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AUDIO NETWORK PLC
DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006



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

AUDIO NETWORK PLC

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Company Information

Directors:

Executive Directors

Robert Hurst
Andrew Sunnucks

Non Executive Directors

Maarten Hemsley
Miles Ruffell
John Sanderson
John Fanaris (resigned 11 January 2006)
John Leveque (resigned 10 November 2005)

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 Address:

School Farm Studios
Little Maplestead
Halstead
Essex C09 2SN
Tel: 01787 477 277
Fax: 01787 477 609
Email: office@audiolicense.net
Web site: www.audiolicense.net

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 2006.

Principal activity and review of the business

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

The group made good progress during the year in building the use of its catalogues by television and other audio-visual producers. The main music catalogue has continued to grow significantly as has the overall value of the rights held by the group.

Licence income from our music library grew by 79% and music performance royalty receipts grew by 248% on top of the 202% growth in royalty receipts reported last year.

Direct sales of sound effects licences grew by 36%.

During the year the group signed a new perpetual licence to continue distributing the sound effects library and entered into a final and complete settlement agreement with regard to the sound effects dispute that arose last year.

Under our prudent historic cost based accounting policies, copyrights and licences are held in the balance sheet at historic cost less amortisation without any revaluation. 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.

The results for the year demonstrate the first stage of our evolution from 'start-up investment' to a high-growth, cash generative and profitable rights owning business.

Results & dividends

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

Highlights:

- Turnover up 74% to £825,030
- Gross profit up 85% to £741,624
- Operating profit of £24,580 (2005: Operating loss of £171,837)
- Cash up £92,309 to £367,793

The group has achieved its goal for the year of organically growing revenues to a level where growth in the intellectual property rights owned by the group have been funded from retained profits and operating cash flows.

Administrative expenses continued to grow at a slower rate than both Turnover and Gross Profit.

The cash generative potential of our assets is demonstrated by the net cash inflow from operating activities of £173,918 (2005: £116,015 net cash outflow)

The prospects for future growth are excellent both domestically and internationally.

AUDIO NETWORK PLC

Directors' Report (continued)

The directors do not recommend the payment of a dividend for the year. (2005: Nil)

Directors

The following directors have held office since 1 July 2005:

R Hurst	
A Sunnucks	
M Hemsley	
M Ruffell	
J Sanderson	
J Fanaris	(Resigned 11 January 2006)
J Leveque	(Resigned 10 November 2005)

The directors' interests in the shares of the Company as at 1 July 2005 and as at 30 June 2006, or earlier date of resignation, were as stated below:

	Ordinary shares of one penny each	
	30 June 2006	30 June 2005
	or date of resignation	
R Hurst	1,543,202	1,481,083
A Sunnucks	1,543,202	1,481,084
M Hemsley	45,591	33,333
M Ruffell	604,571	550,500
J Sanderson	96,334	94,579
J Fanaris	321,623	321,400
J Leveque	178,550	178,550

M Hemsley serves as the Leisure & Media VCT Plc shareholder representative on the Board. Leisure & Media held 873,143 Ordinary shares of 1p each at 30 June 2006 (2005:833,333).

During the year R Hurst, A Sunnucks, J Fanaris, M Hemsley, M Ruffell and J Sanderson purchased shares offered for sale by other shareholders at between 25p and 30p a share.

M Ruffell also exercised his option to purchase 24,000 shares at 25p a share.

Details of outstanding share options at the balance sheet date granted to R Hurst, A Sunnucks and M Ruffell in prior periods are set out in Note 16 to the accounts with details of deferred emoluments and transactions with directors set out in Note 20 to the financial statements.

Creditor payment policy

The Group aims to pay all 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 2006, the number of days' credit taken for the purchases by the Company was 30 days (2005:30 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:9/11/06.

**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 2006 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 directors and auditors

As described in the Statement of Directors' Responsibilities on page 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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 and the group'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 company's and the group's affairs as at 30 June 2006 and of the group's profit for the year then ended ;
- the information given in the directors' report is consistent with the financial statements; and
- have been properly prepared in accordance with the Companies Act 1985.

Cartwrights

Date: ...10/11/06...

Cartwrights

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

AUDIO NETWORK PLC

Consolidated Profit & Loss Account

for the year ended 30 June 2006

	Notes	2006 £	2005 £
Turnover	2	825,030	473,015
Cost of sales		<u>(83,406)</u>	<u>(72,610)</u>
Gross profit		741,624	400,405
Administrative expenses		(717,203)	(572,642)
Other operating income		159	400
Operating profit / (loss)	4	<u>24,580</u>	<u>(171,837)</u>
Exceptional Item	3	-	(63,306)
Profit / (loss) on ordinary activities before interest		<u>24,580</u>	<u>(235,143)</u>
Other interest receivable and similar income		10,751	11,092
Profit / (loss) on ordinary activities before taxation	4	<u>35,331</u>	<u>(224,051)</u>
Net tax credit on profit / (loss) on ordinary activities	5	8,127	-
Profit / (loss) on ordinary activities after taxation		<u>43,458</u>	<u>(224,051)</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 2006

	Notes	Group		Company	
		2006	2005	2006	2005
		£	£	£	£
Fixed assets					
Intangible assets	7	295,203	246,556	295,203	246,556
Tangible assets	8	14,923	15,203	14,923	15,203
Investments	9	0	0	2	2
		<u>310,126</u>	<u>261,759</u>	<u>310,128</u>	<u>261,761</u>
Current assets					
Stocks	10	73,212	59,871	73,212	59,871
Debtors	11	172,929	113,430	172,779	114,332
Cash at bank and in hand		367,793	275,485	367,732	275,373
		<u>613,934</u>	<u>446,786</u>	<u>613,723</u>	<u>449,576</u>
Creditors: amounts falling due within one year	12	(486,899)	(322,893)	(486,400)	(322,393)
Net current assets		<u>127,035</u>	<u>125,893</u>	<u>127,323</u>	<u>127,183</u>
Total assets less current liabilities		437,161	387,652	437,451	388,944
Creditors: amounts falling due after more than one year	13	(101,154)	(101,154)	(101,154)	(101,154)
Total assets less total liabilities		<u>336,007</u>	<u>286,498</u>	<u>336,297</u>	<u>287,790</u>
Capital & reserves					
Called up share capital	16	104,859	104,617	104,859	104,617
Share premium account	17	1,292,826	1,287,017	1,292,826	1,287,017
Profit and loss account	17	(1,061,678)	(1,105,136)	(1,061,388)	(1,103,844)
Shareholders' funds	18	<u>336,007</u>	<u>286,498</u>	<u>336,297</u>	<u>287,790</u>

Approved by the board on and authorised for issue on9/11/06.


 Robert Hurst
 Director


 Andrew Sunnucks
 Director

AUDIO NETWORK PLC

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	2006		2005	
	£	£	£	£
Net cash flow from operating activities		173,918		(116,015)
Returns on investments and servicing of finance				
Interest received	10,751		11,092	
Net cash inflow for returns on investments and servicing of finance		10,751		11,092
Capital expenditure				
Payments to acquire intangible assets	(90,002)		(121,085)	
Payments to acquire tangible assets	(8,409)		(9,814)	
Net cash outflow for capital expenditure		(98,411)		(130,889)
Net cash inflow / (outflow) before management of liquid resources and financing		86,258		(235,822)
Financing				
Issue of ordinary share capital	6,051		272,507	
Purchase of own shares	-		(12,500)	
Net cash inflow from financing		6,051		260,007
Increase in cash in the year		<u>92,309</u>		<u>24,185</u>

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Notes to the Consolidated cash flow statement

(1) Reconciliation of operating loss to net cash outflow from operating activities

	2006	2005
	£	£
Operating profit / (loss)	24,580	(235,143)
Depreciation of tangible fixed assets	8,687	11,579
Amortisation of intangible assets	41,356	37,172
Increase in stocks	(13,341)	(16,891)
Increase in debtors	(49,837)	(16,860)
Increase in creditors due within one year	162,473	104,128
	<u>173,918</u>	<u>(116,015)</u>

(2) Analysis of net funds

	1 July 2005		30 June 2006	
	Cash flow		Other non-cash changes	
	£	£	£	£
Net cash:				
Cash at bank and in hand	275,485	92,309	-	367,794
Debts falling due after one year	(101,154)	-		(101,154)
Net funds	<u>174,331</u>	<u>92,309</u>	<u>-</u>	<u>266,640</u>

(3) Reconciliation of net cash to movement in debt

	2006	2005
	£	£
Increase / (decrease) in cash in the year	92,309	24,185
Cash (outflow)/inflow from decrease/(increase) in debt	-	101,128
Movement in net funds in the year	<u>92,309</u>	<u>125,313</u>
Opening net funds	174,331	49,018
Closing net funds	<u>266,640</u>	<u>174,331</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 has 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 2006. 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. Costs paid by the group which are expected to enhance the value of copyrights and licences such as producing, recording, mixing, mastering or categorisation 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. 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

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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 as defined contribution scheme for the benefit of its employees. Contributions payable 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>2006</u> £	<u>2005</u> £
Group		
United Kingdom	690,778	342,199
Rest of the World	<u>134,252</u>	<u>130,816</u>
	<u>825,030</u>	<u>473,015</u>

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3 Exceptional Items

The exceptional item charged represents legal and ancillary costs arising from the cessation of trading by the US based sound supplier to the group, and the consequential financial restructuring of the group.

4 Operating profit / (loss)

Operating loss is stated after charging the following amounts:	<u>2006</u>	<u>2005</u>
	£	£
Amortisation of intangible fixed assets	41,356	37,172
Depreciation of tangible fixed assets	8,687	11,579
Auditor's remuneration (company £6,000 ; 2005 £6,250)	6,500	6,750
Remuneration of auditors for non-audit work	2,727	1,716

5 Taxation

	<u>2006</u>	<u>2005</u>
	£	£
Current tax charge	1,535	-
Deferred tax		
Deferred tax charge credit current year	(9,662)	-
	<u>(8,127)</u>	<u>-</u>

Factors affecting the years' tax charge

Profit/(loss) on ordinary activities before taxation	35,331	(224,051)
Profit/(loss) on ordinary activities before taxation multiplied by rate of UK Corporation tax of 14.28% (2005 0.00%)	5,045	-
Effects of:		
Non deductible expenses	793	-
Depreciation add back	5,299	-
Capital allowances	(4,391)	-
Tax losses utilised	(5,211)	-
Current tax charge	<u>1,535</u>	<u>-</u>

The group has corporation tax losses of £1,036,217 (2005 - £1,071,993) available to carry forward for relief against taxable profits.

6 Profit / (loss) 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 / (loss) for the financial year is made up as follows:

	<u>2006</u>	<u>2005</u>
	£	£
Holding company's profit / (loss) for the financial year	<u>42,456</u>	<u>(225,205)</u>

AUDIO NETWORK PLC

7 Intangible fixed assets	Copyrights & Licences	Development Costs	Total
Group and company	£	£	£
Cost			
At 1 July 2005	223,201	93,399	316,600
Additions	65,997	24,005	90,002
At 30 June 2006	<u>289,198</u>	<u>117,404</u>	<u>406,602</u>
Amortisation			
At 1 July 2005	16,747	53,296	70,043
Charge for the year	13,112	28,244	41,356
At 30 June 2006	<u>29,859</u>	<u>81,540</u>	<u>111,399</u>
Net book amount			
At 30 June 2006	<u>259,339</u>	<u>35,864</u>	<u>295,203</u>
At 1 July 2005	<u>206,453</u>	<u>40,103</u>	<u>246,556</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.

8 Tangible fixed assets	Plant & machinery	Fixtures, fittings & equipment	Total
Group and company	£	£	£
Cost			
At 1 July 2005	14,114	48,465	62,579
Additions	316	8,093	8,409
At 30 June 2006	<u>14,430</u>	<u>56,558</u>	<u>70,988</u>
Depreciation			
At 1 July 2005	13,497	33,881	47,378
Charge for the year	354	8,333	8,687
At 30 June 2006	<u>13,851</u>	<u>42,214</u>	<u>56,065</u>
Net book amount			
At 30 June 2006	<u>579</u>	<u>14,344</u>	<u>14,923</u>
At 1 July 2005	<u>617</u>	<u>14,586</u>	<u>15,203</u>

AUDIO NETWORK PLC

9 Fixed asset investments

Company

Share in
group
undertakings
£
2

Cost

At 1 July 2005 & at 30 June 2006

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 (formerly Soundstorm (UK) Limited)	England & Wales	Ordinary	100

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

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

10 Stocks

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Raw materials & consumables	30,394	27,413	30,394	27,413
Finished goods and goods for resale	42,818	32,458	42,818	32,458
	<u>73,212</u>	<u>59,871</u>	<u>73,212</u>	<u>59,871</u>

11 Debtors

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Trade debtors	122,876	82,551	122,852	82,551
Amounts owed by group undertakings	-	-	425	1,577
Other debtors	24,328	13,397	23,777	12,722
Prepayments and accrued income	16,063	17,482	16,063	17,482
Deferred tax asset (see note 14)	9,662	-	9,662	-
	<u>172,929</u>	<u>113,430</u>	<u>172,779</u>	<u>114,332</u>

AUDIO NETWORK PLC

12 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	26,470	48,216	26,470	48,216
Corporation tax	1,535	-	1,535	-
Taxes and social security costs	51,066	24,164	51,066	24,164
Directors' current accounts	-	1,033	-	1,033
Other creditors	60,191	37,166	60,191	37,166
Accruals and deferred income	347,637	212,314	347,138	211,814
	<u>486,899</u>	<u>322,893</u>	<u>486,400</u>	<u>322,393</u>

13 Creditors: amounts falling due after one year

	2006	2005	2006	2005
	£	£	£	£
Directors' deferred salaries	<u>101,154</u>	<u>101,154</u>	<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>	<u>101,154</u>	<u>101,154</u>

14 Provision for liabilities and charges

The deferred tax asset (included in debtors, note 11) is made up as follows:

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Profit and loss account	<u>(9,662)</u>	-	<u>(9,662)</u>	-

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Decelerated capital allowances	<u>(9,662)</u>	-	<u>(9,662)</u>	-

15 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 stakeholder scheme.

	2006	2005
	£	£
Contributions payable by the group for the year	<u>19,227</u>	<u>16,109</u>

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16 Share capital

	<u>2006</u>	<u>2005</u>
	£	£
Authorised		
25,000,000 Ordinary shares of 1p each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid:		
10,485,937 Ordinary shares of 1p each	<u>104,859</u>	<u>104,617</u>

During the year options over 24,200 Ordinary shares of 1p each were exercised at 25p per share by M Ruffell (24,000) and two employees of the company (100 each). 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
Robert Hurst *	2,500,000	1p	01/01/05 to 31/12/10
Robert Hurst #	375,000	20p	11/06/06 to 31/12/10
Robert Hurst	120,000	25p	11/06/06 to 31/12/10
Robert Hurst	11,000	30p	31/01/05 to 31/12/10
Andrew Sunnucks *	2,500,000	1p	01/01/05 to 31/12/10
Andrew Sunnucks #	375,000	20p	11/06/06 to 31/12/10
Andrew Sunnucks	120,000	25p	11/06/06 to 31/12/10
Andrew Sunnucks	11,000	30p	31/01/05 to 31/12/10
Miles Ruffell	10,000	30p	31/01/05 to 31/12/10
Others	615,633	20p - 50p	01/07/02 to 31/12/10
	<u>6,637,633</u>		

* Share options have been issued to Robert Hurst and Andrew Sunnucks under an Enterprise Management Scheme linked to the price achieved on a realisable event.

Share options held under an Enterprise Management Scheme issued to Robert Hurst and Andrew Sunnucks.

AUDIO NETWORK PLC

17 Statement of movements on reserves Group

	Share premium account	Profit and loss account
	£	£
Balance at 1 July 2005	1,287,017	(1,105,136)
Retained profit for the year	-	43,458
Premium on shares issued during the year	5,809	-
Balance at 30 June 2006	<u>1,292,826</u>	<u>(1,061,678)</u>

Company

	Share premium account	Profit and loss account
	£	£
Balance at 1 July 2005	1,287,017	(1,103,844)
Retained profit for the year	-	42,456
Premium on shares issued during the year	5,809	-
Balance at 30 June 2006	<u>1,292,826</u>	<u>(1,061,388)</u>

18 Reconciliation of movements in shareholders' funds Group

	<u>2006</u>	<u>2005</u>
	£	£
Profit / (loss) for the financial year	43,458	(224,052)
Proceeds from issue of shares	6,051	272,507
Purchase of own shares	-	(12,500)
Net addition to shareholders' funds	49,509	35,955
Opening shareholders' funds	286,498	250,543
Closing shareholders' funds	<u>336,007</u>	<u>286,498</u>

Company

	<u>2006</u>	<u>2005</u>
	£	£
Profit / (loss) for the financial year	42,456	(225,206)
Proceeds from issue of shares	6,051	272,507
Purchase of own shares	-	(12,500)
Net addition to shareholders' funds	48,507	34,801
Opening shareholders' funds	287,790	252,989
Closing shareholders' funds	<u>336,297</u>	<u>287,790</u>

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19 Directors' emoluments	<u>2006</u>	<u>2005</u>
	£	£
Emoluments for qualifying services	187,759	172,604
Company pension contributions to money purchase scheme	18,537	15,500
	<u>206,296</u>	<u>188,104</u>

20 Transactions with directors

During the year, A Sunnucks received £1,200 (2005:£1,200) rent in respect of the occupation of the business premises by the company.

At the balance sheet dates R Hurst, A Sunnucks and M Ruffell 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>2006</u>	<u>2005</u>
	£	£
R Hurst	50,000	50,000
A Sunnucks	50,000	50,000
M Ruffell	-	10,152
	<u>100,000</u>	<u>110,152</u>

Creditors: amounts falling due after more than one year	<u>2006</u>	<u>2005</u>
	£	£
R Hurst	50,577	50,577
A Sunnucks	50,577	50,577
M Ruffell	-	-
	<u>101,154</u>	<u>101,154</u>

Robert Hurst and Andrew Sunnucks have undertaken not to draw the deferred salaries after more than one year prior to 1 July 2007 unless they elect to reinvest the proceeds in the company through the exercise of some of the shown options set out in note 16.

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21 Employees

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

	<u>2006</u>	<u>2005</u>
	Number	Number
Management and administration	9	7
Employment costs	£	£
Wages & salaries	357,074	271,025
Social security costs	34,375	28,286
Other pension costs	19,227	16,109
	<u>410,676</u>	<u>315,420</u>

22 Capital Commitments

At the balance sheet date the group had signed agreements to spend £15,667 (2005: nil) on intangible fixed assets.

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.