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AUDIO NETWORK PLC
DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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CARTWRIGHTS
ACCOUNTANTS AND BUSINESS ADVISORS
REGISTERED AUDITOR
REGENCY HOUSE
33 WOOD STREET
BARNET, HERTS
EN5 4BE

AUDIO NETWORK PLC

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AUDIO NETWORK PLC

Company Information

Directors:

Executive Directors

Robert Hurst

Andrew Sunnucks

Juliette Bingham (nee Squair)

Jason Langley

(appointed 22 June 2007)

(appointed 3 September 2007)

Non Executive Directors

Maarten Hemsley

Miles Ruffell

John Sanderson

Company Secretary:

Robert Hurst

Company number.

4257337

Registered Office:

61 Holywell Hill

St Albans

Hertfordshire AL1 1HF

Auditors:

Cartwrights

Registered Auditor

Regency House

33 Wood Street

Barnet

Hertfordshire EN5 4BE

Principal Business Addresses:

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Fax: 01787 477 609

130 Shaftesbury Avenue

London

W1D 5EU

Tel. 0207 287 4422

Email office@audionetworkplc.com

Web site www.audionetworkplc.com

Principal Bankers:

Coutts & Co

Media Banking

440 Strand

London

WC2 OQS

Solicitors:

Calverts

Solicitors

77 Weston Street

London SE1 3RS

AUDIO NETWORK PLC

Directors' Report

The directors are pleased to present the report and financial statements of the group for the year ended 30 June 2007

Principal activity and review of the business

The principal activity of the group remains the publishing of music and sound recordings

After six years of commissioning & recording over 12,000 music tracks Audio Network is now established as the music of choice for many of the UK's leading broadcasters, advertising agencies and audio-visual producers

The prospects for future growth remain excellent both domestically and internationally

We are passionate about our music and our customer service, simultaneously creating long term value for our shareholders, customers, composers/musicians, employees, suppliers and other stakeholders

As a result of activities undertaken by the group the directors believe that the 'open market value' of the copyrights and other rights owned by the group is significantly in excess of the 'historic cost' amount held in the balance sheet.

The group is in a strong position to continue self-financing growth, with positive operating cash flows, healthy royalty pipelines, no long term debt (2006 £101,154) and cash reserves at 30 June 2007 of £549,725 (2006. £367,793)

Results & dividends

The consolidated profit and loss account for the year is set out on page 6

Highlights

- Turnover up 56% to £1,288,598
- Gross profit up 64% to £1,212,703
- Profit before tax up 467% to £200,237

The group has achieved strong organic growth in turnover and profits whilst continuing to invest in the growth & development of our portfolio of music rights and the opening of a London office

Lower cost of sales under the new sound effects agreement referred to in last year's financial statements contributed towards an increase in group gross profit margin from 90% to 94%.

The profit margin on ordinary activities before taxation increased from 4.3% to 15.5%

The directors do not recommend the payment of a dividend for the year (2006 Nil).

AUDIO NETWORK PLC

Directors' Report (continued)

Directors

The directors who served during the year and their interests in the shares of the company were as stated below

	Ordinary shares of one penny	
	30 June 2007	1 July 2006 or later date of appointment
R Hurst	1,706,583	1,543,202
A Sunnucks	1,706,584	1,543,202
M Hemsley	51,111	45,591
M Ruffell	629,675	604,571
J Sanderson	98,470	96,334
J Bingham (nee Squair) (appointed 22 June 2007)	8,916	8,916

M Hemsley serves as the Leisure & Media VCT Plc shareholder representative on the Board

Leisure & Media VCT Plc held 893,439 shares of 1p each at 30 June 2007 (2006 873,143)

During the year, R Hurst, A Sunnucks and M Ruffell exercised share options granted in prior periods to purchase shares at prices between 25p and 30p per share as set out in Note 15 to the financial statements.

In addition, each of the directors who served during the year subscribed for shares offered for sale by other members at prices between 30p and 38p a share

Details of outstanding options at the balance sheet date are set out in Note 15 to the financial statements with details of deferred emoluments and transactions with directors set out in Note 19 to the financial statements

Jason Langley joined the company as a director on 3 September 2007

Creditor payment policy

The group aims to pay all of its suppliers within a reasonable period of their invoices being received and approved, provided that the supplier has performed in accordance with the relevant terms and conditions. At 30 June 2007, the number of days' credit taken for the purchases by the group was 30 days (2006 30 days)

AUDIO NETWORK PLC

Directors' Report (continued)

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Cartwrights be reappointed as auditors of the company will be put to the Annual General Meeting

Directors' responsibilities

Company law requires the directors to prepare financial statements each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit and loss of the group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Robert Hurst
Director

Date 13/09/2007

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF AUDIO NETWORK PLC**

We have audited the financial statements of Audio Network Plc for the year ended 30 June 2007 set out on pages 6 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on pages 1 to 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

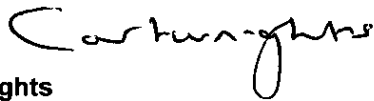
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF AUDIO NETWORK PLC

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 June 2007 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Cartwrights

Date 19/9/07

Accountants and Business Advisors
Registered Auditor
Regency House
33 Wood Street
Barnet
Hertfordshire
EN5 4BE

AUDIO NETWORK PLC

Consolidated Profit & Loss Account

for the year ended 30 June 2007

	Notes	2007 £	2006 £
Turnover	2	1,288,598	825,030
Cost of sales		<u>(75,895)</u>	<u>(83,406)</u>
Gross profit		1,212,703	741,624
Administrative expenses		(1,032,068)	(717,203)
Other operating income		102	159
Profit on ordinary activities before interest	3	<u>180,737</u>	<u>24,580</u>
Other interest receivable and similar income		19,500	10,751
Profit on ordinary activities before taxation	3	<u>200,237</u>	<u>35,331</u>
Tax on profit on ordinary activities	4	(11,123)	8,127
Profit on ordinary activities after taxation		<u>189,114</u>	<u>43,458</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There were no recognised gains or losses other than those passing through the profit and loss account

AUDIO NETWORK PLC

Balance Sheets

As at 30 June 2007

	Notes	Group		Company	
		2007 £	2006 £	2007 £	2006 £
Fixed assets					
Intangible assets	6	419,558	295,203	419,558	295,203
Tangible assets	7	26,398	14,923	26,398	14,923
Investments	8	0	0	2	2
		<u>445,956</u>	<u>310,126</u>	<u>445,958</u>	<u>310,128</u>
Current assets					
Stocks	9	72,325	73,212	72,325	73,212
Debtors	10	197,018	172,929	196,842	172,779
Cash at bank and in hand		549,725	367,793	548,180	367,732
		<u>819,068</u>	<u>613,934</u>	<u>817,347</u>	<u>613,723</u>
Creditors amounts falling due within one year	11	(670,303)	(486,899)	(669,572)	(486,400)
Net current assets		<u>148,765</u>	<u>127,035</u>	<u>147,775</u>	<u>127,323</u>
Total assets less current liabilities		594,721	437,161	593,733	437,451
Creditors amounts falling due after more than one year	12	-	(101,154)	-	(101,154)
Total assets less total liabilities		<u>594,721</u>	<u>336,007</u>	<u>593,733</u>	<u>336,297</u>
Capital & reserves					
Called up share capital	15	107,579	104,859	107,579	104,859
Share premium account	16	1,359,706	1,292,826	1,359,706	1,292,826
Profit and loss account	16	(872,564)	(1,061,678)	(873,552)	(1,061,388)
Shareholders' funds	17	<u>594,721</u>	<u>336,007</u>	<u>593,733</u>	<u>336,297</u>

Approved by the board on and authorised for issue on 13/09/2007



Robert Hurst
Director



Andrew Sunnucks
Director

AUDIO NETWORK PLC

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007		2006	
	£	£	£	£
Net cash flow from operating activities		383,481		173,918
Returns on investments and servicing of finance				
Interest received		<u>19,500</u>		<u>10,751</u>
Net cash inflow for returns on investments and servicing of finance		19,500		10,751
Capital expenditure				
Payments to acquire intangible assets		(166,156)		(90,002)
Payments to acquire tangible assets		<u>(21,804)</u>		<u>(8,409)</u>
Net cash outflow for capital expenditure		(187,960)		(98,411)
Net cash inflow before management of liquid resources and financing		215,021		86,258
Taxation				
UK Corporation tax paid		<u>(1,535)</u>		<u>-</u>
Total Taxation paid		(1,535)		-
Financing				
Issue of ordinary share capital		69,600		6,051
Decrease in creditors falling due after more than one year		<u>(101,154)</u>		<u>-</u>
Net cash (outflow) / inflow from financing		(31,554)		6,051
Increase in cash in the year		<u><u>181,932</u></u>		<u><u>92,309</u></u>

AUDIO NETWORK PLC

Notes to the Consolidated cash flow statement

(1) Reconciliation of profit on ordinary activities before interest to net cash flow from operating activities

	2007	2006
	£	£
Profit on ordinary activities before interest	180,737	24,580
Depreciation of tangible fixed assets	10,329	8,687
Amortisation of intangible assets	41,801	41,356
Decrease / (increase) in stocks	887	(13,341)
Increase in debtors	(31,274)	(49,837)
Increase in creditors due within one year	181,002	162,473
	<u>383,481</u>	<u>173,918</u>

(2) Analysis of net funds

	1 July 2006		30 June 2007	
	Cash flow		Other non-cash changes	
	£	£	£	£
Net cash				
Cash at bank and in hand	367,793	181,932	-	549,725
Debts falling due after one year	(101,154)	101,154	-	-
Net funds	<u>266,639</u>	<u>283,086</u>	<u>-</u>	<u>549,725</u>

(3) Reconciliation of net cash to movement in debt

	2007	2006
	£	£
Increase in cash in the year	181,932	92,309
Cash outflow from decrease in debt	101,154	-
Movement in net funds in the year	<u>283,086</u>	<u>92,309</u>
Opening net funds	266,639	174,330
Closing net funds	<u>549,725</u>	<u>266,639</u>

Notes to the Consolidated Financial Statements

1 Accounting Policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3. Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 30 June 2007. Intra-group sales and profits are eliminated on consolidation

1.4 Turnover

Turnover represents the amount receivable for goods and services net of VAT and trade discounts

1.5 Copyrights and Licenses

The costs of acquiring copyrights and licences are capitalised in the balance sheet as intangible fixed assets. Post acquisition costs paid by the group are expensed as incurred, including costs which are expected to enhance the value of copyrights and licences

Copyrights and licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their useful lives. In accordance with FRS 10 a maximum useful economic life of 20 years has been used as a basis of amortisation of copyrights and perpetual licences, whereas in most territories the rights exist for 70 years after the death of the composer or sound designer

1.6 Development costs

Development expenditure is written off as incurred unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the group is expected to benefit

The directors believe that the costs incurred on website, server and database developments meet these criteria and such expenditure is amortised over a period of three years

1.7 Tangible fixed assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows.

Plant & Machinery	33.33% straight line
Computer Equipment	33.33% straight line
Fixtures, fittings & equipment	20%-33.33% straight line

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

Accounting Policies (continued)

1.8 Investments

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

1.9 Stock

Stock is valued at the lower of cost and net realisable value

1.10 Pensions

The group operates a defined contribution stakeholder pension scheme for the benefit of its employees. Contributions payable to the scheme, or to SIPP's held by directors, are charged to the profit and loss account in the year they are payable.

1.11 Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

1.12 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 profit and loss account.

1.13 Recognition of income

Income from the grant of usage rights is recognised from the date of the grant unless the group has an ongoing obligation when subscriptions in advance are deferred and released to the profit and loss account over the subscription period. Royalty income is recognised on a receipts basis upon the earlier of either the receipt of statement or receipt of cash.

1.14 Royalty advances

Advances to composers and sound designers are provided against to the extent that, in the directors' view they are not covered by anticipated future royalty income.

2 Turnover

The turnover and profit of the group arise from the principal activity in the United Kingdom where the group's assets are located.

The table below analyses turnover by destination

	<u>2007</u>	<u>2006</u>
	£	£
Group		
United Kingdom	1,075,893	690,778
Rest of the World	212,705	134,252
	<u>1,288,598</u>	<u>825,030</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****3 Operating profit**

Operating profit is stated after charging the following amounts	<u>2007</u> £	<u>2006</u> £
Amortisation of intangible fixed assets	41,801	41,356
Depreciation of tangible fixed assets	10,329	8,687
Auditor's remuneration (company £7,000 , 2006 £6,000)	7,500	6,500
Remuneration of auditors for non-audit work	7,585	2,727

4 Taxation

	<u>2007</u> £	<u>2006</u> £
Current tax charge	3,937	1,535
Deferred tax charge		
Charge/(credit) for the current year	453	(9,662)
Adjustment re prior periods	6,733	-
	<u>11,123</u>	<u>(8,127)</u>

Factors affecting the years' tax charge

Profit on ordinary activities before taxation	200,237	35,331
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 19.00% (2006: 14.28%)	38,045	5,045
Effects of		
Non deductible expenses	1,523	793
Depreciation add back	6,451	5,299
Capital allowances	(6,904)	(4,391)
Tax losses utilised	(35,178)	(5,211)
Current tax charge	<u>3,937</u>	<u>1,535</u>

At 30 June 2007, the group had corporation tax losses of £851,067 (2006: £1,036,217) available to carry forward for relief against taxable profits in future periods

5 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows.

	<u>2007</u> £	<u>2006</u> £
Holding company's profit for the financial year	<u>187,836</u>	<u>42,456</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)**

6 Intangible fixed assets Group and company	Copyrights & Licences £	Development Costs £	Total £
Cost			
At 1 July 2006	289,198	117,404	406,602
Additions	148,134	18,022	166,156
At 30 June 2007	<u>437,332</u>	<u>135,426</u>	<u>572,758</u>
Amortisation			
At 1 July 2006	29,859	81,540	111,399
Charge for the year	18,178	23,623	41,801
At 30 June 2007	<u>48,037</u>	<u>105,163</u>	<u>153,200</u>
Net book amount			
At 30 June 2007	<u>389,295</u>	<u>30,263</u>	<u>419,558</u>
At 1 July 2006	<u>259,339</u>	<u>35,864</u>	<u>295,203</u>

The group has not revalued its catalogue of rights within the balance sheet. As a result of the activities undertaken by the group the directors believe that the open market value of the copyrights and other rights owned by the group is significantly in excess of the balance sheet amount

7 Tangible fixed assets Group and company	Plant & machinery £	Fixtures, fittings & Equipment £	Total £
Cost			
At 1 July 2006	14,430	56,558	70,988
Additions	1,102	20,702	21,804
At 30 June 2007	<u>15,532</u>	<u>77,260</u>	<u>92,792</u>
Depreciation			
At 1 July 2006	13,851	42,214	56,065
Charge for the year	377	9,952	10,329
At 30 June 2007	<u>14,228</u>	<u>52,166</u>	<u>66,394</u>
Net book amount			
At 30 June 2007	<u>1,304</u>	<u>25,094</u>	<u>26,398</u>
At 1 July 2006	<u>579</u>	<u>14,344</u>	<u>14,923</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****8 Fixed asset investments
Company**

Share in
Group
Undertakings
£
2

Cost

At 1 July 2006 & at 30 June 2007

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Holdings of more than 20%

The company holds more than 20% of the share capital of the following company

Company Subsidiary undertaking	Country of registration or incorporation	Shares held Class	%
BPM Sound Limited	England & Wales	Ordinary	100

The principal activity of the undertaking for the last relevant financial year was as follows

BPM Sound Limited	Principal activity
	Music and sound effects projects for film & multi-media

9 Stocks

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Raw materials & consumables	24,344	30,394	24,344	30,394
Finished goods and goods for resale	47,981	42,818	47,981	42,818
	<u>72,325</u>	<u>73,212</u>	<u>72,325</u>	<u>73,212</u>

10 Debtors

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Trade debtors	171,017	122,876	171,017	122,852
Amounts owed by group undertakings	-	-	-	425
Other debtors	8,389	24,328	8,213	23,777
Prepayments and accrued income	15,136	16,063	15,136	16,063
Deferred tax asset (see note 13)	2,476	9,662	2,476	9,662
	<u>197,018</u>	<u>172,929</u>	<u>196,842</u>	<u>172,779</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****11 Creditors: amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Trade creditors	80,017	26,470	80,017	26,470
Corporation tax	3,937	1,535	3,705	1,535
Taxes and social security costs	74,716	51,066	74,716	51,066
Other creditors	10,642	60,191	10,642	60,191
Accruals	178,888	159,035	178,389	158,536
Deferred income	322,103	188,602	322,103	188,602
	<u>670,303</u>	<u>486,899</u>	<u>669,572</u>	<u>486,400</u>

12 Creditors: amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Directors' deferred salaries	=	<u>101,154</u>	=	<u>101,154</u>
In more than 1 year but not more than 2	=	<u>101,154</u>	=	<u>101,154</u>

13 Provision for liabilities and charges

The deferred tax asset (included in debtors, note 10) is made up as follows.

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Profit and loss account	<u>7,186</u>	<u>(9,662)</u>	<u>7,186</u>	<u>(9,662)</u>

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Decelerated capital allowances	<u>(2,476)</u>	<u>(9,662)</u>	<u>(2,476)</u>	<u>(9,662)</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

14 Pension costs

The group operates a defined contribution stakeholder pension scheme. The assets of the stakeholder scheme are held separately from those of the group in an independently administered fund. The pension cost charge below represents contributions payable by the group to the group stakeholder scheme and to SIPP's held by directors.

	<u>2007</u>	<u>2006</u>
	£	£
Contributions payable by the group for the year	20,448	19,227

In addition to the pension costs charged to the profit and loss account shown above, during the year the company paid pension contributions totalling £98,018 to SIPP's held by directors in lieu of £100,577 of deferred salary and associated costs accrued in prior periods.

15 Share capital

	<u>2007</u>	<u>2006</u>
	£	£
Authorised		
25,000,000 Ordinary shares of 1p each	250,000	250,000
Allotted, called up and fully paid:		
10,757,937 Ordinary shares of 1p each	107,579	104,859

During the year options over 272,000 Ordinary shares of 1p each were exercised as follows

		No of shares	Subscription Price	
July 2006	R Hurst	120,000	25p	£30,000
July 2006	A Sunnucks	120,000	25p	£30,000
August 2006	R Hurst	11,000	30p	£ 3,300
August 2006	A Sunnucks	11,000	30p	£ 3,300
August 2006	M Ruffell	<u>10,000</u>	30p	<u>£ 3,000</u>
		<u>272,000</u>		<u>£69,600</u>

At the balance sheet date options had been granted and were still outstanding in respect of Ordinary shares of 1p each as follows:

	No of shares	Subscription Price	Exercisable
R Hurst *	2,500,000	1p	01/01/05 to 31/12/10
R Hurst #	375,000	20p	11/06/06 to 31/12/10
A Sunnucks *	2,500,000	1p	01/01/05 to 31/12/10
A Sunnucks #	375,000	20p	11/06/06 to 31/12/10
J Bingham #	24,900	25p	01/01/06 to 31/12/10
J Bingham #	50,000	25p	01/01/07 to 31/12/10
J Bingham #	50,000	30p	31/01/08 to 31/12/10
J Bingham *	220,833	30p	31/07/08 to 31/12/10
Others	<u>154,900</u>	25p - 80p	01/01/06 to 17/06/16
	<u>6,250,633</u>		

* Share options have been issued to R Hurst, A Sunnucks and J Bingham under an Enterprise Management Scheme linked to the price achieved on a realisable event

Share options have been issued to R Hurst, A Sunnucks and J Bingham under an Enterprise Management Scheme

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****16 Statement of movements on reserves
Group**

	Share Premium Account	Profit and Loss Account
	£	£
Balance at 1 July 2006	1,292,826	(1,061,678)
Retained profit for the year	-	189,114
Premium on shares issued during the year	66,880	-
Balance at 30 June 2007	<u>1,359,706</u>	<u>(872,564)</u>

Company

	Share Premium Account	Profit and Loss Account
	£	£
Balance at 1 July 2006	1,292,826	(1,061,388)
Retained profit for the year	-	187,836
Premium on shares issued during the year	66,880	-
Balance at 30 June 2007	<u>1,359,706</u>	<u>(873,552)</u>

**17 Reconciliation of movements in shareholders' funds
Group**

	<u>2007</u>	<u>2006</u>
	£	£
Profit for the financial year	189,114	43,458
Proceeds from issue of shares	69,600	6,051
Net addition to shareholders' funds	<u>258,714</u>	<u>49,509</u>
Opening shareholders' funds	336,007	286,498
Closing shareholders' funds	<u>594,721</u>	<u>336,007</u>

Company

	<u>2007</u>	<u>2006</u>
	£	£
Profit for the financial year	187,836	42,456
Proceeds from issue of shares	69,600	6,051
Net addition to shareholders' funds	<u>257,436</u>	<u>48,507</u>
Opening shareholders' funds	336,297	287,790
Closing shareholders' funds	<u>593,733</u>	<u>336,297</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)**

18 Directors' emoluments	<u>2007</u>	<u>2006</u>
	£	£
Emoluments for qualifying services	246,156	187,759
Company pension contributions to group stakeholder scheme or SIPP's	16,033	18,537
	<u>262,189</u>	<u>206,296</u>

19 Transactions with directors

During the year, A Sunnucks received £5,760 (2006 £1,200) rent in respect of the occupation of School Farm Studios by the company

During the year, A Sunnucks received £781 (2006 £102) composer royalty payments from the company in respect of music compositions composed by A Sunnucks and published by the company

During the year, A&R Sheds Limited, a company controlled by A Sunnucks and R Hurst provided compact disc stock management and storage facilities to the group totalling £2,240 (2006 £Nil)

At the balance sheet dates R Hurst and A Sunnucks had deferred emoluments in order to assist the working capital of the company. Such liabilities, inclusive of National Insurance contributions, have been accrued in the balance sheet as follows

Creditors. amounts falling due within one year

	<u>2007</u>	<u>2006</u>
	£	£
R Hurst	50,288	50,000
A Sunnucks	50,288	50,000
	<u>100,576</u>	<u>100,000</u>

Creditors amounts falling due after more than one year

	<u>2007</u>	<u>2006</u>
	£	£
R Hurst	-	50,577
A Sunnucks	-	50,577
	<u>-</u>	<u>101,154</u>

AUDIO NETWORK PLC
Notes to the Consolidated Financial Statements (continued)

20 Employees

The average number of employees (including directors) during the year was

	<u>2007</u>	<u>2006</u>
	Number	Number
Management and administration	11	9
Employment costs	£	£
Wages & salaries	514,571	357,074
Social security costs	55,565	34,375
Other pension costs	20,448	19,227
	<u>590,584</u>	<u>410,676</u>

21 Financial Commitments

At the balance sheet date the company was committed to making the following lease payments under non-cancellable operating leases in the year to 30 June 2008:

	Land and buildings	
	<u>2007</u>	<u>2006</u>
	£	£
Operating leases which expire.		
Within one year	<u>25,000</u>	<u>-</u>

22 Capital Commitments

At the balance sheet date the group had capital commitments of £6,903 (2006 £15,667).

23 Control

There is no ultimate controlling party in the group.

24 Related party transactions

Group

The group has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with group companies on the grounds that Consolidated financial statements are prepared by the ultimate parent company