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audio network

AUDIO NETWORK PLC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008



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AUDIO NETWORK PLC

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AUDIO NETWORK PLC

Company Information

Directors:

Executive Directors

Robert Hurst

Andrew Sunnucks

Juliette Bingham

Jason Langley

(nee Squair)

(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:

School Farm Studios

Little Maplestead

Essex C09 2SN

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Los Angeles

CA 90048

United States

Tel: (001) 323 938 6828

Email: office@audionetworkplc.com

Web site: www.audionetworkplc.com

Principal Bankers:

Coutts & Co

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 2008.

Principal activity and review of the business

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

We are passionate about our music and our customer service. This passion has contributed towards another year of excellent growth in our music rights, customer base, turnover & profits.

For the seventh consecutive period the company achieved annual growth in excess of 50% with consolidated turnover growing 56% to £2.01m and group gross profit up 59% to £1.93m.

The group is committed to continue creating further growth for our shareholders, customers, composers, employees and other stakeholders.

During the year we were awarded a Queen's Award for Enterprise in recognition of continuous innovation since our incorporation. Winning the Queen's Award is a tremendous achievement for our composers & employees and a testament to their commitment, dedication and teamwork.

The publisher share of public performance royalties paid to the company by the Performing Right Society ("PRS") and the corresponding composer share paid direct to our music composers by the PRS exceeded prior year royalty receipts by 85%.

Turnover from United Kingdom based customers and broadcasters grew by 52% to £1,630,155 consolidating our position as a leading supplier of music and sound to the domestic market.

Revenue from international customers and broadcasters grew by 79% to £381,254.

A wholly owned subsidiary company, Audio Network US, Inc was incorporated during October 2007 replacing a third party North American distributor.

We continued our policy of re-investing profits in the acquisition of new copyrights and in the development of our music catalogue, distribution platforms & distribution channels to help sustain high levels of turnover and profit growth in future periods.

By 30 June 2008 our music catalogue had grown to nearly 17,000 tracks (2007:12,000).

The group also invested in opening new London and Los Angeles offices and in the re-design & re-launch of our website at www.audionetworkplc.com

Cash reserves of £635,988 were held by the group at 30 June 2008 (2007:£549,725).

The group is in a strong position to continue self-financing high levels of organic growth.

As a result of development 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.

AUDIO NETWORK PLC

Directors' Report (continued)

Results & dividends

The consolidated profit and loss account for the year is set out on page 6 and the five year consolidated profit and loss account history is set out on page 21.

Highlights

- Turnover up 56% to £2,011,409
- Gross profit up 59% to £1,932,646
- Profit before interest and tax up 99% to £360,273

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

Net cash flow from operating activities grew to £440,065 before the payment of £100,576 of deferred emoluments from prior periods carried as accruals in the opening balance sheet.

A higher mix of music revenues and a lower mix of sound effects revenues contributed towards an improvement in the gross profit margin from 94% to 96%.

The profit margin on ordinary activities before interest & taxation increased from 14% to 18% after absorbing start-up costs associated with opening new London & Los Angeles offices.

The directors do not recommend the payment of a dividend for the year (2007: Nil).

Directors

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

	30 June 2008	1 July 2007 or later date of appointment
Andrew Sunnucks	3,016,584	1,706,584
Robert Hurst	3,016,583	1,706,583
Miles Ruffell	654,580	629,675
John Sanderson	101,819	98,470
Maarten Hemsley	61,111	51,111
Juliette Bingham (nee Squair)	25,916	8,916
Jason Langley (appointed 3 September 2007)	350	-

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 2008 (2007: 893,439).

Details of share options exercised by A Sunnucks, R Hurst and J Bingham during the year are set out in Note 14 to the financial statements.

100 new shares were issued to J Langley at 80p per share. A Sunnucks, R Hurst, M Ruffell, J Sanderson, M Hemsley & J Langley each purchased shares from other members at £1 per share.

New share options were issued at £1.12 per share to A Sunnucks, J Bingham and J Langley.

Details of outstanding options at the balance sheet date are set out in Note 14 to the financial statements with details of other transactions with directors set out in Note 18 to the financial statements.

AUDIO NETWORK PLC

Directors' Report (continued)

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 2008, the number of days' credit taken for the purchases by the group was 30 days (2007:30 days).

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.

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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



Robert Hurst
Director

Date: 02/10/2008

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 2008 set out on pages 6 to 20. 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.

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 affairs as at 30 June 2008 and of its 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

Cartwrights

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

Date...*3/10/08*.....

AUDIO NETWORK PLC

Consolidated Profit & Loss Account

for the year ended 30 June 2008

	Notes	2008 £	2007 £
Turnover	2	2,011,409	1,288,598
Cost of sales		<u>(78,763)</u>	<u>(75,895)</u>
Gross profit		1,932,646	1,212,703
Administrative expenses		(1,577,589)	(1,032,068)
Other operating income		5,216	102
Profit on ordinary activities before interest	3	<u>360,273</u>	<u>180,737</u>
Other interest receivable and similar income		27,741	19,500
Profit on ordinary activities before taxation	3	<u>388,014</u>	<u>200,237</u>
Tax on profit on ordinary activities	4	(8,140)	(11,123)
Profit on ordinary activities after taxation		<u>379,874</u>	<u>189,114</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 2008

	Notes	Group		Company	
		2008 £	2007 £	2008 £	2007 £
Fixed assets					
Intangible assets	6	567,858	419,558	567,858	419,558
Tangible assets	7	119,452	26,398	119,452	26,398
Investments	8	0	0	88,142	2
		<u>687,310</u>	<u>445,956</u>	<u>775,452</u>	<u>445,958</u>
Current assets					
Stocks	9	96,071	72,325	96,071	72,325
Debtors	10	323,539	197,018	299,244	196,842
Cash at bank and in hand		635,988	549,725	592,739	548,180
		<u>1,055,598</u>	<u>819,068</u>	<u>988,054</u>	<u>817,347</u>
Creditors: amounts falling due within one year	11	(728,683)	(670,303)	(716,545)	(669,572)
Net current assets		<u>326,915</u>	<u>148,765</u>	<u>271,509</u>	<u>147,775</u>
Total assets less total liabilities		<u>1,014,225</u>	<u>594,721</u>	<u>1,046,961</u>	<u>593,733</u>
Capital & reserves					
Called up share capital	14	134,113	107,579	134,113	107,579
Share premium account	15	1,372,802	1,359,706	1,372,802	1,359,706
Profit and loss account	15	(492,690)	(872,564)	(459,954)	(873,552)
Shareholders' funds	16	<u>1,014,225</u>	<u>594,721</u>	<u>1,046,961</u>	<u>593,733</u>

Approved by the board on and authorised for issue on *02/10/2008*



.....
Robert Hurst
Director



.....
Andrew Sunnucks
Director

AUDIO NETWORK PLC

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	2008		2007	
	£	£	£	£
Net cash flow from operating activities		339,489		383,481
Returns on investments and servicing of finance				
Interest received	<u>27,741</u>		<u>19,500</u>	
Net cash inflow for returns on investments and servicing of finance		27,741		19,500
Capital expenditure				
Payments to acquire intangible assets	(202,649)		(166,156)	
Payments to acquire tangible assets	<u>(113,964)</u>		<u>(21,804)</u>	
Net cash outflow for capital expenditure		(316,613)		(187,960)
Net cash inflow before management of liquid resources and financing		50,617		215,021
Taxation				
UK Corporation tax paid	<u>(3,984)</u>		<u>(1,535)</u>	
Total Taxation paid		(3,984)		(1,535)
Financing				
Issue of ordinary share capital	39,630		69,600	
Decrease in creditors falling due after more than one year	<u>-</u>		<u>(101,154)</u>	
Net cash inflow / (outflow) From financing		39,630		(31,554)
Increase in cash in the year		<u>86,263</u>		<u>181,932</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

	2008	2007
	£	£
Profit on ordinary activities before interest	360,273	180,737
Depreciation of tangible fixed assets	20,910	10,329
Amortisation of intangible assets	54,349	41,801
(Increase) / decrease in stocks	(23,746)	887
Increase in debtors	(128,997)	(31,274)
Increase in creditors due within one year	56,700	181,002
	<u>339,489</u>	<u>383,481</u>

(2) Analysis of net funds

	1 July 2007	Cash flow	Other non- Cash changes	30 June 2008
	£	£		£
Net cash:				
Cash at bank and in hand	549,725	86,263	-	635,988
Net funds	<u>549,725</u>	<u>86,263</u>	-	<u>635,988</u>

(3) Reconciliation of net cash to movement in debt

	2008	2007
	£	£
Increase in cash in the year	86,263	181,932
Cash outflow from decrease in debt	-	101,154
Movement in net funds in the year	<u>86,263</u>	<u>283,086</u>
Opening net funds	549,725	266,639
Closing net funds	<u>635,988</u>	<u>549,725</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 2008. 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.

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 Self Invested Personal Pension Schemes (SIPP's) 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 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.

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.

The table below analyses turnover by county of origination:

	<u>2008</u> £	<u>2007</u> £
Group		
United Kingdom	1,949,541	1,288,598
United States	61,868	-
	<u>2,011,409</u>	<u>1,288,598</u>

The table below analyses turnover by country of destination:

	<u>2008</u> £	<u>2007</u> £
Group		
United Kingdom	1,630,155	1,075,893
United States	141,369	81,444
Rest of the World	239,885	131,261
	<u>2,011,409</u>	<u>1,288,598</u>

3 Operating profit

Operating profit is stated after charging the following amounts:

	<u>2008</u> £	<u>2007</u> £
Amortisation of intangible fixed assets	54,349	41,801
Depreciation of tangible fixed assets	20,910	10,329
Operating lease rentals	47,996	23,929
Auditor's remuneration (company £8,000 ; 2007:£7,000)	8,500	7,500
Remuneration of auditors for non-audit work	4,435	7,585

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

	<u>2008</u>	<u>2007</u>
	£	£
Current tax charge		
Charge for the current year	5,617	3,937
Adjustment re prior periods	47	-
Deferred tax charge		
Charge for the current year	2,476	453
Adjustment re prior periods	-	6,733
	<u>8,140</u>	<u>11,123</u>
Factors affecting the years' tax charge		
Profit on ordinary activities before taxation	388,014	200,237
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 20.25% (2007: 19.00%)	78,573	38,045
Effects of:		
Non deductible expenses	2,622	1,523
Depreciation add back	10,380	6,451
Capital allowances	(22,701)	(6,904)
Group brought forward tax losses utilised	(69,921)	(35,178)
Unrelieved tax losses in foreign subsidiary	6,706	-
Current tax charge	<u>5,659</u>	<u>3,937</u>

At 30 June 2008, the group had UK corporation tax losses of £503,897 (2007: £849,418) available to carry forward for relief against UK 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>2008</u>	<u>2007</u>
	£	£
Holding company's profit for the financial year	<u>413,598</u>	<u>187,836</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 2007	437,332	135,426	572,758
Additions	94,680	107,969	202,649
At 30 June 2008	<u>532,012</u>	<u>243,395</u>	<u>775,407</u>
Amortisation			
At 1 July 2007	48,037	105,163	153,200
Charge for the year	24,000	30,349	54,349
At 30 June 2008	<u>72,037</u>	<u>135,512</u>	<u>207,549</u>
Net book amount			
At 30 June 2008	<u>459,975</u>	<u>107,883</u>	<u>567,858</u>
At 1 July 2007	<u>389,295</u>	<u>30,263</u>	<u>419,558</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 & Company	Plant & machinery £	Fixtures, Fittings & Equipment £	Total £
Cost			
At 1 July 2007	15,532	77,260	92,792
Additions	15,488	98,476	113,964
At 30 June 2008	<u>31,020</u>	<u>175,736</u>	<u>206,756</u>
Depreciation			
At 1 July 2007	14,228	52,166	66,394
Charge for the year	3,798	17,112	20,910
At 30 June 2008	<u>18,026</u>	<u>69,278</u>	<u>87,304</u>
Net book amount			
At 30 June 2008	<u>12,994</u>	<u>106,458</u>	<u>119,452</u>
At 1 July 2007	<u>1,304</u>	<u>25,094</u>	<u>26,398</u>

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

Company	2008	2007
Cost	£	£
Shares in Group Undertakings	88,142	2

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 companies:

Company	Country of registration or incorporation	Shares held Class	%
BPM Sound Limited	England & Wales	Ordinary	100
Audio Network US, Inc	United States	Ordinary	100

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

Company	Principal activity
BPM Sound Limited	Music and sound effects projects for film & multi-media
Audio Network US, Inc	Music Publisher

9 Stocks

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	£	£	£	£
Raw materials & consumables	28,674	24,344	28,674	24,344
Finished goods and goods for resale	67,397	47,981	67,397	47,981
	<u>96,071</u>	<u>72,325</u>	<u>96,071</u>	<u>72,325</u>

10 Debtors

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	249,600	171,017	239,066	171,017
Other debtors	17,755	8,389	9,248	8,213
Prepayments and accrued income	56,184	15,136	50,930	15,136
Deferred tax asset (see note 12)	-	2,476	-	2,476
	<u>323,539</u>	<u>197,018</u>	<u>299,244</u>	<u>196,842</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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£	£	£	£
Trade creditors	111,782	80,017	111,782	80,017
Amounts owed to group undertakings	-	-	2	-
Corporation tax	5,617	3,937	5,612	3,705
Taxes and social security costs	92,170	74,716	92,170	74,716
Other creditors	9,620	10,642	9,620	10,642
Accruals	86,820	178,888	84,041	178,389
Deferred income	422,674	322,103	413,318	322,103
	<u>728,683</u>	<u>670,303</u>	<u>716,545</u>	<u>669,572</u>

12 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£	£	£	£
Profit and loss account	<u>2,476</u>	<u>7,186</u>	<u>2,476</u>	<u>7,186</u>

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	£	£	£	£
Decelerated capital allowances	<u>-</u>	<u>(2,476)</u>	<u>-</u>	<u>(2,476)</u>

13 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 two directors.

	<u>2008</u>	<u>2007</u>
	£	£
Contributions payable by the group for the year	<u>23,043</u>	<u>20,448</u>

In addition to the pension costs charged to the profit and loss account shown above, during the year the company paid pension contributions totalling £49,009 (2007:£98,018) to SIPP's held by one director (2007: two directors) in lieu of £50,288 (2007:£100,577) of deferred salary and associated costs accrued in prior periods.

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****14 Share capital****Authorised**

25,000,000 Ordinary shares of 1p each

	<u>2008</u>	<u>2007</u>
	£	£
	250,000	250,000

Allotted, called up and fully paid:

13,411,337 Ordinary shares of 1p each

	<u>134,113</u>	<u>107,579</u>
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During the year options over 2,653,000 shares were exercised at prices between 1p and 25p a share and 400 new shares were issued to new shareholders at prices between 80p and £1 a share.

		No of shares	Subscription Price	
July 2007	J Bingham	9,000	25p	£ 2,250
November 2007	J Bingham	2,000	25p	£ 500
November 2007	J Langley	100	80p	£ 80
January 2008	J Bingham	6,000	25p	£ 1,500
February 2008	S Turner	8,000	25p	£ 2,000
April 2008	S Turner	28,000	25p	£ 7,000
April 2008	Others	300	100p	£ 300
May 2008	R Hurst	1,300,000	1p	£13,000
May 2008	A Sunnucks	<u>1,300,000</u>	1p	<u>£13,000</u>
		<u>2,653,400</u>		<u>£39,630</u>

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

As at 1 July 2007	No of shares
	6,250,633
Exercised during the year	(2,653,000)
New options granted during the year	237,500
Options waived by R Hurst & A Sunnucks	<u>(1,000,000)</u>
As at 30 June 2008	<u>2,835,133</u>

Outstanding options over Ordinary shares of one penny as at 30 June 2008 were held by the following:

	No of shares	Subscription Price	Exercisable
R Hurst (EMS) *	700,000	1p	01/01/05 to 31/12/10
R Hurst (EMS)	375,000	20p	11/06/06 to 31/12/10
A Sunnucks (EMS) *	700,000	1p	01/01/05 to 31/12/10
A Sunnucks (EMS)	375,000	20p	11/06/06 to 31/12/10
A Sunnucks (EMS)	30,000	£1.12	01/06/11 to 31/05/17
J Bingham (EMS)	7,900	25p	01/01/06 to 31/12/10
J Bingham (EMS)	50,000	25p	01/01/07 to 31/12/10
J Bingham (EMS)	50,000	30p	31/01/08 to 31/12/10
J Bingham (EMS) *	220,833	30p	31/07/08 to 31/12/10
J Bingham (EMS)	20,000	£1.12	01/06/11 to 31/05/17
J Langley (EMS)	50,000	80p	25/09/10 to 24/09/16
J Langley (EMS)	20,000	£1.12	01/06/11 to 31/05/17
Other Employees (EMS)	226,400	25p - £1.12	01/01/07 to 31/05/17
Others	10,000	30p	31/01/05 to 31/12/10
	<u>2,835,133</u>		

Share options marked (EMS) have been issued to directors and employees under an Enterprise Management Scheme. The options marked * have been issued to directors under the scheme linked to growth performance objectives.

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

15 Statement of movements on reserves	Share Premium Account	Profit and Loss Account
Group	£	£
Balance at 1 July 2007	1,359,706	(872,564)
Retained profit for the year	-	379,874
Premium on shares issued during the year	13,096	-
Balance at 30 June 2008	<u>1,372,802</u>	<u>(492,690)</u>

Company	Share Premium Account	Profit and Loss Account
	£	£
Balance at 1 July 2007	1,359,706	(873,552)
Retained profit for the year	-	413,598
Premium on shares issued during the year	13,096	-
Balance at 30 June 2008	<u>1,372,802</u>	<u>(459,954)</u>

16 Reconciliation of movements in shareholders' funds	<u>2008</u>	<u>2007</u>
Group	£	£
Profit for the financial year	379,874	189,114
Proceeds from issue of shares	39,630	69,600
Net addition to shareholders' funds	<u>419,504</u>	<u>258,714</u>
Opening shareholders' funds	594,721	336,007
Closing shareholders' funds	<u>1,014,225</u>	<u>594,721</u>

Company	<u>2008</u>	<u>2007</u>
	£	£
Profit for the financial year	413,598	187,836
Proceeds from issue of shares	39,630	69,600
Net addition to shareholders' funds	<u>453,228</u>	<u>257,436</u>
Opening shareholders' funds	593,733	336,297
Closing shareholders' funds	<u>1,046,961</u>	<u>593,733</u>

17 Directors' emoluments	<u>2008</u>	<u>2007</u>
	£	£
Emoluments for qualifying services	390,904	246,156
Company pension contributions to group stakeholder scheme or SIPP's	18,700	16,033
	<u>409,604</u>	<u>262,189</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

18 Transactions with directors

During the year, R Hurst and A Sunnucks drew down deferred emoluments that had been accrued in the prior year financial statements at £50,288 each inclusive of National Insurance costs.

During the year, A Sunnucks received £5,760 (2007:£5,760) rent in respect of the occupation of School Farm Studios by the company. The company also paid £3,519 (2007: £781) of composer royalty payments to A Sunnucks 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 £2,720 (2007: £2,240). The group also purchased tangible fixed assets from A&R Sheds Limited at a cost of £6,000 (2007: £Nil).

Following approval by shareholders of a resolution at the company's annual general meeting held during January 2008, R Hurst and A Sunnucks each entered into amendments to their share option agreements during May 2008.

19 Employees

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

Group	<u>2008</u>	<u>2007</u>
	Number	Number
Management and administration	16	11
Employment costs	£	£
Wages & salaries	756,709	514,571
Social security costs	79,697	55,565
Other pension costs	23,043	20,448
	<u>859,449</u>	<u>590,584</u>

AUDIO NETWORK PLC**Notes to the Consolidated Financial Statements (continued)****20 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 2009:

	Land and buildings	
	<u>2008</u>	<u>2007</u>
	£	£
Operating leases which expire:		
Within one year	38,175	25,000
Within two to five years	58,000	-

21 Capital Commitments

At the balance sheet date the group had capital commitments of £12,000 (2007: £6,903).

22 Control

There is no ultimate controlling party in the group.

**23 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.

AUDIO NETWORK PLC

Five Year Financial History

Consolidated Profit and Loss Account History

	Year Ended 30-Jun-04 £	Year Ended 30-Jun-05 £	Year Ended 30-Jun-06 £	Year Ended 30-Jun-07 £	Year Ended 30-Jun-08 £
Turnover	274,207	473,015	825,030	1,288,598	2,011,409
Cost of Sales	(57,835)	(72,610)	(83,406)	(75,895)	(78,763)
Gross Profit	216,372	400,405	741,624	1,212,703	1,932,646
Gross Profit Margin	79%	85%	90%	94%	96%
Administrative expenses	(506,158)	(572,642)	(717,203)	(1,032,068)	(1,577,589)
Exceptional Item	0	(63,306)	0	0	0
Other operating income	8,908	400	159	102	5,216
(Loss) / profit on ordinary activities before interest	(280,878)	(235,143)	24,580	180,737	360,273
Operating profit margin	-102%	-50%	3%	14%	18%
Other interest receivable and similar income	5,569	11,092	10,751	19,500	27,741
(Loss) / profit on ordinary activities before taxation	(275,309)	(224,051)	35,331	200,237	388,014
Tax credit / (tax) on profit on ordinary activities	0	0	8,127	(11,123)	(8,140)
(Loss) / profit on ordinary activities after taxation	(275,309)	(224,051)	43,458	189,114	379,874

Turnover by destination					
United Kingdom	177,122	342,199	690,778	1,075,893	1,630,155
Rest of The World	97,085	130,816	134,252	212,705	381,254
	274,207	473,015	825,030	1,288,598	2,011,409