

audio network

AUDIO NETWORK PLC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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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 (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

Business Addresses:

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Directors' Report

The directors are pleased to present the report and financial statements of the group for the year ended 30 June 2010

Principal activity and review of the business

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

We are delighted to report another year of excellent growth in our composer team, music catalogue, customer base, turnover, profit and cash flow against a backdrop of challenging markets both domestically and internationally

We continued our policy of using retained profits to invest in the commissioning and development of new music copyrights and in the international promotion of our music

Key Performance Indicators

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

We grew our music catalogue organically by 38% from 24,141 tracks at the start of the year to 33,380 tracks by the end of the year.

The music catalogue expansion contributed towards a 35% growth in group and our share of joint venture turnover from £3 198m to £4 315m

The group consolidated its market leading position in the United Kingdom market with domestic revenues growing 19% from £2 250m to £2 673m

Turnover from international markets grew by 73% from £0 948m to £1.642m including our share of turnover from our Australian joint venture company

New wholly owned subsidiary companies were incorporated during the year in Canada and Holland to help promote the usage of our music throughout Canada and Europe respectively

Despite challenging market conditions for subscription renewals during the year our subscriber renewal rate recovered to 87% from 85%

Cash reserves of £1,418,696 were held by the group at 30 June 2010 (2009:£987,993) after paying £565,386 of dividends

Future Outlook

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

Directors' Report (continued)

Principle Risks and Uncertainties

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

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

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

Financial Risk Management

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

Price Risk

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

Credit Risk

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

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

Foreign Currency Risk

The group has significant and growing overseas operations

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

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

Directors' Report (continued)

Derivatives & Other Financial Instruments

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

Interest Rate Risk

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

The group has no bank loans or overdrafts.

Results

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

Highlights

- Turnover up 35% to £4,314,629 (including share of joint venture turnover)
- Turnover up 32% to £4,200,975 (before share of joint venture turnover)
- Gross profit up 33% to £4,087,666 (before share of joint venture gross profit)
- Operating profit up 46% to £1,093,386 (before share of joint venture operating profit)
- Profit before taxation up 52% to £1,115,101 (including share of joint venture profit)

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

Growth achieved in turnover and gross profit during the year was used to fund start-up costs incurred by our overseas operations and to fund dividend payments.

A deferred tax credit of £120,000 (2009 £280,000) was recognised in the accounts during the year in respect of deferred tax assets arising from the exercise of share options under the Enterprise Management Incentive Scheme.

Dividends

A final dividend for the prior year of two pence (£0.02) per ordinary share was paid during the current year (2009 Nil). An interim dividend for the current year of two pence (£0.02) per ordinary share was also paid during the year (2009 Nil).

Subject to shareholders' approval at the Annual General Meeting to be held on Friday 17th December 2010, the directors recommend the payment of a final dividend of four pence (£0.04) on each of the ordinary shares entitled thereto (2009 £0.02) bringing the total dividend for the current year to six pence (£0.06) per ordinary share (2009 £0.02).

Directors' Report (continued)

Directors

The directors who served during the year were as stated below:

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

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

Creditor payment policy

The group aims to pay all of its suppliers within a reasonable period of their invoices being received and approved, provided that the supplier has performed in accordance with the relevant terms and conditions. At 30 June 2010, the number of days' credit taken for the purchases by the group was 30 days (2009 30 days)

Auditors

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

Directors' responsibilities

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

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

In preparing these financial statements, the directors are required to

- * select suitable accounting policies and then apply them consistently,
- * make judgments and accounting estimates that are reasonable and prudent,
- * state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

Directors' Report (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

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

On behalf of the board



Robert Hurst
Director

Date 13th October 2010

AUDIO NETWORK PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AUDIO NETWORK PLC

We have audited the financial statements of Audio Network Plc for the year ended 30 June 2010 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 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 . 13/10/10

AUDIO NETWORK PLC

Consolidated Profit & Loss Account

for the year ended 30 June 2010

	Notes	2010 £	2009 £
Turnover: Group and share of joint venture		4,314,629	3,197,849
Less Share of joint venture turnover		<u>(113,654)</u>	<u>(24,797)</u>
TURNOVER	2	4,200,975	3,173,052
Cost of sales		<u>(113,309)</u>	<u>(109,191)</u>
Gross profit		4,087,666	3,063,861
Distribution costs		(118,569)	(115,462)
Administrative expenses		(2,877,777)	(2,200,244)
Other operating income		2,066	543
OPERATING PROFIT	3	<u>1,093,386</u>	<u>748,698</u>
Share of profit / (loss) of joint venture		3,424	(34,006)
Operating profit Group and share of joint venture		<u>1,096,810</u>	<u>714,692</u>
Interest receivable and similar income		17,755	17,300
Share of interest receivable of joint venture		536	452
Profit on ordinary activities before taxation		<u>1,115,101</u>	<u>732,444</u>
Tax credit on profit on ordinary activities	4	110,382	267,160
Share of taxation of joint venture		-	-
Profit after taxation		<u>1,225,483</u>	<u>999,604</u>

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

Consolidated Statement of Recognised Gains and Losses

for the year ended 30 June 2010

	2010 £	2009 £
Profit for the year	1,225,483	999,604
Currency translation differences	<u>(43,362)</u>	<u>6,164</u>
Total recognised gains and losses relating to the year	<u>1,182,181</u>	<u>1,005,768</u>

AUDIO NETWORK PLC

Balance Sheets

As at 30 June 2010

	Notes	Group		Company	
		2010 £	2009 £	2010 £	2009 £
Fixed assets					
Intangible assets	6	957,552	841,373	957,552	841,373
Tangible assets	7	184,636	108,074	137,733	104,097
Investments	8	6,882	1,656	618,141	275,283
		<u>1,149,070</u>	<u>951,103</u>	<u>1,713,426</u>	<u>1,220,753</u>
Current assets					
Stocks	9	46,485	100,366	46,039	100,366
Debtors	10	1,938,635	1,459,798	1,947,569	1,452,265
Cash at bank and in hand		1,418,696	987,993	1,325,335	928,701
		<u>3,403,816</u>	<u>2,548,157</u>	<u>3,318,943</u>	<u>2,481,332</u>
Creditors, amounts falling due within one year	11	(1,229,842)	(943,514)	(1,099,105)	(849,454)
Net current assets		<u>2,173,974</u>	<u>1,604,643</u>	<u>2,219,838</u>	<u>1,631,878</u>
Total assets less total liabilities		<u>3,323,044</u>	<u>2,555,746</u>	<u>3,933,264</u>	<u>2,852,631</u>
Capital & reserves					
Called up share capital	13	148,641	139,628	148,641	139,628
Share premium account	14	1,554,941	1,413,391	1,554,941	1,413,391
Profit and loss account	14	1,619,462	1,002,727	2,229,682	1,299,612
Shareholders' funds	15	<u>3,323,044</u>	<u>2,555,746</u>	<u>3,933,264</u>	<u>2,852,631</u>

Approved by the board on and authorised for issue on 13/10/2010

.. 
 Robert Hurst
 Director


 Andrew Sunnucks
 Director

AUDIO NETWORK PLC

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	2010		2009	
	£	£	£	£
Net cash flow from operating activities		1,249,895		703,171
Returns on investments and servicing of finance				
Interest received		<u>18,291</u>		<u>17,752</u>
Net cash inflow for returns on investments and servicing of finance		18,291		17,752
Taxation				
UK tax recovered / (paid)		2,000		(5,617)
Foreign tax paid		(1,456)		(651)
Withholding tax paid		<u>(3,824)</u>		<u>(14,188)</u>
Total Taxation paid		(3,280)		(20,456)
Capital expenditure				
Net investment in joint venture		(5,226)		(1,656)
Payments to acquire intangible assets		(236,504)		(367,352)
Payments to acquire tangible assets		<u>(134,288)</u>		<u>(31,722)</u>
Net cash outflow for capital expenditure		(376,018)		(400,730)
Net cash inflow before financing		<u>888,888</u>		<u>299,737</u>
Financing				
Issue of ordinary share capital		150,563		46,104
Dividends paid		<u>(565,386)</u>		<u>-</u>
Net cash (outflow) / inflow from financing		(414,823)		46,104
Increase in cash in the year		<u>474,065</u>		<u>345,841</u>

AUDIO NETWORK PLC

Notes to the Consolidated cash flow statement

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

	<u>2010</u>	<u>2009</u>
	£	£
Operating profit group and share of joint venture	1,096,810	714,692
Depreciation of tangible fixed assets	57,726	43,100
Amortisation of intangible fixed assets	120,324	93,837
Decrease / (increase) in stocks	53,881	(4,295)
Increase in debtors	(360,837)	(354,618)
Increase in creditors due within one year	281,991	210,455
	<u>1,249,895</u>	<u>703,171</u>

(2) Analysis of net funds

	1 July 2009	Cash flow	Other non-cash changes	30 June 2010
	£	£		£
Net cash				
Cash at bank and in hand	987,993	474,065	(43,362)	1,418,696
Net funds	<u>987,993</u>	<u>474,065</u>	<u>(43,362)</u>	<u>1,418,696</u>

(3) Reconciliation of net cash to movement in debt

	<u>2010</u>	<u>2009</u>
	£	£
Increase in cash in the year	474,065	345,841
Currency translation differences	(43,362)	6,164
Movement in net funds in the year	430,703	352,005
Opening net funds	987,993	635,988
Closing net funds	<u>1,418,696</u>	<u>987,993</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 2010. The results of subsidiaries acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated on consolidation.

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

1.4 Turnover

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

Income from the grant of usage rights is recognised from the date of the grant unless the group has an ongoing obligation when subscriptions in advance are deferred and released to the profit and loss account over the subscription period.

Royalty income is recognised on an accruals basis.

1.5 Copyrights and Licences

The costs of acquiring copyrights and licences are capitalised in the balance sheet as intangible fixed assets. Post acquisition costs paid by the group are expensed as incurred.

Copyrights and licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their useful lives. A maximum useful economic life of 20 years has been used as a basis of amortisation of copyrights and licences.

1.6 Development costs

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

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

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

Accounting Policies (continued)

1.7 Tangible fixed assets and Depreciation

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

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

1.8 Investments

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

1.9 Stock

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

1.10 Pensions

The 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 territory of turnover origination

	<u>2010</u> £	<u>2009</u> £
Group		
United Kingdom	3,470,873	2,859,114
North America	667,747	281,060
Australasia	52,356	32,878
Europe	10,000	-
	<u>4,200,976</u>	<u>3,173,052</u>

The table below analyses turnover by territory of destination

	<u>2010</u> £	<u>2009</u> £
Group		
United Kingdom	2,673,385	2,250,101
North America	715,774	341,937
Australasia	62,763	70,157
Europe	564,715	370,924
Rest of the World	184,339	139,933
	<u>4,200,976</u>	<u>3,173,052</u>

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

3 Operating profit

Operating profit is stated after charging

	<u>2010</u> £	<u>2009</u> £
Amortisation of intangible fixed assets	120,324	93,837
Depreciation of tangible fixed assets	57,143	43,100
Operating lease rentals	112,812	92,134
Auditor's remuneration (company £12,000 , 2009 £8,500)	12,000	8,500
Remuneration of auditors for non-audit work	32,500	1,500

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

	<u>2010</u>	<u>2009</u>
	£	£
Current tax charge		
Charge / (credit) for the current year	3,725	(2,000)
Adjustment re prior periods	-	-
Deferred tax charge		
Credit for the current year (see note 12)	(120,000)	(280,000)
Adjustment re prior periods	-	-
Foreign tax		
Foreign tax charge	2,510	652
Irrecoverable withholding tax suffered	3,383	14,188
	<u>(110,382)</u>	<u>(267,160)</u>

Factors affecting the years' tax charge

Profit on ordinary activities before taxation	1,115,101	732,444
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 28% (2008: 28%)	312,228	205,084
Effects of		
Non deductible expenses	10,847	5,829
Depreciation add back	49,854	28,000
Capital allowances	(44,848)	(27,310)
Share options exercised	(395,482)	(172,367)
Group brought forward tax losses utilised	(120,000)	(381,372)
Unrelieved tax losses in foreign subsidiaries	78,616	60,788
Irrecoverable withholding tax suffered	3,383	14,188
Other adjustments	(4,980)	-
Current tax charge	<u>(110,382)</u>	<u>(267,160)</u>

5 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows

	<u>2010</u>	<u>2009</u>
	£	£
Holding company's profit for the financial year	<u>1,495,456</u>	<u>1,275,997</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 2009	820,857	321,902	1,142,759
Additions	171,503	65,000	236,503
At 30 June 2010	<u>992,360</u>	<u>386,902</u>	<u>1,379,262</u>
Amortisation			
At 1 July 2009	108,255	193,131	301,386
Charge for the year	45,539	74,785	120,324
At 30 June 2010	<u>153,794</u>	<u>267,916</u>	<u>421,710</u>
Net book amount			
At 30 June 2010	<u>838,566</u>	<u>118,986</u>	<u>957,552</u>
At 1 July 2009	<u>712,602</u>	<u>128,771</u>	<u>841,373</u>

7 Tangible fixed assets Group	Plant & Machinery £	Fixtures, Fittings & Equipment £	Total £
Cost			
At 1 July 2009	35,416	203,062	238,478
Additions	37,754	93,266	131,020
Disposals	(2,855)	(46,639)	(49,494)
Exchange rate movement	-	3,268	3,268
At 30 June 2010	<u>70,315</u>	<u>252,957</u>	<u>323,272</u>
Depreciation			
At 1 July 2009	24,822	105,582	130,404
Charge for the year	6,904	50,239	57,143
Disposals	(2,855)	(46,639)	(49,494)
Exchange rate movement	-	583	583
At 30 June 2010	<u>28,871</u>	<u>109,765</u>	<u>138,636</u>
Net book amount			
At 30 June 2010	<u>41,444</u>	<u>143,192</u>	<u>184,636</u>
At 1 July 2009	<u>10,594</u>	<u>97,480</u>	<u>108,074</u>

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

7 Tangible fixed assets	Plant & Machinery	Fixtures, Fittings & Equipment	Total
Company	£	£	£
Cost			
At 1 July 2009	35,416	198,367	233,783
Additions	37,754	44,026	81,780
Disposals	(2,855)	(46,639)	(49,494)
At 30 June 2010	<u>70,315</u>	<u>195,754</u>	<u>266,069</u>
Depreciation			
At 1 July 2009	24,822	104,864	129,686
Charge for the year	6,904	41,240	48,144
Disposals	(2,855)	(46,639)	(49,494)
At 30 June 2010	<u>28,871</u>	<u>99,465</u>	<u>128,336</u>
Net book amount			
At 30 June 2010	<u>41,444</u>	<u>96,289</u>	<u>137,733</u>
At 1 July 2009	<u>10,594</u>	<u>93,503</u>	<u>104,097</u>

8 Fixed asset investments

Group	<u>2010</u> £	<u>2009</u> £
Interest in joint venture		
At 1 July 2009	1,656	-
Additions	1,701	32,397
Share of profit / (loss)	3,960	(33,554)
Foreign exchange (loss) / gain	(435)	2,813
At 30 June 2010	<u>6,882</u>	<u>1,656</u>

The group's share of joint venture comprises

	<u>Audio Network Australia Pty Ltd</u>	
	<u>2010</u> £	<u>2009</u> £
Turnover	<u>113,654</u>	<u>24,797</u>
Profit / (loss)	<u>3,960</u>	<u>(33,554)</u>
Fixed assets	3,410	1,088
Current assets	47,585	18,998
Current liabilities	(44,113)	(18,430)
Net assets	<u>6,882</u>	<u>1,656</u>

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

8 Fixed asset investments (continued)
Company

	<u>2010</u>	<u>2009</u>
Cost	£	£
Shares in group companies	15,899	5
Shares in joint venture company	34,098	32,397
Equity loan to group companies	568,144	242,881
	<u>618,141</u>	<u>275,283</u>
Balance at 1 July 2009	275,283	88,142
Increase in investment in Audio Network Australia Pty Ltd	1,701	32,397
Investment in Audio Network Canada Inc	7	-
Investment in Audio Network (Holland) BV	15,887	-
Increase in equity loan to Audio Network US, Inc	325,263	154,744
Balance at 30 June 2010	<u>618,141</u>	<u>275,283</u>

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

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies each undertaking the principal activity of Music Publisher in the country of incorporation

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

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

9 Stocks	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Raw materials & consumables	19,991	31,848	19,991	31,848
Finished goods and goods for resale	26,494	68,518	26,048	68,518
	<u>46,485</u>	<u>100,366</u>	<u>46,039</u>	<u>100,366</u>

10 Debtors	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	369,506	294,482	307,924	250,600
Amounts owed by group companies	-	-	240,752	117,399
Amounts owed by joint ventures	61,069	23,527	61,069	23,527
Director loan account	5,822	11,307	5,822	11,307
Corporation tax recoverable	-	2,000	-	2,000
Other debtors	13,419	17,185	13,242	14,015
Prepayments	92,922	64,166	52,930	44,096
Accrued income	995,897	767,131	865,830	709,321
Deferred tax asset (see note 12)	400,000	280,000	400,000	280,000
	<u>1,938,635</u>	<u>1,459,798</u>	<u>1,947,569</u>	<u>1,452,265</u>

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

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Amounts owed by group companies	-	-	227,752	-
Amounts owed by joint ventures	61,069	-	61,069	-
	<u>61,069</u>	<u>-</u>	<u>288,821</u>	<u>-</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade creditors	230,107	207,461	222,389	194,300
Amounts owed to group companies	-	-	9,048	-
Corporation tax	4,337	-	3,725	-
Taxes and social security costs	174,827	108,944	174,827	108,944
Other creditors	55,016	5,135	54,842	3,973
Accruals	217,896	128,674	195,588	116,061
Deferred income	547,659	493,300	438,686	426,176
	<u>1,229,842</u>	<u>943,514</u>	<u>1,099,105</u>	<u>849,454</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

12 Provisions for liabilities and charges

Company & Group	<u>2010</u>	<u>2009</u>
	£	£
Deferred tax asset balance at 1 July 2009	280,000	-
Deferred tax credit for year (Note 4)	120,000	280,000
Deferred tax asset included in debtors (Note 10)	<u>(400,000)</u>	<u>(280,000)</u>
Balance at 30 June 2010	<u>-</u>	<u>-</u>

Deferred tax is provided at 28% (2009 28%) analysed over the following timing differences

Accelerated capital allowances	(9,005)	(11,963)
UK tax losses available	560,000	560,000
Overseas tax losses available	<u>160,000</u>	<u>84,000</u>
	710,995	632,037
Unrecognised deferred tax asset	<u>(310,995)</u>	<u>(352,037)</u>
Deferred tax asset included in debtors (Note 10)	<u>400,000</u>	<u>280,000</u>

At 30 June 2010, the group had UK corporation tax losses available of approximately £2,000,000 (2009 £2,000,000) available to carry forwards for relief against UK taxable profits in future periods

At 30 June 2010, the group had overseas tax losses available of approximately £570,000 (2009 £300,000) available to carry forwards for relief against overseas taxable profits in future periods

Deferred tax assets of £310,995 (2009 £352,037) have not been recognised in these accounts because there is insufficient certainty over their recoverability

13 Share capital

	<u>2010</u>	<u>2009</u>
	£	£
Allotted, called up and fully paid:		
14,864,138 Ordinary shares of 1p each	<u>148,641</u>	<u>139,628</u>

During the year 901,386 ordinary shares were issued at a subscription price of £150,563 under the company's share option scheme

The premium on issue of £141,550 has been recognised in share premium

The company has share schemes whereby options over the ordinary shares of 1p each of the company are granted to directors and employees. The reconciliation of option movements during the year to 30 June 2010 is shown below

	<u>2010</u>	<u>2009</u>
	No of shares	No of shares
As at 1 July 2009	2,461,368	2,835,133
Exercised during the year	(901,386)	(551,415)
Waived or lapsed during the year	(420,188)	(221,950)
New options granted during the year	<u>296,600</u>	<u>399,600</u>
As at 30 June 2010	<u>1,436,394</u>	<u>2,461,368</u>

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

During the year 901,386 options were exercised at prices between 1p and 50p a share as follows.

Date of exercise	No of shares	Subscription Price	£
December 2009	8,000	50p	4,000
December 2009	13,333	30p	4,000
March 2010	28,333	30p	8,500
March 2010	294,118	1p	2,941
May 2010	196,018	30p	58,805
May 2010	361,584	20p	72,317
	<u>901,386</u>		<u>150,563</u>

Outstanding options over 1,436,394 Ordinary shares of one penny in existence at 30 June 2010 are exercisable as set out below

No of shares	Subscription price	Exercisable	
235,294 (EMS)	1p	01/01/2005 to 31/12/2010	*
375,000 (EMS)	20p	11/06/2006 to 31/12/2010	
10,000	30p	31/01/2005 to 31/12/2010	
32,000 (EMS)	50p	31/07/2008 to 31/12/2010	
10,000 (EMS)	80p	18/06/2010 to 17/06/2016	
50,000 (EMS)	80p	25/09/2010 to 24/09/2016	
177,500 (EMS)	£1 12	01/06/2011 to 31/05/2017	
38,000 (EMS)	£1.20	30/12/2012 to 29/12/2018	
250,000	£1 60	01/09/2011 to 31/12/2016	*
111,600 (EMS)	£1.60	03/10/2012 to 02/10/2018	
35,000	£2 08	18/06/2013 to 17/06/2019	
112,000 (EMS)	£2.20	01/07/2013 to 30/06/2019	
<u>1,436,394</u>			

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

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

14 Statement of movement on reserves	<u>2010</u>	<u>2009</u>
	£	£
Share premium account		
Group and company		
Balance at 1 July 2009	1,413,391	1,372,802
Premium on shares issued during the year	141,550	40,589
Balance at 30 June 2010	<u>1,554,941</u>	<u>1,413,391</u>
Profit and loss account		
Group		
Balance at 1 July 2009	1,002,727	(3,041)
Profit for the year	1,225,483	999,604
Dividends paid	(565,386)	-
Currency translation differences	(43,362)	6,164
Balance at 30 June 2010	<u>1,619,462</u>	<u>1,002,727</u>
Company		
Balance at 1 July 2009	1,299,612	23,615
Profit for the year	1,495,456	1,275,997
Dividends paid	(565,386)	-
Balance at 30 June 2010	<u>2,229,682</u>	<u>1,299,612</u>
15 Reconciliation of movements in shareholders' funds	<u>2010</u>	<u>2009</u>
	£	£
Group		
Profit for the financial year	1,225,483	999,604
Currency translation differences	(43,362)	6,164
Proceeds from issue of shares	150,563	46,104
Dividends paid	(565,386)	-
Net addition to shareholders' funds	<u>767,298</u>	<u>1,051,872</u>
Opening shareholders' funds	2,555,746	1,503,874
Closing shareholders' funds	<u>3,323,044</u>	<u>2,555,746</u>
	<u>2010</u>	<u>2009</u>
	£	£
Company		
Profit for the financial year	1,495,456	1,275,997
Proceeds from issue of shares	150,563	46,104
Dividends paid	(565,386)	-
Net addition to shareholders' funds	<u>1,080,633</u>	<u>1,322,101</u>
Opening shareholders' funds	2,852,631	1,530,530
Closing shareholders' funds	<u>3,933,264</u>	<u>2,852,631</u>

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

16 Directors' emoluments	<u>2010</u>	<u>2009</u>
	£	£
Emoluments for qualifying services	551,690	459,689
Company pension contributions	21,000	19,020
	<u>572,690</u>	<u>478,709</u>

17 Dividends	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	pence/share	pence/share	£	£
Final dividend for the prior financial year	2	-	279,255	-
Interim dividend for the current financial year	2	-	286,131	-
	<u>4</u>	<u>-</u>	<u>565,386</u>	<u>-</u>
Proposed final dividend for the current financial year	<u>4</u>	<u>2</u>		

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

18 Pension costs

The 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>2010</u>	<u>2009</u>
	£	£
Contributions payable by the group for the year	29,985	27,763

19 Transactions with directors

During the year, Andrew Sunnucks received £6,000 rent in respect of the occupation of School Farm Studios by the company (2009:£6,000)

The company also paid royalties of £730 to Andrew Sunnucks in respect of income from music compositions composed by Andrew Sunnucks and published by the company (2009 £2,559).

During February 2009 the company made a loan to Jason Langley of £13,500 to enable him to perform his duties as a director of the company. The date that the loan and interest thereon is to be repaid in full was extended during the year from February 2012 to September 2012. Interest is charged on the loan at 6% per annum. At the balance sheet date the balance due on the loan account after interest charges and capital repayments amounted to £5,822 (2009:£11,307)

During the year the company paid £6,000 each to JFWS Limited and North Atlantic Value LLP for providing the services of John Sanderson and Maarten Hemsley as non-executive directors of the company (2009. £6,000 each)

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

19 Transactions with directors (continued)

During the year the company rented storage space from William Sunnucks, the brother of Andrew Sunnucks, at a cost of £2,400 (2009 Nil)

During the year the company paid dividends of £302,303 to the following director shareholders or to shareholders connected to directors (2009 Nil):

Robert Hurst	£132,253
Andrew Sunnucks	£132,141
Miles Ruffell	£ 26,219
Juliette Bingham	£ 4,965
John Sanderson	£ 4,159
Maarten Hemsley	£ 2,453
John Whittingdale	£ 75
Jason Langley	<u>£ 38</u>
	<u>£302,303</u>

The company also paid dividends totalling £35,757 to Leisure & Media VCT Plc during the year (2009 Nil) Maarten Hemsley serves as the Leisure & Media VCT Plc representative on the Board

20 Employees

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

Group	<u>2010</u>	<u>2009</u>
	Number	Number
Management and administration	29	21
Employment costs	£	£
Wages & salaries	1,433,889	1,025,900
Social security costs	133,197	106,257
Other pension costs	29,985	27,763
	<u>1,597,071</u>	<u>1,159,920</u>

21 Financial Commitments

At the balance sheet date the group was committed to making the following lease payments under non-cancellable operating leases in the year to 30 June 2011

Operating leases which expire	Land and buildings	
	<u>2010</u>	<u>2009</u>
	£	£
Within one year	8,400	49,885
Within two to five years	117,797	39,961
	<u>126,197</u>	<u>89,846</u>

AUDIO NETWORK PLC

Notes to the Consolidated Financial Statements (continued)

22 Capital Commitments

At the balance sheet date the group had no capital commitments (2009 Nil)

23 Control

There is no ultimate controlling party in the group

**24 Related party transactions
Group**

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