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

22 November 2012

Aeorema Communications (‘Aeorema’ or ‘the Company’)

Final Results

Aeorema Communications plc, the AIM-traded multi-media specialist, is pleased to announce its results for the year ended 30 June 2012.

Overview

- 35% increase in revenues due to blue-chip client wins and streamlining of the business
- Strengthened sales through successful collaboration between brand communications and live events divisions
- Quality of communications offering recognised through a number of industry accolades
- Loyal customer base has prompted successful trading across events division – events held world-wide from Cannes to Kuala Lumpur
- Healthy cash position of £756,642 (2011: £528,415)

Chairman’s Statement

This has been a positive year for Aeorema, which has seen us implement key initiatives focussed on strengthening our position as providers of high quality and contemporary corporate communications and events solutions. I am delighted to report that sales are up, having successfully streamlined our business and secured a number of new corporate clients across a range of sectors, highlighting the competitiveness of and demand for our offering. All of this resulted in a substantial increase in revenue.

Aeorema companies are comprised of highly experienced creative teams delivering award winning brand communications and innovative live events. The industry in which we operate is fast-paced and we are committed to staying ahead of the curve, focussing on innovation and maintaining our reputation for delivering new and exciting product and solutions for our clients.

Our On Screen and Live Events companies continue to work together very effectively with significant cross-selling between our film and events divisions. Our blue chip client list has been enhanced and we are working with a range of major companies straddling the professional and financial services, telecommunications, software and technology sectors.

Recognition of the quality of our work has not only been demonstrated through increased client wins over the period, but also by the range of awards our On Screen division has received from the most important organisations in our sector. This includes a Gold World Medal at the New York Festivals International Television & Film Awards for our work in the financial sector. We have also been awarded 'Best Internal Communication Film' for our work in the banking sector at Cannes 2012.

We have successfully produced a number of events globally for major household names and also for some leading professional service clients. These events were held in a variety of cities from Cannes to Kuala Lumpur, and our extensive experience in producing innovative live events has seen many clients returning to us time and again for their conference and events needs.

In line with our continued strategy to provide a cutting edge service to clients, we took the decision to dispose of our DVD department, due primarily to the declining relevance of DVDs in the current market and the loss of our BBC contract. We have acted quickly to remove the overhead and we feel that the impact will be minimal on the year ahead.

The results for the year show a loss before taxation of £82,841 (2011: £90,336). Revenue for the year was £2,899,602 (2011: £2,147,844). The loss before taxation was due in part to the acquisition of viral agency ST16 which has not resulted in the volume of business anticipated. The Board is taking action to resolve the issue and will update the market at the appropriate time. We remain cash positive with reserves of £756,642 (2011: £528,415).

Over the past year we increased our revenues whilst still ensuring that our corporate communications and events proposition remains modern and adaptable to changes and trends within the sector. I see this as a strong success for Aeorema.

Looking ahead we look forward to building our client roster across our suite of products and services.

Finally I would like to take this opportunity to thank shareholders for their support and would also like to place particular thanks to our dedicated and talented creative teams for their hard work over the period.

M Hale
Chairman

19 November 2012

**** ENDS ****

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

Gary Fitzpatrick	Aeorema Communications plc	Tel: 020 7291 0444
Mark Percy/Catherine Leftley	Seymour Pierce	Tel: 020 7107 8030
Elisabeth Cowell/ Charlotte Heap	St Brides Media & Finance Ltd	Tel: 020 7236 1177

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

Continuing operations	**Notes**	**2012** **£**	**2011** **£**
Revenue	**2**	**2,899,602**	**2,147,844**
Cost of sales		(2,071,094)	(1,508,517)
Gross profit		**828,508**	**639,327**
Administrative expenses		(913,064)	(731,794)
Operating loss	**3**	**(84,556)**	**(92,467)**
Finance income	**4**	228	271
Finance expense	**4**	(13)	-
Other income	**5**	1,500	1,860
Loss before taxation		**(82,841)**	**(90,336)**
Taxation	**6**	(2,342)	(17,778)
Total comprehensive expense for the year attributable to owners of the parent		**(85,183)**	**(108,114)**
Loss per ordinary share:			
Basic	**9**	(1.07822p)	(1.37944p)
Diluted	**9**	(1.00542p)	(1.31363p)

Statement of Financial Position
As at 30 June 2012

	Notes	Group		Company	
		2012	**2011**	**2012**	**2011**
		£	**£**	**£**	**£**
Non-current assets					
Intangible assets	**11**	365,154	365,154	-	-
Property, plant and equipment	**12**	65,928	107,188	-	-
Investments in subsidiaries	**13**	-	-	526,268	481,116
Deferred taxation	**7**	19,712	22,054	-	-
		450,794	**494,396**	**526,268**	**481,116**
Current assets					
Inventories		2,675	2,675	-	-
Trade and other receivables	**14**	807,841	517,461	31,453	122,959
Cash and cash equivalents	**15**	756,642	528,415	289,398	399,302
		1,567,158	**1,048,551**	**320,851**	**522,261**
Total assets		**2,017,952**	**1,542,947**	**847,119**	**1,003,377**
Current liabilities					
Trade and other payables	**16**	(800,152)	(326,766)	(40,287)	(12,553)
Net assets		**1,217,800**	**1,216,181**	**806,832**	**990,824**
Equity					
Share capital	**17**	1,004,688	979,688	1,004,688	979,688
Merger reserve	**18**	16,650	-	16,650	-
Share-based payment reserve		76,268	31,116	76,268	31,116
Capital redemption reserve		257,812	257,812	257,812	257,812
Retained earnings		(137,618)	(52,435)	(548,586)	(277,792)
Equity attributable to owners of the parent		**1,217,800**	**1,216,181**	**806,832**	**990,824**

Statement of Changes in Equity

Group	**Share capital £**	**Merger reserve £**	**Share-based payment reserve £**	**Capital redemption reserve £**	**Retained earnings £**	**Total equity £**
At 1 July 2010	979,688	-	-	257,812	55,679	1,293,179
Comprehensive expense for the year	-	-	-	-	(108,114)	(108,114)
Share-based payments	-	-	31,116	-	-	31,116

At 30 June 2011	**979,688**	**-**	**31,116**	**257,812**	**(52,435)**	**1,216,181**
At 1 July 2011	979,688	-	31,116	257,812	(52,435)	1,216,181
Comprehensive expense for the year	-	-	-	-	(85,183)	(85,183)
Issue of shares	25,000	21,500	-	-	-	46,500
Share issue costs	-	(4,850)	-	-	-	(4,850)
Share-based payments	-	-	45,152	-	-	45,152
At 30 June 2012	**1,004,688**	**16,650**	**76,268**	**257,812**	**(137,618)**	**1,217,800**

Company	**Share capital £**	**Merger reserve £**	**Share-based payment reserve £**	**Capital redemption reserve £**	**Retained earnings £**	**Total equity £**
At 1 July 2010	979,688	-	-	257,812	428,254	1,665,754
Comprehensive expense for the year	-	-	-	-	(706,046)	(706,046)
Share-based payments	-	-	31,116	-	-	31,116
At 30 June 2011	**979,688**	**-**	**31,116**	**257,812**	**(277,792)**	**990,824**
At 1 July 2011	979,688	-	31,116	257,812	(277,792)	990,824
Comprehensive expense for the year	-	-	-	-	(270,794)	(270,794)
Issue of shares	25,000	21,500	-	-	-	46,500
Share issue costs	-	(4,850)	-	-	-	(4,850)
Share-based payments	-	-	45,152	-	-	45,152
At 30 June 2012	**1,004,688**	**16,650**	**76,268**	**257,812**	**(548,586)**	**806,832**

Statement of Cash Flows
For the year ended 30 June 2012

	Notes	**Group**		**Company**	
		2012 £	**2011 £**	**2012 £**	**2011 £**
Net cash flow from operating activities	**24**	**263,309**	**(81,546)**	**(65,243)**	**(116,874)**
Cash flows from investing activities					
Finance expense		(13)	-	-	-

Finance income		228	271	189	229
Purchase of property, plant and equipment	**12**	(13,653)	(47,022)	-	-
Proceeds from sale of property, plant and equipment		-	24,512	-	-
Investments in subsidiaries (net of cash acquired)		(16,794)	-	(40,000)	-
Cash (used) / generated in investing activities		**(30,232)**	**(22,239)**	**(39,811)**	**229**
Cash flows from financing activities					
Cost of share issue		(4,850)	-	(4,850)	-
Cash used in financing activities		**(4,850)**	**-**	**(4,850)**	**-**
Net increase / (decrease) in cash and cash equivalents		**228,227**	**(103,785)**	**(109,904)**	**(116,645)**
Cash and cash equivalents at beginning of year		528,415	632,200	399,302	515,947
Cash and cash equivalents at end of year	**15**	**756,642**	**528,415**	**289,398**	**399,302**

Notes to the consolidated financial statements
For the year ended 30 June 2012

1 Accounting policies

Aeorema Communications plc (formerly known as Cheerful Scout 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 25/27 Riding House Street, London, W1P 7PB. The Company's Ordinary Shares are traded on the AIM Market.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the review of business contained in the Chairman's Statement. The Group's financial statements show details of its financial position including, in note 25, details of its financial instruments and exposure to risk.

After reviewing the Group’s budget for the next financial year, other medium term plans and considering the risks outlined in note 25, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

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

The following new standards, amendments to standards and interpretations, applied for the first time from 1 July 2011.

- IAS 24 (Amended) ‘Related Party Disclosures', effective 1 January 2011.

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

Adopted IFRSs not yet applied
The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2011 and have not been early adopted by the group:

- IFRS 7 (Amended) ‘Financial Instruments: Disclosures’, effective 1 January 2013.
- IFRS 9 ‘Financial Instruments’, effective 1 January 2013.
- IFRS 10 ‘Consolidated Financial Statements’, effective 1 January 2013.
- IFRS 11 ‘Joint Arrangements’, effective 1 January 2013.
- IFRS 12 ‘Disclosure of Interests in Other Entities’, effective 1 January 2013.
- IFRS 13 ‘Fair Value Measurement’, effective 1 January 2013.
- IAS 12 (Amended) ‘Income Taxes’, effective 1 January 2012.
- IAS 19 (Amended) ‘Employee Benefits’, effective 1 January 2013.
- IAS 27 (Revised) ‘Separate Financial Statements’, effective 1 January 2013.
- IAS 1 (Amended) ‘Presentation of Other Comprehensive Income’, effective 1 July 2012.
- IAS 28 (Revised) ‘Investments in Associates and Joint Ventures’, effective 1 January 2013.

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

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2012. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that such control ceases.

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

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

Revenue

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

Intangible assets - goodwill

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

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

Property, plant and equipment

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

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

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

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

Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Operating leases

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

Investments

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Finance income

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

Taxation

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

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

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

Pension costs

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

Financial instruments

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

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

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

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

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

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

a) Depreciation rates are based on the estimated useful lives and residual value of the assets involved.
b) The impairment review of goodwill is based on the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows.
c) The Group operates share incentive schemes as detailed in note 22. In order to calculate the annual charge in accordance with IFRS 2, management are required to make a number of assumptions and include, amongst others, volatility and expected life of options.

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

2 Revenue and segment information

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

	On Screen 2012 £	**On Screen 2011 £**	**Live Events 2012 £**	**Live Events 2011 £**	**Viral Film 2012 £**	**Viral Film 2011 £**	**Total 2012 £**	**Total 2011 £**
Revenue	**1,027,974**	**1,151,574**	**1,809,371**	**996,270**	**62,257**	**-**	**2,899,602**	**2,147,844**
Segment results	80,632	47,038	123,522	17,784	(46,556)	-	157,598	64,822
Unallocated expenses							(242,154)	(157,289)
Operating loss							(84,556)	(92,467)
Finance expense							(13)	-
Finance income							228	271
Other income							1,500	1,860
Taxation							(2,342)	(17,778)
Loss for the year							**(85,183)**	**(108,114)**
Segment assets	501,613	532,224	792,857	242,254	64,718	-	1,359,188	774,478
Unallocated assets						-	658,764	768,469
Total assets	**501,613**	**532,224**	**792,857**	**242,254**	**64,718**	**-**	**2,017,952**	**1,542,947**
Segment liabilities	(238,690)	(207,423)	(484,463)	(106,789)	(56,736)	-	(779,889)	(314,212)
Unallocated liabilities							(20,263)	(12,554)
Total liabilities	**(238,690)**	**(207,423)**	**(484,463)**	**(106,789)**	**(56,736)**	**-**	**(800,152)**	**(326,766)**
Capital expenditure	**12,809**	**44,039**	**844**	**2,983**	**-**	**-**	**13,653**	**47,022**
Impairment losses	**-**	**-**	**-**	**-**	**77,671**	**-**	**77,671**	**-**
Depreciation and amortisation	**58,653**	**71,345**	**1,137**	**848**	**377**	**-**	**60,167**	**72,193**

All revenue represents sales to external customers. One customer (2011: Two) are defined as major customers by revenue, each contributing more than 10% of the Group revenue.

	Segment	2012	2011
		£	£
Major customer	Live Events	757,255	-
Major customer	Live Events	-	252,877
Major customer	On Screen	-	241,506

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

Geographical market	2012 UK £	2011 UK £	2012 Europe £	2011 Europe £	2012 USA £	2011 USA £	2012 Total £	2011 Total £
Revenue	**2,791,626**	**2,120,900**	**8,144**	**20,159**	**99,832**	**6,785**	**2,899,602**	**2,147,844**
Segment assets	591,538	405,296	-	-	83,449	3,730	674,987	409,026
Unallocated assets							1,342,965	1,133,921
Total assets							**2,017,952**	**1,542,947**
Capital expenditure – unallocated							**13,653**	**47,022**

3 Operating loss

Operating loss is stated after charging:	**2012** **£**	**2011** **£**
Depreciation of property, plant and equipment	60,167	72,193
Impairment of goodwill	77,671	-
Profit on disposal of property, plant and equipment	-	23,496
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	6,000	10,650
Audit of the Company's subsidiaries	13,000	8,850
Staff costs (see note 21)	1,037,826	888,254
Operating leases – land and buildings	105,068	105,068

4 Finance income and expenses

Finance income	2012 £	2011 £
Bank interest received	228	271

Finance expenses	2012 £	2011 £
Other interest payable	13	-

5 Other income

	2012 £	2011 £
Rental income	1,500	1,860

6 Taxation

	2012 £	2011 £
The tax charge comprises:		
Current tax		
Current year	-	-
	-	**-**
Deferred tax		
Current year	2,342	17,778
	2,342	**17,778**
Total tax charge in the statement of comprehensive income	**2,342**	**17,778**
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(82,841)	(90,336)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2011: 20.75%)	(16,567)	(18,745)
Effects of:		
Non deductible expenses	3,151	(429)
Depreciation, impairment losses and disposals	27,568	9,895
Capital allowances	(7,430)	(13,481)
Share-based payment	9,030	6,457

Losses utilised	(15,914)	(7,503)
Losses carried forward	162	23,806
Deferred tax asset movement	2,342	17,778
	18,909	**36,523**
Total taxation charge	**2,342**	**17,778**

The Group has estimated losses of £448,940 (2011: £525,872) available to carry forward against future trading profits.

7 Deferred taxation

	2012 **£**	**2011** **£**
Property, plant and equipment temporary differences	622	(5,326)
Temporary differences	4,725	1,733
Losses	14,365	25,647
	19,712	**22,054**
At 1 July	22,054	39,832
Transfer to Statement of Comprehensive Income	(2,342)	(17,778)
At 30 June	**19,712**	**22,054**

A deferred tax asset is expected to be utilised given the expected return to profitability and future trading prospects. The deferred tax asset is expected to be realised after more than one year.

8 Loss attributable to members of the parent company

As permitted by section 408 of the Companies Act 2006, the parent Company's Statement of Comprehensive Income has not been included in these financial statements. The retained loss for the financial year of the holding company was £270,794 (2011: £706,046).

9 Loss per ordinary share

Basic loss 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:

	2012 **£**	**2011** **£**
Loss attributable to owners of the parent	**(85,183)**	**(108,114)**
Basic weighted average number of shares	**7,900,342**	**7,837,500**
Dilutive potential ordinary shares:		
Employee share options	572,017	392,702
Diluted weighted average number of shares	**8,472,359**	**8,230,202**

10 Business combinations

On 9 March 2012, the Company acquired the entire share capital of ST16 Limited. The consideration was satisfied by the issue of 200,000 new Ordinary Shares at 0.2325p per share, being the market value on the date of issue, plus £40,000 in cash. The costs of acquisition amounted to £4,850 and have been charged to the merger reserve.

The book value and fair value of the net assets acquired was £8,829 and goodwill of £77,671 has arisen on acquisition. The net assets and results of the acquired company are included in the consolidated accounts of the Group from the date of acquisition. Acquisition accounting has been applied and the goodwill arising has been capitalised and is subject to annual impairment testing.

The fair value of identifiable assets and liabilities of ST16 Limited at the date of acquisition were:

	Fair value and carrying value **£**
Fixed assets	5,253
Trade and other receivables	23,914
Cash at bank	23,206
Trade and other payables	(36,558)
Current tax liabilities	(6,986)
Net assets	**8,829**
Goodwill arising	77,671
	86,500
Total consideration represented by:	
Value of shares issued	46,500
Cash consideration paid	40,000

Total consideration	**86,500**

ST16 Limited has contributed revenues of approximately £62,000 since acquisition and incurred a net loss of £46,000. Had the company been consolidated since 1 July 2011, it would have generated revenues of £189,000 and incurred a net loss of £17,000.

11 Intangible fixed assets

Group	**Goodwill** **£**
Cost	
At 1 July 2010	2,728,292
At 30 June 2011	2,728,292
Acquisition of subsidiary	77,671
At 30 June 2012	**2,805,963**
Impairment and amortisation	
At 1 July 2010	2,363,138
At 30 June 2011	2,363,138
Impairment charge	77,671
At 30 June 2012	**2,440,809**
Net book value	
At 1 July 2010	365,154
At 30 June 2011	365,154
At 30 June 2012	**365,154**

Goodwill arose for the Group on consolidation of its subsidiary companies, Cheerful Scout Productions Limited and ST16 Limited.

Impairment – Cheerful Scout Productions Limited

Goodwill has been tested for impairment based on its future value in use. Future value has been calculated on a discounted cash flow basis using the 2013 budgeted figures as approved by the Board of Directors extended for a period of 5 years and discounted at a rate of 2.4%. It has been assumed that future growth will be at 1.5%. Based upon these assumptions, there was no impairment in the year.

Management has assessed the sensitivity of the recoverable amounts in the key assumptions to be as follows: a five percentage increase in the discount rate would reduce the recoverable amount by £31,000 and a one percentage fall in future growth would reduce the recoverable amount by £79,000.

Impairment – ST16 Limited

Impairment of goodwill of £77,671 (2011: £Nil) has been included in the Statement of Comprehensive Income. The directors have reviewed the trading performance of the company since acquisition and considered future likely cash flows of the company and as a result believe that value in use of the goodwill has become fully impaired.

12 Property, plant and equipment

Group	**Leasehold land and buildings £**	**Fixtures, fittings and equipment £**	**Total £**
Cost			
At 1 July 2010	157,063	852,115	1,009,178
Additions	-	47,022	47,022
Disposals	-	(28,154)	(28,154)
At 30 June 2011	157,063	870,983	1,028,046
Additions	-	13,653	13,653
Additions on acquisition of subsidiary	-	5,254	5,254
At 30 June 2012	**157,063**	**889,890**	**1,046,953**
Depreciation			
At 1 July 2010	149,638	726,165	875,803
Charge for the year	2,100	70,093	72,193
Disposals	-	(27,138)	(27,138)
At 30 June 2011	151,738	769,120	920,858
Charge for the year	2,100	58,067	60,167
At 30 June 2012	**153,838**	**827,187**	**981,025**

Net book value			
At 1 July 2010	7,425	125,950	133,375
At 30 June 2011	5,325	101,863	107,188
At 30 June 2012	**3,225**	**62,703**	**65,928**

The gross carrying amount of fully depreciated property, plant and equipment still in use is £146,578 (2011: £146,578) in relation to leasehold land and buildings and £770,351 (2011: £601,550) in relation to fixtures, fittings and equipment.

13 Non-current assets - Investments

Company	**Shares in subsidiary £**	**Loans to subsidiary £**	**Total £**
Cost			
At 1 July 2010	3,144,813	201,308	3,346,121
Increase in respect of share based payments	31,116	-	31,116
Loan to subsidiary written off	-	(201,308)	(201,308)
At 30 June 2011	3,175,929	-	3,175,929
Acquisition of subsidiary	86,500	-	86,500
Increase in respect of share based payments	45,152	-	45,152
Disposal of subsidiary	(600)	-	(600)
At 30 June 2012	**3,306,981**	**-**	**3,306,981**
Provision			
At 1 July 2010	2,144,813	201,308	2,346,121
Impairment of subsidiary	550,000	-	550,000
Loan to subsidiary written off	-	(201,308)	(201,308)
At 30 June 2011	2,694,813	-	2,694,813
Impairment of subsidiary	86,500	-	86,500
Disposal of subsidiary	(600)	-	(600)
At 30 June 2012	**2,780,713**	**-**	**2,780,713**
Net book value			

At 1 July 2010	1,000,000	-	1,000,000
At 30 June 2011	481,116	-	481,116
At 30 June 2012	**526,268**	**-**	**526,268**

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	**%**
Cheerful Scout Productions Limited	England and Wales	Ordinary	100
Twentyfirst Limited (formerly nVision Technology Limited)	England and Wales	Ordinary	100
ST16 Limited	England and Wales	Ordinary	100

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

Company	**Principal activity**
Cheerful Scout Productions Limited	Provision of business communication services
Twentyfirst Limited (formerly nVision Technology Limited)	Provision of event management services
ST16 Limited	Provision of media production

During the year, the company’s dormant subsidiary, Business Data Interactive Limited, was dissolved.

14 Trade and other receivables

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
Trade receivables	674,987	405,296	-	-
Related party receivables	-	-	21,869	118,946
Other receivables	37,901	37,303	5,372	-
Prepayments and accrued income	94,953	74,862	4,212	4,013
	807,841	**517,461**	**31,453**	**122,959**

Other receivables include £34,543 (2011: £34,543) for a rental deposit which is secured by a charge in favour of the landlords. All trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying values shown above.

At the year end, trade receivables of £94,837 (2011: £167,437) 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	
	2012	**2011**
	£	**£**
Less than 90 days	94,837	166,733
More than 90 days	-	704
	94,837	**167,437**

15 Cash and cash equivalents

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
Bank balances	756,642	528,415	289,398	399,302
Cash and cash equivalents	**756,642**	**528,415**	**289,398**	**399,302**
Cash and cash equivalents in the statement of cash flows	**756,642**	**528,415**	**289,398**	**399,302**

16 Trade and other payables

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
Trade payables	430,056	194,533	9,275	3,792
Related party payables	-	-	14,652	-
Taxes and social security costs	171,040	73,391	250	250
Other payables	10,866	12,656	-	375
Accruals and deferred income	188,190	46,186	16,110	8,136
	800,152	**326,766**	**40,287**	**12,553**

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

17 Share capital

	2012 £	2011 £
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 2010	7,837,500	979,688
At 30 June 2011	7,837,500	979,688
At 1 July 2011	7,837,500	979,688
Issue of shares	200,000	25,000
At 30 June 2012	**8,037,500**	**1,004,688**

18 Merger reserve

	Merger reserve £
At 1 July 2010	-
At 30 June 2011	**-**
Premium on issue of shares	21,500
Share issue costs	(4,850)
At 30 June 2012	**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. The balance on the reserve has arisen following the acquisition of ST16 Limited during the year.

19 Financial commitments

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

	Land and Buildings	
	2012	**2011**
	£	**£**
Not later than one year	64,167	110,000
Later than one year and not later than five years	6,258	64,167

20 Directors' emoluments

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

	Salary or fees 2012 £	Salary or fees 2011 £	Pensions 2012 £	Pensions 2011 £	Total 2012 £	Total 2011 £
P Litten	50,000	50,000	25,992	26,242	75,992	76,242
G Fitzpatrick	39,041	-	20,295	-	59,336	-
S Appleton	-	10,000	-	-	-	10,000
N J Newman	-	1,500	-	-	-	1,500
S Garbutta	1,500	-	-	-	1,500	-
R L Owen	7,500	7,500	-	-	7,500	7,500
	98,041	**69,000**	**46,287**	**26,242**	**144,328**	**95,242**

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

Name	Grant date	Number awarded	Exercise price	Earliest exercise price	Expiry date
G Fitzpatrick	28 October 2004	64,000	0.1875p	27 October 2007	27 October 2014

No directors exercised share options during the year.

Fees for N J Newman and S Garbutta are charged by Harris & Trotter LLP, a firm in which they are a member.

21 Employee information

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

Number of employees	2012	2011
	Number	Number

Production	15	15
Administration	5	6
	20	**21**

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

Employment costs	**2012** **£**	**2011** **£**
Wages and salaries	844,962	725,268
Social security costs	95,556	79,214
Pension costs	52,156	52,656
Share-based payments	45,152	31,116
	1,037,826	**888,254**

22 Share-based payments

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

Date of grant	**Exercise price**	**Exercise period** **From**	 **To**	**Number of options 2012**	**Number of options 2011**
1 May 2002	62.50p	1 May 2005	30 April 2012	-	72,000
28 October 2004	18.75p	28 October 2007	27 October 2014	143,000	143,000
20 July 2010	8.75p	20 July 2013	19 July 2020	1,200,000	1,200,000
9 March 2012	23.25p	9 March 2015	8 March 2022	600,000	-
				1,943,000	**1,415,000**

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

	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**

	2012	2012 £	2011	2011 £
Outstanding at beginning of the year	1,415,000	0.12	235,600	0.32
Lapsed during the year	(72,000)	(0.63)	(20,600)	(0.19)
Granted during the year	600,000	0.23	1,200,000	0.09
Outstanding at end of the year	1,943,000	0.09	1,415,000	0.12
Exercisable at the end of the year	143,000		215,000	

The exercise price of options outstanding at the year-end ranged between £0.0875 and £0.2325 (2011: £0.0875 and £0.625) and their weighted average contractual life was 8.5 years (2011: 8.7 years).

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

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

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

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

	2012	2011

	£	£
Share-based payment charge	45,152	31,116

23 Related party transactions

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

	2012 £	2011 £
Management fees charged by subsidiaries to Aeorema Communications plc		
Cheerful Scout Productions Limited	81,859	81,790
Amounts owed by subsidiaries		
Total amount owed by subsidiaries	41,869	118,946
Less provision	(20,000)	-
	21,869	**118,946**
Amounts owed to subsidiaries		
Total amount owed to subsidiaries	14,652	-

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

	2012 £	2011 £
Short-term employee benefits	119,293	118,828
Post-employment benefits	51,984	52,484
	171,277	**171,312**

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

During the year, the Company's investment in its subsidiaries, Cheerful Scout Productions Limited and ST16 Limited were impaired by £Nil (2011: £550,000) and £86,500 (2011: £Nil) respectively. A loan to ST16 Limited of £20,000 (2011: £Nil) was also impaired during the year.

Harris and Trotter LLP is a firm in which N J Newman and S Garbutta are members. The amounts charged to the Group for professional services and the balance outstanding at the reporting date is as follows:

Harris and Trotter LLP – charged during the year	2012 £	2011 £

Aeorema Communications plc	17,692	13,478
Cheerful Scout Productions Limited	7,200	11,514
Twentyfirst Limited	7,200	4,975
ST16 Limited	4,000	-
	36,092	**29,967**

Harris and Trotter LLP – balance outstanding at the reporting date	**2012**	**2011**
	£	**£**
Aeorema Communications plc	-	1,800
Cheerful Scout Productions Limited	-	7,476
	-	**9,276**

24 Cash flows

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
Cash flows from operating activities				
Loss before taxation	(82,841)	(90,336)	(270,794)	(706,046)
Depreciation	60,167	72,193	-	-
Profit on disposal of property, plant and equipment	-	(23,496)	-	-
Share-based payment	45,152	31,116	-	-
Impairment of goodwill	77,671	-	-	-
Impairment of investment in subsidiaries	-	-	86,500	550,000
Finance expense	13	-	-	-
Finance income	(228)	(271)	(189)	(229)
	99,934	**(10,794)**	**(184,483)**	**(156,275)**
Increase / (decrease) in trade and other payables	439,645	(59,460)	27,734	(25,083)
(Increase) / decrease in trade and other receivables	(269,284)	(10,869)	91,506	64,484
Increase in inventories	-	(423)	-	-
Taxation paid	(6,986)	-	-	-
Cash generated / (used) from operating activities	**263,309**	**(81,546)**	**(65,243)**	**(116,874)**

25 Financial instruments

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

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2012 was £674,987 (2011: £405,296). 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 £800,152 (2011: £326,766).

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 £756,642 (2011: £528,415). 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 £1,217,800 (2011: £1,216,181).

Fair value of financial assets

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

26 Pension costs defined contribution

The Group makes pre-defined contributions to employees' personal pension plans. Contributions payable by the Group for the year were £52,156 (2011: £52,656).

27 Control

There is no overall controlling party.

28 Notice of AGM

The Annual General Meeting of Aeorema Communications will be held at will be held at 25-27 Riding House Street, London, W1W 7DU on 17 December 2012 at 10.00 a.m. A formal notice of AGM along with the Annual Report and Accounts for the year ended 30 June 2012 will be sent to shareholders and will be available on the Company's website www.aeorema.com.