

audio network

AUDIO NETWORK PLC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009



AUDIO NETWORK PLC

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AUDIO NETWORK PLC

Company Information

Directors:

Executive Directors

Robert Hurst
Andrew Sunnucks
Juliette Bingham (nee Squair)
Jason Langley

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

Principal Business Addresses:

Audio Network Plc	Audio Network US, Inc	Audio Network Australia Pty Ltd
Minerva House	23 West 36 th Street	GPO Box 2080
26-27 Hatton Garden	6 th Floor	Sydney
London EC1N 8BR	New York	NSW 2001
England	NY 10018 USA	Australia
Tel: 020 7242 2311	Tel: +1 646 688 4320	Tel: 02 9328 6650

Email: office@audionetwork.com

Web site: www.audionetwork.com

Principal Bankers:

Coutts & Co	Barclays Bank	Close Brothers
440 Strand	27 Soho Square	10 Crown Place
London, WC2 OQS	London, W1D 3QR	London, EC2A 4FT

Principal Solicitors:

Calverts
Solicitors
77 Weston Street
London, SE1 3RS

Directors' Report

The directors are pleased to present the report and financial statements of the group for the year ended 30 June 2009.

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 list, our music catalogue, our customer base, our turnover and in our cash flow from operating activities.

We continued our policy of re-investing profits from the UK market in the acquisition and development of new music copyrights and in the international promotion of our music.

Key Performance Indicators

During the year our composer team grew to over 200 allowing us to build our music catalogue organically by 45% to 24,141 tracks. (2008: 16,633)

The group consolidated its market leading position in the United Kingdom with domestic revenues growing £448,963 (25%) from £1.801m to £2.250m.

Revenue from international markets grew by £558,449 (153%) from £0.365m to £0.923m.

Audio Network US, Inc made good progress in growing our American presence following the relocation of our operations from Los Angeles to New York during the year.

Audio Network Australia Pty Limited was launched as a joint venture during December 2008 to promote our music throughout Australia and New Zealand.

Our customer retention rates remained high for the year at 85% (2008: 90%) against a background of an increasingly challenging market as the year progressed.

Cash reserves of £987,993 were held by the group at 30 June 2009 (2008: £635,988) providing a cushion against any further deterioration in the markets in which our customers operate.

Future Outlook

The management team remains focused on the management of risks during these uncertain times, whilst committed to delivering further long term growth 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 is considered to be the impact of the global economic downturn on the business models and music budgets of broadcasters and other audio-visual producers.

Other key risks include the risk of competition from alternative music sources, risks of compact disc stock becoming obsolete due to technological advances, the risk of regulatory changes to music or 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 regularly against prevailing market conditions. The management seeks to minimise this risk through the quality of our customer service and through the quality and depth of our music catalogue and composers.

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 placing its cash on deposit with more than one financial institution.

Foreign Currency Risk

The group has significant and growing overseas operations.

In particular the assets and liabilities of Audio Network US, Inc and Audio Network Australia Pty Ltd are denominated in US dollars and Australian dollars respectively. As a result the group's sterling balance sheet may be affected by movements in the sterling / US dollar and/or the sterling / Australian dollar exchange rates.

The group also has profit & loss account currency exposure due to revenues and costs denominated in foreign currencies.

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 the group's policy that no trading in financial instruments shall be undertaken.

Directors' Report (continued)

Interest Rate Risk

Cash balances in excess of short term requirements are placed on term interest bearing deposits while maintaining the working capital requirements of the business.

The group has no bank loans or overdrafts.

Results & dividends

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

Highlights

- Group turnover up 47% to £3,173,052 (before share of joint venture turnover)
- Group gross profit up 47% to £3,063,861 (before share of joint venture gross profit)
- Group operating profit up 46% to £748,698 (before share of joint venture losses)
- Net cash flow from group operating activities up 107% to £703,171.
- Group profit after taxation up 88% to £999,604 (after share of joint venture losses)

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

The group achieved an operating profit margin of 23.6% (2008:23.6%) with higher UK profit margins funding higher levels of development expenditure in the United States.

A tax credit of £280,000 was recognised in the accounts during the year in respect of deferred tax assets.

Subject to shareholders' approval at the Annual General Meeting to be held on 17th December 2009, the directors recommend the payment of a dividend of two pence (£0.02) on each of the ordinary shares entitled thereto (2008:Nil).

Prior year reclassification & adjustment

During the current financial period one presentational policy and one accounting policy were revised to give a fairer presentation of the results of the group.

First, a revised presentational policy has been adopted on the face of the profit and loss account to include the costs of supplying compact discs and hard drives to customers within "Distribution costs" instead of within "Administrative expenses"

Secondly, the directors reviewed the income recognition policy of the group. As a result of this review the policy has been changed to recognise royalty income and related royalty expenses on an accruals basis instead of a receipts basis.

Directors' Report (continued)

Directors

The directors who served during the year were:

Robert Hurst
Andrew Sunnucks
Juliette Bingham (nee Squair)
Jason Langley
Maarten Hemsley
Miles Ruffell
John Sanderson
John Whittingdale (appointed 9th October 2008)

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 2009, the number of days' credit taken for the purchases by the group was 30 days (2008:30 days).

Auditors

During July 2009 Cartwrights resigned as auditors to the Company and HW Fisher & Company were appointed.

In accordance with section 485 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 judgements 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.

Directors' Report (continued)

Directors' responsibilities (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: 22nd October 2009

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 2009 set out on pages 8 to 24. 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 2009 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.

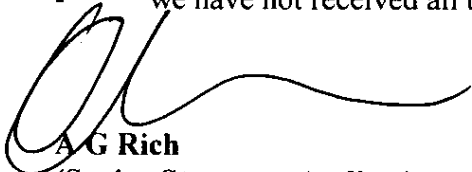
Opinion on other matter prescribed by the Companies Act 2006

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:

26/10/09

AUDIO NETWORK PLC

Consolidated Profit & Loss Account

for the year ended 30 June 2009

	Notes	2009 £	Restated 2008 £
Turnover : Group and share of joint venture		3,197,849	2,165,640
Less : Share of joint venture turnover		(24,797)	-
TURNOVER	2	3,173,052	2,165,640
Cost of sales		(109,191)	(81,848)
Gross profit		3,063,861	2,083,792
Distribution costs		(115,462)	(80,632)
Administrative expenses		(2,200,244)	(1,496,957)
Other operating income		543	5,216
OPERATING PROFIT	3	748,698	511,419
Share of loss of joint venture		(34,006)	-
Operating profit : Group and share of joint venture		714,692	511,419
Interest receivable and similar income		17,300	27,741
Share of interest receivable of joint venture		452	-
Profit on ordinary activities before taxation		732,444	539,160
Tax credit / (tax) on profit on ordinary activities	4	267,160	(8,140)
Share of taxation of joint venture		-	-
Profit after taxation		999,604	531,020

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 2009

	Notes	2009 £	Restated 2008 £
Profit for the year		999,604	531,020
Currency translation differences		6,164	-
Total recognised gains and losses relating to the year		1,005,768	531,020
Prior year adjustment	14	489,649	338,503
Total recognised gains and losses since the last annual report		1,495,417	869,523


AUDIO NETWORK PLC

Balance Sheets


As at 30 June 2009

	Notes	Group		Company	
		2009 £	Restated 2008 £	2009 £	Restated 2008 £
Fixed assets					
Intangible assets	6	841,373	567,858	841,373	567,858
Tangible assets	7	108,074	119,452	104,097	119,452
Investments	8	1,656	0	275,283	88,142
		<u>951,103</u>	<u>687,310</u>	<u>1,220,753</u>	<u>775,452</u>
Current assets					
Stocks	9	100,366	96,071	100,366	96,071
Debtors	10	1,459,798	823,181	1,452,265	792,806
Cash at bank and in hand		987,993	635,988	928,701	592,739
		<u>2,548,157</u>	<u>1,555,240</u>	<u>2,481,332</u>	<u>1,481,616</u>
Creditors: amounts falling due within one year	11	(943,514)	(738,676)	(849,454)	(726,538)
Net current assets		<u>1,604,643</u>	<u>816,564</u>	<u>1,631,878</u>	<u>755,078</u>
Total assets less total liabilities		<u>2,555,746</u>	<u>1,503,874</u>	<u>2,852,631</u>	<u>1,530,530</u>
Capital & reserves					
Called up share capital	13	139,628	134,113	139,628	134,113
Share premium account	14	1,413,391	1,372,802	1,413,391	1,372,802
Profit and loss account	14	1,002,727	(3,041)	1,299,612	23,615
Shareholders' funds	15	<u>2,555,746</u>	<u>1,503,874</u>	<u>2,852,631</u>	<u>1,530,530</u>

Approved by the board on and authorised for issue on 22nd October 2009



 Robert Hurst
 Director



 Andrew Sunnucks
 Director

AUDIO NETWORK PLC

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	2009		2008	
	£	£	£	£
Net cash flow from operating activities		703,171		339,489
Returns on investments and servicing of finance				
Interest received		<u>17,752</u>		<u>27,741</u>
Net cash inflow for returns on investments and servicing of finance		17,752		27,741
Taxation				
UK Corporation tax paid		(5,617)		(3,984)
USA Corporation taxes paid		(651)		-
Withholding taxes paid		<u>(14,188)</u>		<u>-</u>
Total Taxation paid		(20,456)		(3,984)
Capital expenditure				
Investment in joint venture		(1,656)		-
Payments to acquire intangible assets		(367,352)		(202,649)
Payments to acquire tangible assets		<u>(31,722)</u>		<u>(113,964)</u>
Net cash outflow for capital expenditure		(400,730)		(316,613)
Net cash inflow before financing		<u>299,737</u>		<u>46,633</u>
Financing				
Issue of ordinary share capital		<u>46,104</u>		<u>39,630</u>
Net cash inflow from financing		46,104		39,630
Increase in cash in the year		<u><u>345,841</u></u>		<u><u>86,263</u></u>

AUDIO NETWORK PLC

Notes to the Consolidated cash flow statement

(1) Reconciliation of profit on ordinary activities before interest to net cash flow from operating activities	2009	Restated 2008
	£	£
Operating profit : group and share of joint venture	714,692	511,419
Depreciation of tangible fixed assets	43,100	20,910
Amortisation of intangible assets	93,837	54,349
Increase in stocks	(4,295)	(23,746)
Increase in debtors	(354,618)	(283,228)
Increase in creditors due within one year	210,455	59,785
	<u>703,171</u>	<u>339,489</u>

(2) Analysis of net funds	1 July 2008	Cash flow	Other non- cash changes	30 June 2009
	£	£		£
Net cash:				
Cash at bank and in hand	635,988	345,841	6,164	987,993
Net funds	<u>635,988</u>	<u>345,841</u>	<u>6,164</u>	<u>987,993</u>

(3) Reconciliation of net cash to movement in debt	2009	2008
	£	£
Increase in cash in the year	345,841	86,263
Currency translation differences	6,164	-
Movement in net funds in the year	<u>352,005</u>	<u>86,263</u>
Opening net funds	635,988	549,725
Closing net funds	<u>987,993</u>	<u>635,988</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 2009. 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 arrangement are defined as joint ventures. Joint ventures are accounted for using the gross equity method.

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.

The prior policy was to recognise royalty income on a receipts basis. During the current financial year the directors reviewed the income recognition policy of the group and changed the revenue recognition policy to an accruals basis. In the opinion of the directors the revised policy will give a fairer presentation of results and of the financial position of the group.

The financial statements for the current year and for the prior year have been restated to reflect the new accounting policy.

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.

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.

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

Accounting Policies (continued)

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 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 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 (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 county of turnover origination:

	<u>2009</u>	<u>Restated</u>
	£	2008
		£
Group		
United Kingdom	2,859,114	2,093,638
United States	281,060	72,002
Australia	32,878	-
	<u>3,173,052</u>	<u>2,165,640</u>

The table below analyses turnover by country of destination:

	<u>2009</u>	<u>Restated</u>
	£	2008
		£
Group		
United Kingdom	2,250,101	1,801,138
North America	341,937	115,216
Australasia	70,157	15,476
Rest of the World	510,857	233,810
	<u>3,173,052</u>	<u>2,165,640</u>

3 Operating profit

Operating profit is stated after charging:

	<u>2009</u>	<u>Restated</u>
	£	2008
		£
Amortisation of intangible fixed assets	93,837	54,349
Depreciation of tangible fixed assets	43,100	20,910
Operating lease rentals	92,134	47,996
Auditor's remuneration (company £8,500 ; 2008:£8,000)	8,500	8,500
Remuneration of auditors for non-audit work	1,500	4,435

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

	<u>2009</u>	<u>Restated</u> <u>2008</u>
	£	£
Current tax charge		
(Credit) / charge for the current year	(2,000)	5,617
Adjustment re prior periods	-	47
Deferred tax charge		
(Credit) / charge for the current year (see note 12)	(280,000)	2,476
Adjustment re prior periods	-	-
Foreign tax		
Foreign tax paid	652	-
Irrecoverable withholding tax suffered	14,188	-
	<u>(267,160)</u>	<u>8,140</u>
Factors affecting the years' tax charge		
Profit on ordinary activities before taxation	732,444	539,169
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 28% (2008: 20.25%)	205,084	109,182
Effects of:		
Non deductible expenses	5,829	2,622
Depreciation add back	28,000	10,380
Capital allowances	(27,310)	(22,701)
Share options exercised	(172,367)	-
Group brought forward tax losses utilised	(381,372)	(98,049)
Unrelieved tax losses in foreign subsidiary	60,788	6,706
Irrecoverable withholding tax suffered	14,188	-
Current tax charge	<u>(267,160)</u>	<u>8,140</u>

At 30 June 2009, the group had UK corporation tax losses of approximately £2,000,000 (2008: £503,897) available to carry forward for relief against UK taxable profits in future periods. The additional tax losses in the year arise from claims for relief for share options exercised, including prior years.

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>2009</u>	<u>Restated</u> <u>2008</u>
	£	£
Holding company's profit for the financial year	<u>1,275,997</u>	<u>558,664</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 2008	532,012	243,395	775,407
Additions	288,845	78,507	367,352
At 30 June 2009	<u>820,857</u>	<u>321,902</u>	<u>1,142,759</u>
Amortisation			
At 1 July 2008	72,037	135,512	207,549
Charge for the year	36,218	57,619	93,837
At 30 June 2009	<u>108,255</u>	<u>193,131</u>	<u>301,386</u>
Net book amount			
At 30 June 2009	<u>712,602</u>	<u>128,771</u>	<u>841,373</u>
At 1 July 2008	<u>459,975</u>	<u>107,883</u>	<u>567,858</u>
7 Tangible fixed assets Group	Plant & Machinery £	Fixtures, Fittings & Equipment £	Total £
Cost			
At 1 July 2008	31,020	175,736	206,756
Additions	4,396	27,326	31,722
At 30 June 2009	<u>35,416</u>	<u>203,062</u>	<u>238,478</u>
Depreciation			
At 1 July 2008	18,026	69,278	87,304
Charge for the year	6,796	36,304	43,100
At 30 June 2009	<u>24,822</u>	<u>105,582</u>	<u>130,404</u>
Net book amount			
At 30 June 2009	<u>10,594</u>	<u>97,480</u>	<u>108,074</u>
At 1 July 2008	<u>12,994</u>	<u>106,458</u>	<u>119,452</u>

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

7 Tangible fixed assets (continued)	Plant & machinery	Fixtures, Fittings & Equipment	Total
Company	£	£	£
Cost			
At 1 July 2008	31,020	175,736	206,756
Additions	4,396	22,631	27,027
At 30 June 2009	<u>35,416</u>	<u>198,367</u>	<u>233,783</u>
Depreciation			
At 1 July 2008	18,026	69,278	87,304
Charge for the year	6,796	35,586	42,382
At 30 June 2009	<u>24,822</u>	<u>104,864</u>	<u>129,686</u>
Net book amount			
At 30 June 2009	<u>10,594</u>	<u>93,503</u>	<u>104,097</u>
At 1 July 2008	<u>12,994</u>	<u>106,458</u>	<u>119,452</u>

8 Fixed asset investments

Group	<u>2009</u> £	<u>2008</u> £
Interest in joint venture		
At 1 July 2008	-	-
Additions	32,397	-
Share of loss	(33,554)	-
Foreign Exchange gain	2,813	-
At 30 June 2009	<u>1,656</u>	-

The group's share of joint venture comprises:

	<u>Audio Network Australia Pty Ltd</u>	
Turnover	<u>24,797</u>	-
Loss	<u>(33,554)</u>	-
Fixed assets	1,088	-
Current assets	18,998	-
Current liabilities	<u>(18,430)</u>	-
Net assets	<u>1,656</u>	-

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

Company	2009	2008
Cost	£	£
Shares in group companies	5	5
Shares in joint venture companies	32,397	-
Equity loan to group companies	242,881	88,137
	<u>275,283</u>	<u>88,142</u>
Balance as at 30 June 2008	88,142	2
Investment in Audio Network US, Inc shares	-	5
Investment in Audio Network Australia Pty Ltd shares	32,397	-
Increase in equity loan to Audio Network US, Inc	154,744	88,137
Transfer of investment in BPM Sound Limited to current assets	-	(2)
Balance as at 30 June 2009	<u>275,283</u>	<u>88,142</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 trading companies:

Company undertaking	Country of registration or incorporation	Shares held Class	%
Audio Network US, Inc	United States	Ordinary	100
Audio Network Australia Pty Ltd	Australia	Ordinary	50

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

	Principal activity
Audio Network US, Inc	Music Publisher
Audio Network Australia Pty Ltd	Music Publisher

The investment in Audio Network Australia Pty Ltd has been treated as a joint venture.

The former group company, BPM Sound Limited, ceased trading during the year to 30 June 2008. The dormant company was dissolved during the year ended 30 June 2009.

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

9 Stocks

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
Raw materials & consumables	31,848	28,674	31,848	28,674
Finished goods and goods for resale	68,518	67,397	68,518	67,397
	<u>100,366</u>	<u>96,071</u>	<u>100,366</u>	<u>96,071</u>

10 Debtors

	Group		Company	
	<u>2009</u>	<u>Restated</u> <u>2008</u>	<u>2009</u>	<u>Restated</u> <u>2008</u>
	£	£	£	£
Trade debtors	294,482	249,600	250,600	239,066
Amounts owed by group companies	-	-	117,399	4,054
Amounts owed by joint ventures	23,527	-	23,527	-
Director loan account	11,307	-	11,307	-
Corporation tax recoverable	2,000	-	2,000	-
Other debtors	17,185	17,755	14,015	9,248
Prepayments	64,166	56,184	44,096	50,930
Accrued income	767,131	499,642	709,321	489,508
Deferred tax asset (see note 12)	280,000	-	280,000	-
	<u>1,459,798</u>	<u>823,181</u>	<u>1,452,265</u>	<u>792,806</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	<u>2009</u>	<u>Restated</u> <u>2008</u>	<u>2009</u>	<u>Restated</u> <u>2008</u>
	£	£	£	£
Trade creditors	207,461	111,782	194,300	111,782
Amounts owed to group companies	-	-	-	2
Corporation tax	-	5,617	-	5,612
Taxes and social security costs	108,944	92,170	108,944	92,170
Other creditors	5,135	9,620	3,973	9,620
Accruals	128,674	96,813	116,061	94,034
Deferred income	493,300	422,674	426,176	413,318
	<u>943,514</u>	<u>738,676</u>	<u>849,454</u>	<u>726,538</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

12 Provisions for liabilities and charges

	£
Balance at 1 July 2008	-
Deferred tax credit for year (note 4)	280,000
Deferred tax asset included in debtors (note 10)	<u>(280,000)</u>
Balance at 30 June 2009	<u>-</u>
Deferred tax is provided at 28% (2008: 20.25%) analysed over the following timing differences :	

	2009 £	2008 £
Accelerated capital allowances	(11,963)	(9,151)
Tax losses available	560,000	102,039
	<u>548,037</u>	<u>92,888</u>
Unrecognised deferred tax asset	(268,037)	(92,888)
Deferred tax asset included in debtors (note 10)	<u>280,000</u>	<u>-</u>

Deferred tax assets of £268,037 (2008: £92,888) have not been recognised in these accounts because there is insufficient certainty over their recoverability.

13 Share capital

	2009 £	2008 £
Authorised		
25,000,000 Ordinary shares of 1p each	250,000	250,000
Allotted, called up and fully paid:		
13,962,752 Ordinary shares of 1p each	<u>139,628</u>	<u>134,113</u>

The Group 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 ended 30 June 2009 is show below.

	2009 No. of shares	2008 No. of shares
As at 1 July 2008	2,835,133	6,250,633
Exercised during the year	(551,415)	(2,653,000)
Waived or lapsed during the year	(221,950)	(1,000,000)
New options granted during the year	399,600	237,500
As at 30 June 2009	<u>2,461,368</u>	<u>2,835,133</u>

During the year options over 551,415 shares were exercised at prices between 1p and 50p a share as follows:

Date of Exercise	No. of shares	Subscription Price	£
October 2008	400,000	1p	4,000
January 2009	40,000	25p	10,000
March 2009	91,333	25p – 30p	27,421
June 2009	13,416	20p	2,683
June 2009	6,666	30p	2,000
	<u>551,415</u>		<u>46,104</u>

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

Outstanding options over 2,461,368 Ordinary shares of one penny in existence as at 30 June 2009 are exercisable as set out below:

No. of shares		Subscription Price	Exercisable
800,000	(EMS)	1p	01/01/05 to 31/12/10*
736,584	(EMS)	20p	11/06/06 to 31/12/10
10,000		30p	31/01/05 to 31/12/10
16,851	(EMS)	30p	31/01/08 to 31/12/10
220,833	(EMS)	30p	31/07/08 to 31/12/10*
40,000	(EMS)	50p	31/07/08 to 31/12/10
10,000	(EMS)	80p	18/06/10 to 17/06/16
50,000	(EMS)	80p	25/09/10 to 24/09/16
177,500	(EMS)	£1.12	01/06/11 to 31/05/17
38,000	(EMS)	£1.50	08/08/11 to 07/08/17
250,000		£1.60	01/09/11 to 31/12/16*
111,600	(EMS)	£1.60	16/06/12 to 15/06/18
<u>2,461,368</u>			

Share options marked (EMS) have been issued to directors and employees under an Enterprise Management Incentive Scheme. The options are exercisable on the dates shown. The options marked * have been issued to directors linked to the achievement of growth performance objectives.

14 Statement of movement on reserves

	<u>2009</u>	<u>2008</u>
	£	£
Share premium account		
Group and company		
Balance at 1 July 2008	1,372,802	1,359,706
Premium on shares issued in the year	40,589	13,096
Balance at 30 June 2009	<u>1,413,391</u>	<u>1,372,802</u>
Profit and loss account		
Group		
Balance at 1 July 2008 as previously reported	(492,690)	(872,564)
Prior year adjustment	489,649	338,503
As restated	(3,041)	(534,061)
Profit for the year	999,604	531,020
Currency translation differences	6,164	-
Balance at 30 June 2009	<u>1,002,727</u>	<u>(3,041)</u>
Company		
Balance at 1 July 2008 as previously reported	(459,954)	(873,552)
Prior year adjustment	483,569	338,503
As restated	23,615	(535,049)
Profit for the year	1,275,997	558,664
Balance at 30 June 2009	<u>1,299,612</u>	<u>23,615</u>

The prior year adjustment arises from the change in income recognition policy referred to in note 1.4 of the accounts.

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

15 Reconciliation of movements in shareholders' funds	<u>2009</u>	<u>2008</u>
Group	£	£
Opening shareholders' funds as previously stated	1,014,225	594,721
Prior year adjustment (Note 14)	489,649	338,503
Opening shareholders' funds as restated	<u>1,503,874</u>	<u>933,224</u>
Profit for the financial year	999,604	531,020
Currency translation differences	6,164	-
Proceeds from issue of shares	46,104	39,630
Net addition to shareholders' funds	<u>1,051,872</u>	<u>570,650</u>
Closing shareholders' funds	<u><u>2,555,746</u></u>	<u><u>1,503,874</u></u>
	<u>2009</u>	<u>2008</u>
Company	£	£
Opening shareholders' funds as previously stated	1,046,961	593,733
Prior year adjustment (Note 14)	483,569	338,503
Opening shareholders' funds as restated	<u>1,530,530</u>	<u>932,236</u>
Profit for the financial year	1,275,997	558,664
Proceeds from issue of shares	46,104	39,630
Net addition to shareholders' funds	<u>1,322,101</u>	<u>598,294</u>
Closing shareholders' funds	<u><u>2,852,631</u></u>	<u><u>1,530,530</u></u>
16 Directors' emoluments	<u>2009</u>	<u>Restated</u> <u>2008</u>
	£	£
Emoluments for qualifying services	£459,689	373,952
Company pension contributions	£19,020	18,700
	<u>£478,709</u>	<u>392,652</u>

17 Dividends

The directors recommend a final dividend of 2p on each ordinary share.

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

18 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 SIPPs held by two directors.

	<u>2009</u>	<u>2008</u>
	£	£
Contributions payable by the group for the year	27,763	23,043

19 Transactions with directors

During the year, A Sunnucks received £6,000 (2008:£5,760) rent in respect of the occupation of School Farm Studios by the company. The company also paid £2,559 (2008: £3,519) of royalty payments to A Sunnucks in respect of income from music compositions composed by A Sunnucks and published by the company.

During February 2009 the company made a loan to J Langley of £13,500 to enable him to perform his duties as a director of the company. The loan is repayable within three years of the date of grant. Interest is charged on the loan at 6% per annum. At the balance sheet date the balance due on the loan account to J Langley after capital repayments amounted to £11,307.

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

20 Employees

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

Group	<u>2009</u>	<u>2008</u>
	Number	Number
Management and administration	21	16
Employment costs	£	£
Wages & salaries	1,025,900	756,709
Social security costs	106,257	79,697
Other pension costs	27,763	23,043
	<u>1,159,920</u>	<u>859,449</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

21 Financial Commitments

At the balance sheet date the company was committed to making the following lease payments under non-cancellable operating leases in the year to 30 June 2010:

	Land and buildings	
	<u>2009</u>	<u>2008</u>
Operating leases which expire:	£	£
Within one year	49,885	38,175
Within two to five years	39,961	58,000

22 Capital Commitments

At the balance sheet date the group had no capital commitments (2008: £12,000).

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.