40,000	17,019	7,562	50,000	-	75,130	47,562
M Hale	25,000	10,000	-	-	-	-	25,000	10,000
S Haffner	15,000	15,000	-	-	-	-	15,000	15,000
R Owen	25,000	10,000	-	-	-	-	25,000	10,000
S Quah	100,000	90,000	493	155	-	-	100,493	90,155
A Harvey	80,625	-	665	-	-	-	81,290	-
	265,903	**225,000**	**51,767**	**41,271**	**120,000**	**-**	**437,670**	**266,271**

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

On 23 August 2018 Steve Quah and Andrew Harvey were granted 300,000 share options each at an exercise price of 29p. The options vest on 17 November 2020, and can be exercised in the period from 17 November 2020 until the tenth anniversary of the date of grant, 23 August 2028. As the grant of the share options occurred after the year end no share-based payment charge was recognised in the financial statements for the year ended 30 June 2018.
Fees for S Haffner are charged by Harris & Trotter LLP, a firm in which he is a member (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**	
	2018 Number	**2017 Number**	**2018 Number**	**2017 Number**
Administration and production	18	20	7	6

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

Employment costs	**Group**		**Company**	
	2018 £	**2017 £**	**2018 £**	**2017 £**
Wages and salaries	857,969	788,365	65,000	35,000
Social security costs	101,250	85,708	-	-
Pension costs	56,934	44,263	-	-
	1,016,153	**918,336**	**65,000**	**35,000**

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**		**Number of options 2018**	**Number of options 2017**
		From	**To**		
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 2018	Weighted average exercise price 2018 £	Number of options 2017	Weighted average exercise price 2017 £
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 (2017: £0.165) and their weighted average contractual life was 4.8 years (2017: 5.8 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	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:

	2018 £	2017 £
Share-based payment charge	-	-

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:

	2018 £	2017 £
Amounts owed by subsidiaries Total amount owed by subsidiaries	 981,850	 743,037
Amounts owed to subsidiaries Total amount owed to subsidiaries	 67,355	 67,355

The company received dividends during the year of £nil (2017: £200,000) from its subsidiary, Aeorema Limited. The company transferred a VAT receivable of £15,155 (2017: £10,200) 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 £58,050 (2017: £38,700).

Aeorema Limited paid expenses totalling £132,203 (2017: £49,996) on behalf of Aeorema Communications plc during the year.

During the year, Aeorema Communications plc made a net transfer of cash of £413,911 to Aeorema Limited (2017: £181,010 from Aeorema Limited to Aeorema Communications plc).

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

	2018 £	2017 £
Short-term employee benefits	309,786	251,204
Post-employment benefits	51,767	41,271
Termination benefits	120,000	-
	481,553	**292,475**

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

Harris and Trotter LLP – charged during the year	2018 £	2017 £
Aeorema Communications plc	15,000	15,000
Aeorema Limited	25,995	7,850
	40,995	**22,850**

At the year end, the group had an outstanding trade payable balance to Harris and Trotter LLP of £6,174 (2017: £5,640).

23 Cash flows

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Cash flows from operating activities				
Profit before taxation	58,685	248,887	(176,778)	116,141
Depreciation	20,416	51,454	-	-
Dividends received by the Company	-	-	-	(200,000)
Finance income	(392)	(519)	(17)	(113)
	78,709	**299,822**	**(176,795)**	**(83,972)**
Increase / (decrease) in trade and other payables	(340,624)	275,021	8,474	(4,631)
(Increase) / decrease in trade and other receivables	(98,700)	166,745	(247,213)	58,757
Taxation paid	(29,303)	(69,072)	-	-
Cash generated / (used) from operating activities	**(389,918)**	**672,516**	**(415,534)**	**(29,846)**

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	
	2018 £	2017 £	2018 £	2017 £
Loans and receivables				
Trade and other receivables	987,811	847,525	981,850	743,037
Cash and cash equivalents	1,437,904	1,897,212	-	459,180
Investments in subsidiaries	-	-	580,490	580,490
Total	**2,425,715**	**2,744,737**	**1,562,340**	**1,782,707**
Other financial liabilities				
Trade and other payables	779,851	1,020,216	82,202	74,735
Accruals	275,893	236,068	22,035	19,440
Total	**1,055,744**	**1,256,284**	**104,237**	**94,175**

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 2018 was £693,725 (2017: £810,908). 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 £1,244,113 (2017: £1,540,698).

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 net of bank overdrafts was £1,436,314 (2017: £1,897,212). 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 £1,662,667 (2017: £1,657,515).

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 £56,934 (2017: £44,263). At the end of the reporting period £nil (2017: £nil) of contributions were due in respect of the period.

26 Dividends

On the 9 January 2018 a final dividend of 0.5 pence per share (total dividend £45,253) was paid to holders of fully paid ordinary shares.

In respect of the current year, the directors propose that a final dividend of 0.75 pence per share be paid to shareholders on 11 January 2019. 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 14 December 2018. The total estimated dividend to be paid is £67,879. 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 2018 the company had no potential liability under the terms of the registration.

28 Control

There is no overall controlling party.