

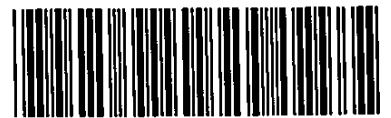
audio network

4257337

AUDIO NETWORK PLC
DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011



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AUDIO NETWORK PLC

CONTENTS

	PAGE
DIRECTORS' REPORT	1 - 5
INDEPENDENT AUDITORS' REPORT	6 - 7
CONSOLIDATED PROFIT AND LOSS ACCOUNT & CONSOLIDATED STATEMENT OF RECOGNISED GAINS & LOSSES	8
BALANCE SHEETS	9
CONSOLIDATED CASH FLOW STATEMENT	10
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12 - 25

AUDIO NETWORK PLC

Company Information

Directors:

Executive Directors

Robert Hurst
Andrew Sunnucks
Juliette Bingham (nee Squair)
Jason Langley
Christopher Blakeston (appointed 1st July 2011)

Non Executive Directors

Maarten Hemsley
Miles Ruffell
John Sanderson
John Whittingdale OBE MP

Company Secretary:

Robert Hurst

Company number

4257337

Registered Office:

61 Holywell Hill
St Albans
Hertfordshire, AL1 1HF

Auditors:

HW Fisher & Company
Chartered Accountants
Acre House
11-15 William Road
London, NW1 3ER

Business Addresses:

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Minerva House
26-27 Hatton Garden
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Audio Network Plc
School Farm Studios
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Audio Network Australia Pty Ltd
88 Foveaux Street
Surrey Hills, Sydney
NSW 2010
Australia
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Audio Network Canada Inc
8 Robert Attersley Dr East
Whitby, Toronto
Ontario, L1R 3E3
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USA
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Web site www.audionetwork.com

Directors' Report

The directors are pleased to present the report and financial statements of the group for the year ended 30 June 2011

Principal activity and review of the business

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

We are delighted to report another year of excellent growth in our composer team, music catalogue, customer base, turnover, profit before taxation and operating cash flow

The group continued to use retained profits to invest in the commissioning and development of new music copyrights and in the international promotion of our music

Key Performance Indicators

Our composer team grew by fifty during the year from two hundred and fifty to three hundred

We grew our music catalogue organically by 27% from 33,380 tracks at the start of the year to 42,348 tracks by the end of the year.

The larger music catalogue combined with increased international promotion of the catalogue resulted in turnover growing 43% from £4 3m to £6 2m inclusive of our share of joint venture turnover

The company consolidated its market leading position in the United Kingdom, growing domestic revenues to £2 8m despite the adverse impact of the economy on the UK market

Turnover from international markets grew by 107% from £1.6m to £3 4m comprising our share of turnover from our Australian joint venture company, sales and royalties from our subsidiary companies in the United States, Canada & Holland and international revenue booked direct by the UK company or from our growing network of international sub-publishers

Despite challenging market conditions for subscription renewals continuing during the year our subscriber renewal rate recovered to 93% from 87% in the prior year.

Cash reserves of £1,810,317 were held by the group at 30 June 2011 (2010 £1,418,696) after paying £1,085,450 of dividends to shareholders (2010 £565,386)

Future Outlook

The management team remains focused on the management of risks whilst committed to delivering further growth both domestically and internationally for our shareholders, customers, composers, employees and other stakeholders

Directors' Report (continued)

Principal Risks and Uncertainties

The management of the business and the execution of the group's strategy are subject to a number of inherent risks

The key business risk and uncertainty currently affecting the group remains the potential impact that the pressures on the world economy may have on the business models and music budgets of broadcasters and other audio-visual producers worldwide

Other key risks include the risk of competition from alternative music sources, the risk of regulatory changes to copyright laws and the retention of key people

Financial Risk Management

The group's operations expose it to a variety of financial risks. The policies for managing these risks are summarised below and have been applied throughout the year

Price Risk

The group operates in a competitive market and it is the group's policy to review pricing against prevailing market conditions. The management seeks to minimise this risk through the quality and depth of its music library and the quality of our customer service

Credit Risk

The group seeks to reduce its exposure to credit risk through regular review of individual customer accounts to ensure that they are maintained within acceptable limits

The group also seeks to reduce its exposure to any one financial institution by holding its cash reserves with more than one financial institution

Foreign Currency Risk

The group has significant and growing overseas operations.

In particular certain assets and liabilities of group and joint venture companies are denominated in US dollars, Canadian dollars, Euros and Australian dollars. As a result the group's sterling balance sheet may be affected by movements in the sterling exchange rate relative to these currencies

The group also has Profit & Loss account currency exposure due to revenues and costs denominated in foreign currencies

Directors' Report (continued)

Derivatives & Other Financial Instruments

The group's financial instruments comprise items such as trade receivables and trade payables that arise directly from its operations. It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken.

Interest Rate Risk

Cash balances are placed so as to maximise interest earned while maintaining the working capital requirements of the business.

The group has no bank loans or overdrafts.

Results

The consolidated profit and loss account for the year is set out on page 8.

Highlights

- Turnover up 43% to £6,189,386 (including share of joint venture turnover)
- Turnover up 42% to £5,982,480 (before share of joint venture turnover)
- Gross profit up 41% to £5,764,879 (before share of joint venture gross profit)
- Operating profit up 55% to £1,690,882 (before share of joint venture operating loss)
- Profit before taxation up 49% to £1,665,936 (including share of joint venture loss)

The group has again achieved excellent growth in turnover and profitability.

Growth achieved in turnover during the year from our established markets was used to fund music catalogue growth, start-up costs incurred in developing new markets and to fund dividend payments.

Dividends

A final dividend for the prior year of four pence (£0.04) per ordinary share was paid during the current year (2010 £0.02).

An interim dividend for the current year of three pence (£0.03) per ordinary share was also paid during the year (2010 £0.02).

Subject to shareholders' approval at the Annual General Meeting to be held on Thursday 15th December 2011, the directors recommend the payment of a final dividend of five pence (£0.05) on each of the ordinary shares entitled thereto (2010 £0.04) bringing the total dividend for the current year to eight pence (£0.08) per ordinary share (2010 £0.06).

AUDIO NETWORK PLC

Directors' Report (continued)

Directors

The directors who served during the year were as stated below

Robert Hurst
Andrew Sunnucks
Juliette Bingham (nee Squair)
Jason Langley
Maarten Hemsley
Miles Ruffell
John Sanderson
John Whittingdale

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

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 2011, the number of days' credit taken for the purchases by the group was 30 days (2010 30 days)

Auditors

In accordance with section 487(2) of the Companies Act 2006, a resolution proposing that HW Fisher & Company be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

- * select suitable accounting policies and then apply them consistently,
- * make judgments and accounting estimates that are reasonable and prudent,
- * state whether applicable UK 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.

AUDIO NETWORK PLC

Directors' Report (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Robert Hurst
Director

Date 7th October 2011

AUDIO NETWORK PLC

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 2011 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 directors and auditors

As explained on pages 4 to 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A G Rich

(Senior Statutory Auditor)

for and on behalf of H W Fisher & Company

Chartered Accountants

Statutory Auditor

Acre House

11-15 William Road

London

NW1 3ER

Great Britain

Dated 12/10/2011

AUDIO NETWORK PLC

Consolidated Profit & Loss Account

for the year ended 30 June 2011

	Notes	2011 £	2010 £
Turnover: Group and share of joint venture		6,189,386	4,314,629
Less Share of joint venture turnover		<u>(206,906)</u>	<u>(113,654)</u>
TURNOVER	2	5,982,480	4,200,975
Cost of sales		<u>(217,601)</u>	<u>(113,309)</u>
Gross profit		5,764,879	4,087,666
Distribution costs		(105,527)	(118,569)
Administrative expenses		(3,969,584)	(2,877,777)
Other operating income		1,114	2,066
OPERATING PROFIT	3	<u>1,690,882</u>	<u>1,093,386</u>
Share of (loss) / profit of joint venture		(56,575)	3,424
Operating profit Group and share of joint venture		<u>1,634,307</u>	<u>1,096,810</u>
Interest receivable and similar income		34,030	17,755
Share of interest receivable of joint venture		1,023	536
Share of interest payable of joint venture		(3,423)	-
Profit on ordinary activities before taxation		<u>1,665,937</u>	<u>1,115,101</u>
(Tax) / tax credit on profit on ordinary activities	4	(80,407)	110,382
Share of taxation of joint venture		-	-
Profit after taxation		<u>1,585,530</u>	<u>1,225,483</u>

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

Consolidated Statement of Recognised Gains and Losses

for the year ended 30 June 2011

	2011 £	2010 £
Profit for the year	1,585,530	1,225,483
Currency translation differences	38,154	(43,362)
Total recognised gains and losses relating to the year	<u>1,623,684</u>	<u>1,182,121</u>

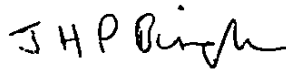
AUDIO NETWORK PLC

Balance Sheets

As at 30 June 2011

	Notes	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Fixed assets					
Intangible assets	6	1,066,054	957,552	1,066,054	957,552
Tangible assets	7	145,121	184,636	108,411	137,733
Investments	8	-	6,882	922,000	618,141
		<u>1,211,175</u>	<u>1,149,070</u>	<u>2,096,465</u>	<u>1,713,426</u>
Current assets					
Stocks	9	30,960	46,485	29,563	46,039
Debtors	10	2,760,029	1,938,635	2,515,647	1,947,569
Cash at bank and in hand		1,810,317	1,418,696	1,574,358	1,325,335
		<u>4,601,306</u>	<u>3,403,816</u>	<u>4,119,568</u>	<u>3,318,943</u>
Creditors amounts falling due within one year	11	(1,857,176)	(1,229,842)	(1,515,894)	(1,099,105)
Net current assets		<u>2,744,130</u>	<u>2,173,974</u>	<u>2,603,674</u>	<u>2,219,838</u>
Total assets less total liabilities		<u>3,955,305</u>	<u>3,323,044</u>	<u>4,700,139</u>	<u>3,933,264</u>
Capital & reserves					
Called up share capital	13	155,070	148,641	155,070	148,641
Share premium account	14	1,642,539	1,554,941	1,642,539	1,554,941
Profit and loss account	14	2,157,696	1,619,462	2,902,530	2,229,682
Shareholders' funds	15	<u>3,955,305</u>	<u>3,323,044</u>	<u>4,700,139</u>	<u>3,933,264</u>

Approved by the board on and authorised for issue on 7th October 2011

Robert Hurst
Director

Juliette Bingham
Director

AUDIO NETWORK PLC**Consolidated Cash Flow Statement**

For the year ended 30 June 2011

	2011		2010	
	£	£	£	£
Net cash flow from operating activities		1,595,736		1,249,895
Returns on investments and servicing of finance				
Interest received	35,053		18,291	
Share of interest paid by joint venture	<u>(3,423)</u>		<u>-</u>	
Net cash inflow for returns on investments and servicing of finance		31,630		18,291
Taxation				
UK tax (paid) / recovered	(1,598)		2,000	
Foreign tax paid	(3,397)		(1,456)	
Withholding tax paid	<u>(7,531)</u>		<u>(3,824)</u>	
Total Taxation paid		(12,526)		(3,280)
Capital expenditure				
Net investment in joint venture	-		(5,226)	
Payments to acquire intangible assets	(242,947)		(236,504)	
Payments to acquire tangible assets	<u>(27,003)</u>		<u>(134,288)</u>	
Net cash outflow for capital expenditure		(269,950)		(376,018)
Net cash inflow before financing		<u>1,344,890</u>		<u>888,888</u>
Financing				
Issue of ordinary share capital	94,027		150,563	
Dividends paid	<u>(1,085,450)</u>		<u>(565,386)</u>	
Net cash outflow from financing		(991,423)		(414,823)
Increase in cash in the year		<u>353,467</u>		<u>474,065</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

	<u>2011</u>	<u>2010</u>
	£	£
Operating profit group and share of joint venture	1,634,307	1,096,810
Depreciation of tangible fixed assets	66,517	57,726
Amortisation of intangible fixed assets	134,445	120,324
Provision against investment	6,882	-
Decrease in stocks	15,525	53,881
Increase in debtors	(881,543)	(360,837)
Increase in creditors due within one year	619,603	281,991
	<u>1,595,736</u>	<u>1,249,895</u>

(2) Analysis of net funds

	1 July 2010	Cash flow	Other non- cash changes	30 June 2011
	£	£		£
Net cash				
Cash at bank and in hand	1,418,696	353,467	38,154	1,810,317
Net funds	<u>1,418,696</u>	<u>353,467</u>	<u>38,154</u>	<u>1,810,317</u>

(3) Reconciliation of net cash to movement in debt

	<u>2011</u>	<u>2010</u>
	£	£
Increase in cash in the year	353,467	474,065
Currency translation differences	38,154	(43,362)
Movement in net funds in the year	<u>391,621</u>	<u>430,703</u>
Opening net funds	1,418,696	987,993
Closing net funds	<u>1,810,317</u>	<u>1,418,696</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 undertakings made up to 30 June 2011. The results of subsidiaries acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated on consolidation.

Undertakings in which the group has a long term interest and shares control under a contractual agreement are defined as joint ventures. Joint ventures are accounted for using the gross equity method. The investment in Audio Network Australia Pty Ltd has been treated as a joint venture.

1.4 Turnover

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

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 an accruals basis.

1.5 Copyrights and Licences

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.

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. A maximum useful economic life of 20 years has been used as a basis of amortisation of copyrights and licences.

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.

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

Accounting Policies (continued)

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 on a straight line basis, as follows

Plant & Machinery	over 3 years
Computer Equipment	over 3 years
Fixtures, fittings & equipment	over 3 to 5 years
Leasehold improvements	over the life of the lease

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 company operates a defined contribution stakeholder pension scheme for the benefit of its employees. Contributions payable to the scheme, or to Self Invested Personal Pension Schemes (SIPPs) held by two 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 on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from a revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred assets and liabilities are not discounted

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

Closing balances of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves

1.13 Royalty advances

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

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

2 Turnover

The turnover and profit of the group arise from the principal activity, the publishing of music and sound recordings commissioned from the United Kingdom

The table below analyses turnover by territory of turnover origination

	<u>2011</u>	<u>2010</u>
	£	£
Group		
United Kingdom	4,420,161	3,470,872
North America	1,339,004	667,747
Australasia	220,108	52,356
Europe (*)	3,207	10,000
	<u>5,982,480</u>	<u>4,200,975</u>

(*) Excludes European revenues booked direct by UK company

The table below analyses turnover by territory of destination

	<u>2011</u>	<u>2010</u>
	£	£
Group		
United Kingdom	2,786,725	2,673,384
North America	1,419,464	715,774
Australasia	232,477	62,763
Europe	1,301,619	564,715
Rest of the World	242,195	184,339
	<u>5,982,480</u>	<u>4,200,975</u>

Turnover for the year to 30 June 2010 is stated after the waiver of royalty income receivable from the Australian joint venture, Audio Network Australia Pty Ltd, amounting to £63,379

3 Operating profit

Operating profit is stated after charging

	<u>2011</u>	<u>2010</u>
	£	£
Amortisation of intangible fixed assets	134,445	120,324
Depreciation of tangible fixed assets	67,363	57,143
Operating lease rentals	116,266	112,812
Exchange loss / (gain)	56,762	(47,970)
Auditor's remuneration (company £15,000 , 2010 £12,000)	15,000	12,000
Remuneration of auditors for non-audit work	12,594	32,500

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****4 Taxation**

	<u>2011</u>	<u>2010</u>
	£	£
Current tax charge		
Charge for the current year	7,052	3,725
Adjustment re prior periods	(2,127)	-
Deferred tax charge		
Charge /(credit) for the current year (Note 12)	60,149	(120,000)
Adjustment re prior periods	-	-
Foreign tax		
Foreign tax charge	7,802	2,510
Irrecoverable withholding tax suffered	7,531	3,383
	<u>80,407</u>	<u>(110,382)</u>

Factors affecting the years' tax charge

Profit on ordinary activities before taxation	1,665,937	1,115,101
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 28% (2010 28%)	466,462	312,228
Effects of		
Non deductible expenses	13,773	10,847
Depreciation add back	56,506	49,854
Capital allowances	(55,318)	(44,848)
Share options exercised	(313,893)	(395,482)
Group brought forward tax losses utilised	(199,206)	-
Unrelieved tax losses in foreign subsidiaries	30,593	78,616
Irrecoverable withholding tax suffered	7,531	3,383
Adjustment re prior periods	(2,127)	-
Deferred tax charge / (credit)	60,149	(120,000)
Other adjustments	15,937	(4,980)
Current tax charge	<u>80,407</u>	<u>(110,382)</u>

5 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, 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>2011</u>	<u>2010</u>
	£	£
Holding company's profit for the financial year	<u>1,758,298</u>	<u>1,495,456</u>

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

6 Intangible fixed assets Group & Company	Copyrights & Licences £	Development Costs £	Total £
Cost			
At 1 July 2010	992,360	386,902	1,379,262
Additions	155,642	87,305	242,947
At 30 June 2011	<u>1,148,002</u>	<u>474,207</u>	<u>1,622,209</u>
Amortisation			
At 1 July 2010	153,794	267,916	421,710
Charge for the year	52,396	82,049	134,445
At 30 June 2011	<u>206,190</u>	<u>349,965</u>	<u>556,155</u>
Net book amount			
At 30 June 2011	<u>941,812</u>	<u>124,242</u>	<u>1,066,054</u>
At 1 July 2010	<u>838,566</u>	<u>118,986</u>	<u>957,552</u>
7 Tangible fixed assets Group	Plant & Machinery £	Fixtures, Fittings & Equipment £	Total £
Cost			
At 1 July 2010	70,315	252,957	323,272
Additions	3,115	27,822	30,937
Disposals	(15,488)	(18,115)	(33,603)
Exchange rate movement	-	(3,934)	(3,934)
At 30 June 2011	<u>57,942</u>	<u>258,730</u>	<u>316,672</u>
Depreciation			
At 1 July 2010	28,871	109,765	138,636
Charge for the year	16,845	50,518	67,363
Disposals	(15,488)	(18,115)	(33,603)
Exchange rate movement	-	(845)	(845)
At 30 June 2011	<u>30,228</u>	<u>141,323</u>	<u>171,551</u>
Net book amount			
At 30 June 2011	<u>27,714</u>	<u>117,407</u>	<u>145,121</u>
At 1 July 2010	<u>41,444</u>	<u>143,192</u>	<u>184,636</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

7 Tangible fixed assets	Plant & Machinery	Fixtures, Fittings & Equipment	Total
Company	£	£	£
Cost			
At 1 July 2010	70,315	195,754	266,069
Additions	3,115	21,490	24,605
Disposals	(15,488)	(18,115)	(33,603)
At 30 June 2011	<u>57,942</u>	<u>199,129</u>	<u>257,071</u>
Depreciation			
At 1 July 2010	28,871	99,465	128,336
Charge for the year	16,845	37,082	53,927
Disposals	(15,488)	(18,115)	(33,603)
At 30 June 2011	<u>30,228</u>	<u>118,432</u>	<u>148,660</u>
Net book amount			
At 30 June 2011	<u>27,714</u>	<u>80,697</u>	<u>108,411</u>
At 1 July 2010	<u>41,444</u>	<u>96,289</u>	<u>137,733</u>

8 Fixed asset investments

Group	<u>2011</u> £	<u>2010</u> £
Interest in joint venture		
At 1 July 2010	6,882	1,656
Additions	-	1,701
Share of (loss) / profit	(58,975)	3,960
Foreign exchange loss	(3,187)	(435)
Offset against amounts owed by joint venture (Note 10)	55,280	-
At 30 June 2011	<u>-</u>	<u>6,882</u>

The group's share of joint venture comprises

	Audio Network Australia Pty Ltd	
	<u>2011</u> £	<u>2010</u> £
Turnover	206,906	113,654
(Loss) / profit	<u>(58,975)</u>	<u>3,960</u>
Fixed assets	5,953	3,410
Current assets	156,189	47,585
Current liabilities	(217,422)	(44,113)
Net (liabilities) / assets	<u>(55,280)</u>	<u>6,882</u>

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

	<u>2011</u>	<u>2010</u>
Cost	£	£
Shares in group companies	15,899	15,899
Shares in joint venture company	34,098	34,098
Equity loan to group companies	872,003	568,144
	<u>922,000</u>	<u>618,141</u>
Balance at 1 July 2010	618,141	275,283
Increase in investment in Audio Network Australia Pty Ltd	-	1,701
Investment in Audio Network Canada Inc	-	7
Investment in Audio Network (Holland) BV	-	15,887
Increase in equity loan to Audio Network US, Inc	303,859	325,263
Balance at 30 June 2011	<u>922,000</u>	<u>618,141</u>

In the opinion of the directors, the aggregate value of the company's investments 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 companies each undertaking the principal activity of Music Publisher in the country of incorporation:

Name of Company	Country of Incorporation	Share class	Shares held	Voting rights held
Audio Network Australia Pty Ltd	Australia	Ordinary	51%	50%
Audio Network Canada Inc	Canada	Ordinary	100%	100%
Audio Network (Holland) BV	Holland	Ordinary	100%	100%
Audio Network US, Inc	United States	Ordinary	100%	100%

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

9 Stocks

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Raw materials & consumables	10,686	19,991	10,686	19,991
Finished goods and goods for resale	20,274	26,494	18,877	26,048
	<u>30,960</u>	<u>46,485</u>	<u>29,563</u>	<u>46,039</u>

10 Debtors

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	573,787	369,506	368,203	307,924
Amounts owed by group companies	-	-	327,991	240,752
Amounts owed by joint venture	152,012	61,069	207,292	61,069
Director loan account	6,172	5,822	6,172	5,822
Other debtors	22,841	13,419	22,473	13,242
Prepayments	128,570	92,922	100,488	52,930
Accrued income	1,536,796	995,897	1,143,177	865,830
Deferred tax asset (Note 12)	339,851	400,000	339,851	400,000
	<u>2,760,029</u>	<u>1,938,635</u>	<u>2,515,647</u>	<u>1,947,569</u>

Amounts falling due after more than one year included in debtors above are

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Director loan account	6,172	5,822	6,172	5,822
Amounts owed by group companies	-	-	284,521	227,752
Amounts owed by joint venture	101,276	61,069	156,556	61,069
	<u>107,448</u>	<u>66,891</u>	<u>447,249</u>	<u>294,643</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	302,922	230,107	302,420	222,389
Amounts owed to group companies	-	-	-	9,048
Corporation tax	12,068	4,337	7,052	3,725
Taxes and social security costs	277,956	174,827	264,895	174,827
Other creditors	3,893	55,016	2,090	54,842
Accruals	271,747	217,896	234,176	195,588
Deferred income	988,590	547,659	705,261	438,686
	<u>1,857,176</u>	<u>1,229,842</u>	<u>1,515,894</u>	<u>1,099,105</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****12 Provisions for liabilities and charges****Company & Group**

	<u>2011</u>	<u>2010</u>
	£	£
Deferred tax asset balance at 1 July 2010	400,000	280,000
Deferred tax (charge) / credit for year (Note 4)	(60,149)	120,000
Deferred tax asset included in debtors (Note 10)	(339,851)	(400,000)
Balance at 30 June 2011	<u>-</u>	<u>-</u>

Deferred tax is provided at 26% (2010 28%) analysed over the following timing differences:

Accelerated capital allowances	(13,173)	(9,005)
UK tax losses available	353,024	560,000
Overseas tax losses available	190,580	160,000
	<u>530,431</u>	<u>710,995</u>
Unrecognised deferred tax asset	(190,580)	(310,995)
Deferred tax asset included in debtors (Note 10)	<u>339,851</u>	<u>400,000</u>

At 30 June 2011, the group had UK corporation tax losses available of approximately £1,350,000 (2010 £2,000,000) available to carry forwards for relief against UK taxable profits in future periods

At 30 June 2011, the group had overseas tax losses available of approximately £733,000 (2010 £570,000) available to carry forwards for relief against overseas taxable profits in future periods

Deferred tax assets of £190,580 (2010 £310,995) have not been recognised in these accounts because there is insufficient certainty over their recoverability

13 Share capital

	<u>2011</u>	<u>2010</u>
	£	£
Allotted, called up and fully paid:		
15,507,033 Ordinary shares of 1p each	<u>155,070</u>	<u>148,641</u>

During the year 642,895 ordinary shares were issued at a subscription price of £94,027 under the company's share option schemes

The premium on issue of £87,598 has been recognised in share premium

The company has share schemes whereby options over the ordinary shares of 1p each of the company are granted to directors and employees. The reconciliation of option movements during the year to 30 June 2011 is shown below

	<u>2011</u>	<u>2010</u>
	No of shares	No of shares
As at 1 July 2010	1,436,394	2,461,368
Exercised during the year	(642,895)	(901,386)
Waived or lapsed during the year	(18,833)	(420,188)
New options granted during the year	91,401	296,600
As at 30 June 2011	<u>866,067</u>	<u>1,436,394</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****13 Share capital (continued)**

During the year 642,895 options were exercised at prices between 1p and £2.08 a share as follows

Date of exercise	No of shares	Subscription Price	£
July 2010 (EMS)	235,294	1p	2,353
September 2010 (EMS)	375,000	20p	75,000
November 2010 (EMS)	12,000	50p	6,000
December 2010	1	£2 08	2
December 2010 (EMS)	20,000	50p	10,000
June 2011 (EMS)	600	£1.12	672
	<u>642,895</u>		<u>94,027</u>

Outstanding options over 866,067 Ordinary shares of one penny in existence at 30 June 2011 are exercisable between the dates set out below

No of shares	Subscription price	Exercisable
10,000 (EMS)	80p	18/06/2010 to 17/06/2016
50,000 (EMS)	80p	25/09/2010 to 24/09/2016
176,400 (EMS)	£1.12	01/06/2011 to 31/05/2017
38,000 (EMS)	£1 20	30/12/2012 to 29/12/2018
158,333	£1 60	01/09/2011 to 31/12/2016
83,334 *	£1 60	01/07/2012 to 31/12/2016
111,600 (EMS)	£1.60	03/10/2012 to 02/10/2018
35,000	£2 08	17/06/2011 to 17/06/2019
6,000	£2 08	17/06/2011 to 31/07/2011
112,000 (EMS)	£2 20	01/07/2013 to 30/06/2019
85,400 (EMS)	£2 20	18/06/2014 to 17/06/2020
<u>866,067</u>		

Share options marked (EMS) have been issued to directors and employees under an Enterprise Management Incentive Scheme.

* Outstanding options over 83,334 shares issued to Jason Langley during August 2008 are subject to the achievement of future growth performance objectives

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

14 Statement of movement on reserves	<u>2011</u>	<u>2010</u>
	£	£
Share premium account		
Group and company		
Balance at 1 July 2010	1,554,941	1,413,391
Premium on shares issued during the year	87,598	141,550
Balance at 30 June 2011	<u>1,642,539</u>	<u>1,554,941</u>
Profit and loss account		
Group		
Balance at 1 July 2010	1,619,462	1,002,727
Profit for the year	1,585,530	1,225,483
Dividends paid	(1,085,450)	(565,386)
Currency translation differences	38,154	(43,362)
Balance at 30 June 2011	<u>2,157,696</u>	<u>1,619,462</u>
Company		
Balance at 1 July 2010	2,229,682	1,299,612
Profit for the year	1,758,298	1,495,456
Dividends paid	(1,085,450)	(565,386)
Balance at 30 June 2011	<u>2,902,530</u>	<u>2,229,682</u>
15 Reconciliation of movements in shareholders' funds	<u>2011</u>	<u>2010</u>
	£	£
Group		
Profit for the financial year	1,585,530	1,225,483
Currency translation differences	38,154	(43,362)
Proceeds from issue of shares	94,027	150,563
Dividends paid	(1,085,450)	(565,386)
Net addition to shareholders' funds	632,261	767,298
Opening shareholders' funds	3,323,044	2,555,746
Closing shareholders' funds	<u>3,955,305</u>	<u>3,323,044</u>
	<u>2011</u>	<u>2010</u>
	£	£
Company		
Profit for the financial year	1,758,298	1,495,456
Proceeds from issue of shares	94,027	150,563
Dividends paid	(1,085,450)	(565,386)
Net addition to shareholders' funds	766,875	1,080,633
Opening shareholders' funds	3,933,264	2,852,631
Closing shareholders' funds	<u>4,700,139</u>	<u>3,933,264</u>

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

16 Directors' emoluments	<u>2011</u>	<u>2010</u>
	£	£
Emoluments for qualifying services	616,189	551,690
Company pension contributions	21,600	21,000
	<u>637,789</u>	<u>572,690</u>

Emoluments disclosed above include the following amount paid to the highest paid director

	<u>2011</u>	<u>2010</u>
	£	£
Emoluments for qualifying services	<u>183,095</u>	<u>157,681</u>

The company made pension contributions during the year to SIPPs or to the company stakeholder scheme in respect of three directors (2010: 3)

Two directors exercised share options during the year (2010: 3)

17 Dividends	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	pence/share	pence/share	£	£
Final dividend for the prior financial year	4	2	620,257	279,255
Interim dividend for the current financial year	<u>3</u>	<u>2</u>	<u>465,193</u>	<u>286,131</u>
	<u>7</u>	<u>4</u>	<u>1,085,450</u>	<u>565,386</u>
Proposed final dividend for the current financial year	<u>5</u>	<u>4</u>		

The proposed final dividend for the current financial year is subject to the approval of shareholders at the Annual General Meeting.

18 Pension costs

The company 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 company to the company stakeholder scheme and to SIPPs held by two directors.

	<u>2011</u>	<u>2010</u>
	£	£
Contributions payable by the group for the year	<u>32,680</u>	<u>29,985</u>

19 Transactions with directors

During the year, Andrew Sunnucks received £6,000 rent in respect of the occupation of School Farm Studios by the company (2010: £6,000)

The company also paid royalties of £2,155 to Andrew Sunnucks in respect of income from music compositions composed by Andrew Sunnucks and published by the company (2010: £730)

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

19 Transactions with directors (continued)

During February 2009 the company made a loan to Jason Langley of £13,500 to enable him to perform his duties as a director of the company. The loan is to be repaid in full by September 2012. Interest is charged on the loan at 6% per annum. At the balance sheet date the balance due on the loan account after interest charges and capital repayments amounted to £6,172 (2010 £5,822)

During the year the company paid £6,000 each to JFWS Limited and North Atlantic Value LLP for providing the services of John Sanderson and Maarten Hemsley as non-executive directors of the company (2010 £6,000 each).

During the year the company rented storage space from William Sunnucks, the brother of Andrew Sunnucks, at a cost of £2,400 (2010 £2,400)

During the year the company paid dividends of £624,130 on shares owned directly or beneficially on behalf of the following directors or their spouses or children (2010 £302,303).

	<u>2011</u>	<u>2010</u>
	£	£
Robert Hurst	272,694	132,253
Andrew Sunnucks	270,496	132,141
Miles Ruffell	47,159	26,219
Juliette Bingham	21,486	4,965
John Sanderson	7,560	4,159
Maarten Hemsley	4,474	2,453
John Whittingdale	145	75
Jason Langley	116	38
	<u>624,130</u>	<u>302,303</u>

The company also paid dividends totalling £62,608 to Leisure & Media VCT Plc during the year (2010 £35,757). Maarten Hemsley serves as the Leisure & Media VCT Plc representative on the Board.

The company has undertaken to indemnify Juliette Bingham in respect of any personal liability arising from her role as the Audio Network Plc nominated director on the board of Audio Network Australia Pty Ltd.

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

20 Employees

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

Group	<u>2011</u>	<u>2010</u>
	Number	Number
Management and administration	39	29
Employment costs	£	£
Wages & salaries	2,075,258	1,433,889
Social security costs	208,353	133,197
Other pension costs	32,680	29,985
	<u>2,316,291</u>	<u>1,597,071</u>

21 Financial Commitments

At the balance sheet date the group was committed to making the following lease payments under non-cancellable operating leases in the year to 30 June 2012

	Land and buildings	
	<u>2011</u>	<u>2010</u>
Operating leases which expire	£	£
Within one year	62,025	8,400
Within two to five years	61,476	117,797
	<u>123,501</u>	<u>126,197</u>

22 Capital Commitments

At the balance sheet date the group had no capital commitments (2010 Nil).

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