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REG NO: 04257337 (ENGLAND & WALES) , ,



AUDIO NETWORK LIMITED

ANNUAL REPORT

For the year ended 30 June 2018



AUDIO NETWORK LIMITED

COMPANY INFORMATION

Directors Robert Hurst
Andrew Sunnucks
Dan Marriott
James Robert Smith
Miles Ruffell

Company Secretary & CFO Kim Clarke

Company number 04257337

Registered office School Farm Studios
Little Maplestead
Halstead
Essex
CO9 2SN

Auditors HW Fisher & Company
Acre House
11-15 William Road
London
United Kingdom
NW1 3ER

Principal business address:

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AUDIO NETWORK LIMITED

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AUDIO NETWORK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors are pleased to present the annual report and financial statements of the group for the year ended 30 June 2018.

Principal activity and fair review of the business

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

We are pleased to report another year of growth in our music catalogue and continued geographic expansion, contributing towards further organic growth in group turnover and profit across our target customer segments – TV, Advertising, Enterprise and Digital Media.

The board followed a strategy of utilising the growth achieved in turnover and gross profit to invest in the commissioning and production of new music, worldwide marketing, regional distribution, and technology capabilities in music search, discovery and delivery.

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

Highlights

- Turnover up 13% to £29.0m
- Gross profit up 15% to £27.9m
- Profit before tax up 22% to £9.6m
- Profit after taxation up 24% to £7.9m
- Operating cash flow up 21% to £9.4m

Reported growth in turnover and profit in the group's sterling denominated financial statements for the year to 30 June 2018 has been depressed by a strengthening of sterling since 30 June 2017 against the US dollar, Australian dollar, Japanese yen and Canadian dollar. This impact has been partially offset by a modest weakening of sterling against the Euro.

A first full year of trading by our wholly owned subsidiary Audio Network France was largely offset by the loss of royalty flows to the Group from our former French sub-publisher.

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 and uncertainties.

The key business uncertainty remains the impact that the digital market will continue to have on the business models and music budgets of broadcasters and production companies and the resulting impact on royalties from performing right societies and the upside potential of explosive growth in content creation for video consumption online.

Other risks include the risk of competition from alternative music sources, technology advances in the delivery of music to customers, regulatory changes to copyright laws, the retention of key people and the onboarding of new senior leadership roles.

Our strategy of international expansion across multiple territories and markets over recent years has reduced our exposure to the risk associated with any one market.

The management seeks to maintain a strong customer-focused culture and has adopted an agile and innovative approach to managing growth, focusing on providing excellent customer relationship management across multiple customer segments, and through the group's distribution channels.

AUDIO NETWORK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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 customer service, ease of licensing and seamless integration into workflows of customers.

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 companies are denominated in US dollars, Canadian dollars, Euros, Australian dollars and Japanese yen. 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.

The group seeks to minimise this profit and loss exposure by matching growth in foreign currency revenue streams with local currency overheads and expenses where appropriate.

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 long-term loans or other long-term borrowings.

Brexit Risk

The management will continue to monitor Brexit negotiations and where necessary seek to take the appropriate steps to minimise the risk of disruption to our group business.

The group has developed contingency plans to flow certain EU revenues and to service EU based customers through its existing or new European subsidiaries if Brexit results in barriers to post-Brexit EU revenue streams continuing to flow through the UK Company or its UK subsidiary companies.

AUDIO NETWORK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Key Performance Indicators

We grew our music catalogue organically by 18,500 tracks (13%) from 138,500 tracks at the start of the year to 157,000 tracks by the end of the year (2017 growth: 19,431 tracks).

Group turnover grew by £3.4m (13%) from £25.6m to £29.0m (2017 growth: £5.1m).

International revenues grew by £3.2m (17%) from £18.6m to £21.8m. (2017 growth: £4.5m).

International revenues now account for 75% of group revenue (2017: 73%).

Turnover from the UK grew by £0.2m (3%) from £7.0m to £7.2m (2017 growth: £0.6m).

Group subscription retention rates continue to exceed 80%, with over 85% recurring revenue on our TV business.

Cash at bank, in hand and on notice accounts of £8.3m was held by the group at 30 June 2018 (2017: £7.4m) after paying £4.7m of dividends (2017: £2.0m), share buy-backs of £1.3m (2017: £0.5m) and income tax payments of £1.7m (2017: £1.4m).

Group net assets grew by £2.2m from £17.0m to £19.2m (2017 growth: £5.8m).

Share Buy-backs

Special resolutions were passed by shareholders during the year authorising the company to buyback from selling shareholders 275,141 Ordinary shares representing less than 2% of the issued Ordinary share capital at a cost of £1.3m (2017: £0.5m) and the buy-back of 90,000 C Ordinary Series 1 shares at a cost of £8,440 (2017: £22,060). The buy-backs allowed the company to continue trading for the benefit of the non-selling shareholders without management time being diverted to manage sale processes for a relatively small number of shares.

Future Outlook

The management team remains committed to delivering further growth both domestically and internationally for our shareholders, customers, composers, employees and other stakeholders.

On behalf of the board



James Robert Smith

Director/Chief Executive Officer

13/12/18

AUDIO NETWORK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

Directors

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

Robert Hurst
Andrew Sunnucks
Dan Marriott
James Robert Smith
Miles Ruffell

Results and Dividends

The profit for the year, after taxation, amounted to £7,907,607 (2017: £6,352,944).

A final dividend for the prior year of ten pence (£0.10) per Ordinary share was paid during the current year (2017: £0.03) and a final dividend for the prior year of 0.74 pence (£0.0074) per vested C Ordinary Series 1 share was paid during the current year (2017: £nil).

An interim dividend for the current year of twenty pence (£0.20) per Ordinary share was paid during April 2018 (2017: £0.10) and an interim dividend for the current year of 3.33 pence (£0.0333) per vested C Ordinary Series 1 share was paid during April 2018 (2017: £nil).

The directors do not recommend a final dividend on each of the Ordinary shares entitled thereto (2017: £0.10) bringing the total dividend for the current year to twenty pence (£0.20) per Ordinary share (2017: £0.20).

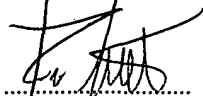
As the directors do not recommend a final dividend on each of the Ordinary shares, no final dividend is payable on each vested C Ordinary Series 1 share (2017: £0.0074) bringing the total dividend for the current year to 3.33 pence (£0.0333) per vested C Ordinary Series 1 share (2017: £0.0074).

No dividends were paid or are payable for the current year on unvested C Ordinary Series 1 shares or on C Ordinary Series 2 shares which are all unvested (2017: Nil).

Statement of disclosure to auditor

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



James Robert Smith

Director/Chief Executive Officer

13/12/18

AUDIO NETWORK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

The directors are responsible for preparing the Annual 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 group and company, 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 and company will continue in business.

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

AUDIO NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUDIO NETWORK LIMITED

Opinion

We have audited the financial statements of Audio Network Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the group's results 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

AUDIO NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AUDIO NETWORK LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 auditor's 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.

Helen James (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
United Kingdom

13/12/18

AUDIO NETWORK LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes	£	£
Turnover	4	29,009,836	25,584,477
Cost of sales		(1,147,910)	(1,270,561)
Gross profit		27,861,926	24,313,916
Distribution costs		(50,314)	(51,534)
Administrative expenses		(18,192,264)	(16,375,267)
Operating profit	6	9,619,348	7,887,115
Interest receivable and similar income	8	20,542	28,436
Profit before taxation		9,639,890	7,915,551
Tax on profit	10	(1,732,283)	(1,562,607)
Profit for the financial year		7,907,607	6,352,944

Profit for the financial year is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

AUDIO NETWORK LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME *FOR THE YEAR ENDED 30 JUNE 2018*

	2018 £	2017 £
Profit for the year	7,907,607	6,352,944
Other comprehensive income		
Currency translation differences on overseas subsidiaries	(29,309)	154,656
Total comprehensive income for the year	<u>7,878,298</u>	<u>6,507,600</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

AUDIO NETWORK LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	14	4,452,459	4,303,369
Tangible assets	13	766,968	823,578
		<u>5,219,427</u>	<u>5,126,947</u>
Current assets			
Stocks	17	25,443	14,593
Debtors	19	14,527,406	12,562,010
Investments	20	931,284	924,824
Cash at bank and in hand		7,415,337	6,491,415
		<u>22,899,470</u>	<u>19,992,842</u>
Creditors: amounts falling due within one year	21	<u>(8,933,537)</u>	<u>(8,151,758)</u>
Net current assets		13,965,933	11,841,084
Total assets less current liabilities		<u>19,185,360</u>	<u>16,968,031</u>
Provisions for liabilities	22	<u>(12,008)</u>	<u>(13,537)</u>
Net assets		<u><u>19,173,352</u></u>	<u><u>16,954,494</u></u>
Capital and reserves			
Called up share capital	25	167,735	169,105
Share premium account		4,252,716	3,938,586
Shares held under JSOP		(1,290,000)	(1,290,000)
Capital redemption reserve		21,243	17,592
Profit and loss reserves		16,021,658	14,119,211
Total equity		<u><u>19,173,352</u></u>	<u><u>16,954,494</u></u>

The financial statements were approved by the board of directors and authorised for issue on 13/12/18 and are signed on its behalf by:



James Robert Smith
Director/Chief Executive Officer

AUDIO NETWORK LIMITED

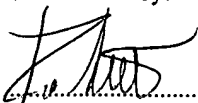
COMPANY BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets	14	3,220,275	2,958,197
Tangible assets	13	665,266	722,550
Investments	15	1,991,022	1,939,904
		<u>5,876,563</u>	<u>5,620,651</u>
Current assets			
Stocks	17	15,753	1,088
Debtors	19	13,335,517	10,395,115
Investments	20	931,284	924,824
Cash at bank and in hand		3,883,998	3,909,295
		<u>18,166,552</u>	<u>15,230,322</u>
Creditors: amounts falling due within one year	21	<u>(6,282,254)</u>	<u>(5,283,570)</u>
Net current assets		<u>11,884,298</u>	<u>9,946,752</u>
Total assets less current liabilities		<u>17,760,861</u>	<u>15,567,403</u>
Provisions for liabilities	23	-	(11,465)
Net assets		<u><u>17,760,861</u></u>	<u><u>15,555,938</u></u>
Capital and reserves			
Called up share capital	25	167,735	169,105
Share premium account		4,252,716	3,938,586
Shares held under JSOP		(1,290,000)	(1,290,000)
Capital redemption reserve		21,243	17,592
Profit and loss reserves		14,609,167	12,720,655
Total equity		<u><u>17,760,861</u></u>	<u><u>15,555,938</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £7,864,363 (2017: £5,834,154 profit), inclusive of dividend income from group companies of £405,741 (2017: £320,011).

The financial statements were approved by the board of directors and authorised for issue on 13/12/18 and are signed on its behalf by:



James Robert Smith
Director/Chief Executive Officer

Company Registration No. 04257337

AUDIO NETWORK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Share premium account	Capital redemption reserve	Shares held under JSOP	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 July 2016	162,421	3,757,450	11,222	(1,290,000)	10,119,839	12,760,932
Year ended 30 June 2017:						
Profit for the year	-	-	-	-	6,352,944	6,352,944
Other comprehensive income:						
Currency translation differences on overseas subsidiaries	-	-	-	-	154,656	154,656
Total comprehensive income for the year	-	-	-	-	6,507,600	6,507,600
Issue of shares	25 13,054	181,136	-	-	-	194,190
Dividend paid	11 -	-	-	-	(2,022,042)	(2,022,042)
Credit to equity for equity settled share-based payments	-	-	-	-	6,222	6,222
Shares repurchased	25 (6,370)	-	6,370	-	(492,408)	(492,408)
Balance at 30 June 2017	169,105	3,938,586	17,592	(1,290,000)	14,119,211	16,954,494

AUDIO NETWORK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Shares held under JSOP £	Profit and loss reserves £	Total £
Year ended 30 June 2018:							
Profit for the year		-	-	-	-	7,907,607	7,907,607
Other comprehensive income:							
Currency translation differences on overseas subsidiaries		-	-	-	-	(29,309)	(29,309)
Total comprehensive income for the year		-	-	-	-	7,878,298	7,878,298
Issue of shares	25	2,281	314,130	-	-	-	316,411
Dividend paid	11	-	-	-	-	(4,670,084)	(4,670,084)
Credit to equity for equity settled share-based payments		-	-	-	-	15,714	15,714
Shares repurchased	25	(3,651)	-	3,651	-	(1,321,481)	(1,321,481)
Balance at 30 June 2018		<u>167,735</u>	<u>4,252,716</u>	<u>21,243</u>	<u>(1,290,000)</u>	<u>16,021,658</u>	<u>19,173,352</u>

AUDIO NETWORK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Shares held under JSOP £	Profit and loss reserves £	Total £
Balance at 1 July 2016		162,421	3,757,450	11,222	(1,290,000)	9,394,729	12,035,822
Year ended 30 June 2017:							
Profit and total comprehensive income for the year		-	-	-	-	5,834,154	5,834,154
Issue of share capital	25	13,054	181,136	-	-	-	194,190
Dividends	11	-	-	-	-	(2,022,042)	(2,022,042)
Credit to equity for equity settled share-based payments		-	-	-	-	6,222	6,222
Shares repurchased	25	(6,370)	-	6,370	-	(492,408)	(492,408)
Balance at 30 June 2017		169,105	3,938,586	17,592	(1,290,000)	12,720,655	15,555,938
Year ended 30 June 2018:							
Profit and total comprehensive income for the year		-	-	-	-	7,864,363	7,864,363
Issue of share capital	25	2,281	314,130	-	-	-	316,411
Dividends	11	-	-	-	-	(4,670,084)	(4,670,084)
Credit to equity for equity settled share-based payments		-	-	-	-	15,714	15,714
Shares repurchased	25	(3,651)	-	3,651	-	(1,321,481)	(1,321,481)
Balance at 30 June 2018		167,735	4,252,716	21,243	(1,290,000)	14,609,167	17,760,861

AUDIO NETWORK LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	9,382,328	7,757,029
Income taxes paid		(1,682,633)	(1,424,862)
Net cash inflow from operating activities		<u>7,699,695</u>	<u>6,332,167</u>
Investing activities			
Purchase of business		(47,715)	(655,899)
Purchase of intangible assets		(806,319)	(593,066)
Purchase of tangible fixed assets		(265,190)	(635,993)
Proceeds on disposal of tangible fixed assets		4,523	9,861
(Increase)/decrease in other investments and loans		(6,460)	1,773,948
Interest received		20,542	28,436
Net cash used in investing activities		<u>(1,100,619)</u>	<u>(72,713)</u>
Financing activities			
Proceeds from issue of shares		316,411	194,190
Redemption of shares		(1,321,481)	(492,408)
Dividends paid to equity shareholders		(4,670,084)	(2,022,042)
Net cash used in financing activities		<u>(5,675,154)</u>	<u>(2,320,260)</u>
Net increase in cash and cash equivalents		<u>923,922</u>	<u>3,939,194</u>
Cash and cash equivalents at beginning of year		<u>6,491,415</u>	<u>2,552,221</u>
Cash and cash equivalents at end of year		<u><u>7,415,337</u></u>	<u><u>6,491,415</u></u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Cash generated from group operations

	2018	2017
	£	£
Profit for the year after tax	7,907,607	6,352,944
Adjustments for:		
Taxation charged	1,732,283	1,562,607
Investment income	(20,542)	(28,436)
Loss on disposal of tangible fixed assets	7,679	26,195
Loss on disposal of intangible assets	10,366	-
Amortisation and impairment of intangible assets	694,578	653,523
Depreciation and impairment of tangible fixed assets	306,007	314,635
Foreign currency translation	(25,718)	149,259
Equity settled share based payment expense	15,714	6,222
Movements in working capital:		
(Increase)/decrease in stocks	(10,850)	6,313
(Increase) in debtors	(1,890,352)	(2,711,001)
Increase in creditors	655,556	1,424,768
Cash generated from operations	9,382,328	7,757,029

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Accounting policies

Company information

Audio Network Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is School Farm Studios, Little Maplestead, Halstead, Essex, C09 2SN.

The group consists of the Company and all its subsidiaries.

2.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments'.

2.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill in the consolidated financial statements.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investment in subsidiaries are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Audio Network Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2018. Where necessary, adjustments are made to the financial statements to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Accounting policies

(Continued)

2.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for music rights granted in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts.

Income from the grant of usage rights is recognised on 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 accrual basis based on estimated usage.

2.5 Customer relationships

Customer relationships acquired on acquisition are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over their useful lives. A maximum estimated useful economic life of 10 years has been used as a basis of amortisation of customer relationships.

2.6 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 over an estimated useful life. In this situation, the expenditure is deferred and amortised over the period during which the group is expected to benefit.

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

2.7 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 estimated useful economic life of 20 years has been used as a basis of amortisation of copyrights and licences where the legal life is in excess of 20 years.

2.8 Recordings in progress

Music production projects are held at the lower of cost or net realisable value as Recordings in Progress until the recordings are ready for commercial release when the projects are transferred to Copyrights and Licences.

2.9 Tangible fixed assets

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 follow:

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

2.10 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Accounting policies

(Continued)

2.11 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2.12 Stock

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

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

2.13 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of under three months.

2.14 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company does not hold or issue derivative financial instruments.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

2.15 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

2.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.17 Holiday pay accrual

The cost of any holiday entitlement is recognised in the period in which the employees' services are received.

2.18 Pensions

The company and certain subsidiaries operate defined contribution pension schemes for the benefit of their employees. Contributions payable to the schemes, or to Self-Invested Personal Pension Schemes (SIPPs) held by two of the directors, are charged to the profit and loss account in the year they are payable.

2.19 Operating Leases

Rent payable under operating leases is charged to the profit and loss account on a straight line basis over the period of the lease.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved for payment by the directors.

2.21 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency 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 on translation of subsidiary undertakings for the purposes of consolidation are taken to other comprehensive income.

2.22 Share based payments

Equity based incentive schemes are an integral part of the remuneration package of certain executive directors and employees (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in the profit and loss reserve over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's estimate of the number of equity instruments that will ultimately vest. The profit and loss account expense or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in the employee benefits expense.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

2 Accounting policies

(Continued)

2.23 Nature and purpose of reserves

The share premium account has been established to represent the excess of proceeds over the nominal value for all share issues, including the excess of the exercise share price over the nominal value of the shares on the exercise of share options as and when they occur, less any directly attributable share issue costs.

The capital redemption reserve is a non-distributable reserve which has been established to represent the nominal value of shares bought back by the company.

Other reserves include shares held under JSOP. The Audio Network Employees' Share Trust jointly purchased and has jointly held 500,000 of the company's own issued Ordinary shares of one penny each under a Joint Share Ownership Plan ("JSOP") with two plan members since 9 October 2012. The plan members have the right under the plan to purchase the trust's proportion of the JSOP shares direct from the trust or the right to call upon the trust to join the member selling their JSOP shares subject to the share transfer rules set out in the company articles of association. The directors of the company expect the trust will have sufficient funds for the loan amount of £1,290,000 to be repaid in full by the trust to the company following exercise by the plan members of either of these two rights.

3 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Royalties receivable and payable

Performance royalties are accounted for on an accrued basis. In order to determine the accrued amount, the group takes a judgement on review of historical trends from cash receipts, payments, and current usage trends.

Useful lives of tangible assets

The cost of tangible fixed assets is depreciated over its estimated useful economic life. Management estimates the useful lives of these tangible assets to vary. Changes in the expected level of usage and technological developments could impact on the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised. The accounting policies for tangible fixed assets are described in note 2.9. The carrying amount of the tangible fixed assets in the balance sheet is disclosed in note 13 of the financial statements.

Useful lives of intangible fixed assets

Intangible assets are amortised over their useful lives taking into account, where appropriate, residual values. Assessment of useful lives and residual values are performed annually, taking into account factors such as technological innovation, market information, business plans, forecasts and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. The accounting policies for intangible fixed assets are described in notes 2.5 to 2.8. The carrying amount of the group's intangible fixed assets in the balance sheet is disclosed in note 14 of the financial statements.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

4 Turnover and other significant revenue

The turnover and profit of the group arise from the principal activity, the crafting and distribution of music commissioned from the United Kingdom.

The table below analyses turnover by source, profit before tax and net assets by territory:

	Turnover by source		Profit before tax		Net assets	
	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£
Group						
United Kingdom	15,128,311	14,365,085	9,095,863	6,754,074	17,426,586	15,161,465
North America (*)	6,810,085	6,300,593	489,040	407,720	780,455	759,801
Continental Europe (*)	4,288,416	2,548,056	37,088	396,301	726,635	687,973
Asia (*)	310,640	-	11,954	-	11,487	-
Australasia (*)	2,472,384	2,370,743	5,945	357,456	228,189	345,255
	<u>29,009,836</u>	<u>25,584,477</u>	<u>9,639,890</u>	<u>7,915,551</u>	<u>19,173,352</u>	<u>16,954,494</u>

(*) International turnover above excludes international revenues booked direct by UK companies.

The table below analyses turnover by destination of customer or broadcaster:

	2018	2017
	£	£
Group		
United Kingdom	7,178,572	6,985,985
Continental Europe	10,498,023	8,160,435
North America	6,792,642	6,299,343
Australasia	2,255,768	2,413,707
Rest of the World	2,284,831	1,725,007
	<u>29,009,836</u>	<u>25,584,477</u>

5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	39,400	35,350
Audit of the financial statements of the company's subsidiaries	4,950	4,000
	<u>44,350</u>	<u>39,350</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

6 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	72,504	(162,615)
Depreciation of owned tangible fixed assets	306,007	314,635
Loss on disposal of tangible fixed assets	7,679	26,195
Amortisation of intangible assets	694,578	650,023
Impairment of intangible assets	-	3,500
Loss on disposal of intangible assets	10,366	-
Share-based payments	15,714	6,222
Operating lease charges	1,049,857	985,479

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Management and administration	140	131	94	91

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	9,067,434	8,726,416	5,829,572	5,644,218
Social security costs	997,578	794,488	699,139	634,909
Pension costs	342,649	210,786	175,414	168,762
	10,407,661	9,731,690	6,704,125	6,447,889

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	15,842	28,081
Other interest income	4,700	355
Total income	20,542	28,436

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

8	Interest receivable and similar income	(Continued)	
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	20,542	28,436
		<u> </u>	<u> </u>
9	Directors' remuneration		
		2018	2017
		£	£
	Remuneration for qualifying services	554,371	595,471
	Company pension contributions to defined contribution schemes	23,095	27,981
		<u> </u>	<u> </u>
		<u>577,466</u>	<u>623,452</u>
	Remuneration disclosed above includes the following amounts paid to the highest paid director:		
		2018	2017
		£	£
	Remuneration for qualifying services	292,639	221,013
	Company pension contributions to defined contribution schemes	11,275	7,700
		<u> </u>	<u> </u>
10	Taxation		
		2018	2017
		£	£
	Current tax		
	UK corporation tax on profits for the current period	1,590,035	1,264,701
	Adjustments in respect of prior periods	(34,265)	(13,804)
		<u> </u>	<u> </u>
	Total UK current tax	<u>1,555,770</u>	<u>1,250,897</u>
	Foreign current tax on profits for the current period	260,988	464,203
	Adjustments in foreign tax in respect of prior periods	(38,053)	(19,867)
		<u> </u>	<u> </u>
	Total current tax	<u>1,778,705</u>	<u>1,695,233</u>
	Deferred tax		
	Origination and reversal of timing differences	(79,082)	(30,260)
	Previously unrecognised tax loss, tax credit or timing difference	-	(18,227)
	Adjustment in respect of prior periods	32,660	(84,139)
		<u> </u>	<u> </u>
	Total deferred tax (credit)/charge	<u>(46,422)</u>	<u>(132,626)</u>
	Total tax charge for the year	<u>1,732,283</u>	<u>1,562,607</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	9,639,890	7,915,551
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	1,831,579	1,563,321
Tax effect of expenses that are not deductible in determining taxable profit	19,041	24,324
Permanent capital allowances in excess of depreciation	29,011	77,599
Research and development tax credit	(108,680)	(84,984)
Effect of overseas tax rates	85,615	144,284
(Over) provided in prior years	(72,983)	(33,670)
Share options exercised	(59,082)	(37,505)
Deferred tax (credit)	(46,422)	(132,626)
Other adjustments	54,204	41,864
Taxation charge for the year	1,732,283	1,562,607

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

11 Dividends on shares

	2018 pence/share	2017 pence/share	2018 £	2017 £
Dividends on Ordinary shares				
Final dividend for the prior financial year	10	3	1,558,153	464,892
Interim dividend for the current financial year	20	10	3,097,857	1,557,150
	<u>30</u>	<u>13</u>	<u>4,656,010</u>	<u>2,022,042</u>
Final dividend for the current financial year	-	10		
	<u>-</u>	<u>10</u>		
Dividends on vested C Ordinary Series 1 shares				
	2018 pence/share	2017 pence/share	2018 £	2017 £
Final dividend for the prior financial year	0.74	-	1,074	-
Interim dividend for the current financial year	3.33	-	13,000	-
	<u>4.07</u>	<u>-</u>	<u>14,074</u>	<u>-</u>
Final dividend for the current financial year	-	0.74	4,670,084	2,022,042
	<u>-</u>	<u>0.74</u>	<u>4,670,084</u>	<u>2,022,042</u>

No dividends paid on unvested C Ordinary Series 1 shares or on unvested C Ordinary Series 2 shares. All C Ordinary Series 2 shares were unvested at the balance sheet date.

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
In respect of:					
Intangible assets	14	-	3,500	-	-
Recognised in:					
Administrative expenses		-	3,500	-	-

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

13 Tangible fixed assets

Group	Leasehold improvements	Plant & machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 July 2017	441,240	75,132	1,196,763	1,713,135
Additions	84,997	7,676	172,517	265,190
Disposals	-	-	(120,263)	(120,263)
Exchange adjustments	-	100	(8,446)	(8,346)
At 30 June 2018	526,237	82,908	1,240,571	1,849,716
Depreciation and impairment				
At 1 July 2017	16,554	66,329	806,674	889,557
Depreciation charged in the year	55,457	10,523	240,027	306,007
Eliminated in respect of disposals	-	-	(108,061)	(108,061)
Exchange adjustments	-	97	(4,852)	(4,755)
At 30 June 2018	72,011	76,949	933,788	1,082,748
Carrying amount				
At 30 June 2018	454,226	5,959	306,783	766,968
At 30 June 2017	424,686	8,803	390,089	823,578
Company				
	Leasehold improvements	Plant & machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 July 2017	441,240	71,543	892,541	1,405,324
Additions	84,997	-	108,712	193,709
At 30 June 2018	526,237	71,543	1,001,253	1,599,033
Depreciation and impairment				
At 1 July 2017	16,554	63,928	602,292	682,774
Depreciation charged in the year	55,457	7,615	187,921	250,993
At 30 June 2018	72,011	71,543	790,213	933,767
Carrying amount				
At 30 June 2018	454,226	-	211,040	665,266
At 30 June 2017	424,686	7,615	290,249	722,550

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

14 Intangible fixed assets

Group	Customer relationships £	Development costs £	Copyrights & licences £	Recordings in progress £	Total £
Cost					
At 1 July 2017	1,547,390	1,504,357	2,863,409	407,975	6,323,131
Additions	47,715	405,641	-	400,678	854,034
Disposals	-	-	(29,463)	-	(29,463)
Transfers	-	-	370,562	(370,562)	-
At 30 June 2018	1,595,105	1,909,998	3,204,508	438,091	7,147,702
Amortisation and impairment					
At 1 July 2017	202,217	987,320	830,225	-	2,019,762
Amortisation charged for the year	160,703	390,073	143,802	-	694,578
Disposals	-	-	(19,097)	-	(19,097)
At 30 June 2018	362,920	1,377,393	954,930	-	2,695,243
Carrying amount					
At 30 June 2018	1,232,185	532,605	2,249,578	438,091	4,452,459
At 30 June 2017	1,345,173	517,037	2,033,184	407,975	4,303,369
Company		Development costs £	Copyrights & licences £	Recordings in progress £	Total £
Cost					
At 1 July 2017		1,504,357	2,859,409	407,975	4,771,741
Additions		405,641	-	400,678	806,319
Disposals		-	(29,463)	-	(29,463)
Transfers		-	370,562	(370,562)	-
At 30 June 2018		1,909,998	3,200,508	438,091	5,548,597
Amortisation and impairment					
At 1 July 2017		987,320	826,224	-	1,813,544
Amortisation charged for the year		390,073	143,802	-	533,875
Disposals		-	(19,097)	-	(19,097)
At 30 June 2018		1,377,393	950,929	-	2,328,322
Carrying amount					
At 30 June 2018		532,605	2,249,579	438,091	3,220,275
At 30 June 2017		517,037	2,033,185	407,975	2,958,197

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

15 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	16	-	-	1,991,022	1,939,904

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.

During the year to 30 June 2018 the company incorporated a new wholly owned subsidiary, Audio Network Japan KK at a cost of £3,403 and increased its investment in Audio Network France SA by £47,715.

On 31 March 2017 the Company acquired 100% of the share capital of the French company A-Music EURL and changed the name of the acquired company to Audio Network France SAS. The initial consideration paid on the completion date was net of deferred consideration. Deferred consideration paid during the year to 30 June 2018 was £47,715 higher than the amount estimated by the directors on the date the 30 June 2017 accounts of the company were published reflecting positive adjustments arising from the final completion statements and better than expected post acquisition trading.

Audio Network France SAS turnover was £3,078,325 in the year to 30 June 2018 (2017 post-acquisition: £1,761,422).

Profit after tax for the year to 30 June 2018 was £106,756 (2017 post-acquisition: £139,461).

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 July 2017	1,939,904
Additions	51,118
At 30 June 2018	1,991,022
Carrying amount	
At 30 June 2018	1,991,022
At 30 June 2017	1,939,904

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

16 Subsidiaries

Details of the company's subsidiaries at 30 June 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Audio Network (Holland) BV	Weteringschans 165 1017 XD Amsterdam, Holland	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Australia Pty Ltd	Suite 11, Level 4, 2 Kings Lane, Darlinghurst, New South Wales, Australia 2010	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Canada Inc	8 Robert Attersley Dr. East, Whitby, Toronto, L1R 3E3, Canada	Publishing of music and sound recordings	Ordinary	100.00
Audio Network France SAS (formerly A-Music EURL)	Parc Gouraud, Immeuble les Alizes, 8 allée de l'Innovation, 02200 Soissons, France	Publishing of music and sound recordings	Ordinary	100.00
Audio Network GmbH	Seidlstraße 5, 80335 München, Germany	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Japan KK	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, Japan.	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Music Rights Ltd	The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS	Publishing of music and sound recordings	Ordinary	100.00
Audio Network US, Inc	2711 Centerville Road, Suite 400, Wilmington DE 19808, USA	Publishing of music and sound recordings	Ordinary	100.00
Trax 54 Limited	The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS	Publishing of music and sound recordings	Ordinary	100.00

17 Stock

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	25,443	14,593	15,753	1,088

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

18 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Debt instruments measured at amortised cost	13,947,853	11,906,850	12,889,936	9,873,315
Current asset investments	931,284	924,824	931,284	924,824
Cash at bank and in hand	7,415,337	6,491,415	3,883,998	3,909,295
Carrying amount of financial liabilities				
Measured at amortised cost	4,260,598	3,519,115	3,624,051	2,912,431

19 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	2,829,890	2,450,884	1,339,644	1,091,443
Corporation tax recoverable	37,511	6,636	-	-
Amounts due from group undertakings	-	-	7,879,973	5,959,285
Other debtors	121,957	132,580	9,984	6,524
Accrued income	10,973,275	9,301,531	3,637,604	2,794,208
Prepayments	470,818	621,469	415,258	521,800
	14,433,451	12,513,100	13,282,463	10,373,260
Amounts falling due after more than one year:				
Other debtors	22,731	21,855	22,731	21,855
Deferred tax asset (note 23)	71,224	27,055	30,323	-
	93,955	48,910	53,054	21,855
Total debtors	14,527,406	12,562,010	13,335,517	10,395,115

20 Current asset investments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Notice accounts	931,284	924,824	931,284	924,824

Included within Notice Accounts is Cash on 3 month notice account with a balance as at 30 June 2018 of £40,809 (2017: £40,656) and Cash on 6 month notice account with a balance as at 30 June 2018 of £890,475 (2017: £884,168).

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

21 Creditors: amounts falling due within one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Trade creditors	911,377	727,256	776,887	690,146
Corporation tax payable	1,087,374	961,151	908,508	653,929
Other taxation and social security	636,009	752,384	534,790	432,965
Deferred income	2,949,557	2,919,108	1,214,905	1,284,245
Other creditors	298,435	20,466	307,199	2,341
Accruals	3,050,785	2,771,393	2,539,965	2,219,944
	<u>8,933,537</u>	<u>8,151,758</u>	<u>6,282,254</u>	<u>5,283,570</u>

22 Provisions for liabilities

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Deferred tax liabilities	23	<u>12,008</u>	<u>13,537</u>	<u>-</u>	<u>11,465</u>

23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Accelerated capital allowances	-	103,250	(71,752)	-
Tax losses available	(40,841)	-	-	8,531
Share based payments	-	(70,247)	87,828	-
Short term timing differences	52,849	(19,466)	55,148	18,524
	<u>12,008</u>	<u>13,537</u>	<u>71,224</u>	<u>27,055</u>

Company	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Accelerated capital allowances	-	85,504	(65,507)	-
Share based payments	-	(70,247)	87,828	-
Short term timing differences	-	(3,792)	8,002	-
	<u>-</u>	<u>11,465</u>	<u>30,323</u>	<u>-</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

23 Deferred taxation

(Continued)

	Group 2018 £	Company 2018 £
Movements in the year:		
(Asset)/liability at 1 July 2017	(13,518)	11,465
Credit to profit or loss	(33,196)	(41,788)
Other	725	-
	<u>(45,989)</u>	<u>(30,323)</u>

At 30 June 2018, the group had tax losses of approximately £150,000 (2017: £28,437) available to carry forward for relief against taxable profits in future periods.

As 30 June 2018, the group had no deferred tax assets that have not been recognised in these accounts due to insufficient certainty over their recoverability (2017: nil deferred tax assets).

24 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>342,649</u>	<u>210,786</u>

Defined contribution pension schemes are operated for all qualifying employees. The assets of the schemes are held separately from those of the group in independently administered funds.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

25 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
15,738,450 (2017: 15,885,500) Ordinary shares of 1p each	157,385	158,855
935,000 (2017: 1,025,000) C Ordinary Series 1 shares of 1p each	9,350	10,250
100,000 (2017: Nil) C Ordinary Series 2 shares of 1p each	1,000	-
	<u>167,735</u>	<u>169,105</u>

During the year 128,091 (2017: 75,400) Ordinary shares were issued at a subscription price of £309,410 (2017: £138,800) under the company's share option schemes and 275,141 (2017: 116,972) Ordinary shares were purchased by the company from selling shareholders at a cost of £1,306,450 (2017: £467,888) plus stamp duty.

During the year no new C Ordinary Series 1 shares were issued (2017: 1,230,000 at a subscription price of £55,390) under the company's share option schemes and 90,000 (2017: 520,000) C Ordinary series 1 shares were purchased by the company from selling shareholders at a cost of £8,440 (2017: £22,060) plus stamp duty.

During the year 100,000 (2017: Nil) C Ordinary Series 2 shares were issued at a subscription price of £7,000 under the company's share option schemes.

C Ordinary shares are non-voting and only participate in dividends or capital growth to the extent that the Ordinary share price exceeds a Conversion Premium set at the time of each issue.

When vested, C Ordinary shares can be converted into an equivalent number of Ordinary shares upon payment by the member of the Conversion Premium per share. C Ordinary Series 1 shares have a Conversion Premium of £5 per share and C Ordinary Series 2 shares have a Conversion Premium of £6 per share.

The premium on issue of both Ordinary shares and C Ordinary shares during the year of £314,130 (2017: £181,136) has been recognised in share premium.

The company has share schemes whereby options over the Ordinary shares of 1p or over the C Ordinary shares of 1p each are granted to directors and employees.

The reconciliation of option movements over Ordinary shares during the year is shown below:

	2018	2017
	No of shares	No of shares
As at 1 July 2017	605,707	456,207
Exercised during the year	(128,091)	(75,400)
Waived or lapsed during the year	(46,000)	(40,100)
New options granted during the year	80,000	265,000
	<u>511,616</u>	<u>605,707</u>
As at 30 June 2018		

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

25 Share capital

(Continued)

During the year options over 128,091 Ordinary shares were exercised as follows :

Date of exercise	No of shares	Subscription price	£
October 2017 (***)	87,391	£2.20	192,260
October 2017 (***)	5,000	£2.50	12,500
October 2017 (***)	5,000	£2.60	13,000
October 2017 (***)	14,000	£3.80	53,200
April 2018 (***)	11,000	£2.20	24,200
April 2018 (***)	5,700	£2.50	14,250
	<u>128,091</u>		<u>309,410</u>

Share options marked (***) were held by employees under an Enterprise Management Incentive Scheme.

During the year options over 80,000 Ordinary shares were granted as follows:

Date of issue	No of shares	Subscription Price	Exercisable
February 2018 (***)	<u>80,000</u>	£5.50	15/02/2021 to 15/02/2028
	<u>80,000</u>		

Share options marked (***) were granted to employees under an Enterprise Management Incentive Scheme.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

25 Share capital

(Continued)

Outstanding options in existence at 30 June 2018 over 511,616 Ordinary shares are exercisable between the dates set out below :

No of shares	Subscription price	Exercisable
2,000(***)	£2.20	01/07/2013 to 30/06/2019
13,100(***)	£2.20	18/06/2014 to 17/06/2020
16,700(***)	£2.50	18/06/2015 to 17/06/2021
20,000(***)	£2.60	18/09/2015 to 17/09/2021
62,216(***)	£3.80	01/10/2016 to 30/09/2022
57,600(***)	£4.00	30/08/2017 to 29/08/2024
25,000(***)	£4.23	03/09/2018 to 03/09/2025
30,000(***)	£4.50	28/02/2018 to 27/02/2027
30,000(***)	£4.50	28/02/2019 to 27/02/2027
145,000(***)	£4.50	12/12/2019 to 11/12/2026
30,000(***)	£4.50	28/02/2020 to 27/02/2027
80,000(***)	£5.50	15/02/2021 to 15/02/2028
<u>511,616</u>		

Share options marked (***) were held by employees under an Enterprise Management Incentive Scheme.

The reconciliation of option movements over C Ordinary shares during the year is shown below:

	2018 No of shares	2017 No of shares
As at 1 July 2017	15,000	15,000
New options granted during the year	145,000	1,230,000
Exercised during the year	(100,000)	(1,230,000)
Waived or lapsed during the year	(15,000)	-
As at 30 June 2018	<u>45,000</u>	<u>15,000</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

25 Share capital

(Continued)

During the year options over 145,000 C Ordinary shares were granted as follows :

Date of issue	Series	No of shares	Subscription price	Conversion Premium	Exercisable
July 2017	Series 1	15,000	£0.22	£5.00	09/07/2018 to 09/07/2027
July 2017	Series 1	15,000	£0.22	£5.00	09/07/2019 to 09/07/2027
July 2017	Series 1	15,000	£0.22	£5.00	09/07/2020 to 09/07/2027
February 2018	Series 2	100,000	£0.07	£6.00	28/02/2018 to 28/02/2018
		<u>145,000</u>			

During the year options over 100,000 C Ordinary shares were exercised as follows :

Date of exercise	Series	Conversion Premium	No of shares	Subscription price	£
February 2018	Series 2	£6.00	100,000	£0.07	7,000
			<u>100,000</u>		<u>7,000</u>

Outstanding options over 45,000 C Ordinary Series 1 shares of 1p were in existence at 30 June 2018 and are exercisable between the dates set out below:

No of shares	Series	Subscription price	Conversion Premium	Exercisable
15,000(***)	Series 1	£0.22	£5.00	09/07/2018 to 09/07/2027
15,000(***)	Series 1	£0.22	£5.00	09/07/2019 to 09/07/2027
15,000(***)	Series 1	£0.22	£5.00	09/07/2020 to 09/07/2027
<u>45,000</u>				

Share options marked (***) were held by directors and employees under an Enterprise Management Incentive Scheme.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

25 Share capital

(Continued)

The options have been valued using the Black-Scholes valuation model. The following table lists the inputs to the Black-Scholes model used for the options issued in the year to 30 June 2018:

Dividend yield (per cent)	5%
Expected volatility (per cent)	15%
Risk-free interest rate (per cent)	1%
Expected life of share options (years)	3 years
Exercise price (£)	£5.22-£6.07

Expected volatility is determined by calculating the historical volatility of comparable companies in recognised exchanges in Western Europe. The volatility is based on market data, adjusted for the directors' perception of specific volatility associated with the company as the Company's share capital is not traded on any stock exchange and therefore has insufficient data of its own.

The dividend yield is based on the historic dividend yield of the company and the directors' expectations of future dividends. The risk-free interest rate is based on the return in UK Gilt Strips. The expected life of the share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur.

The resulting share based payment charge from the above valuations of £15,714 (2017: £6,222) has been recognised in the year to 30 June 2018.

26 Financial commitments

At the balance sheet date the group was committed to make the following lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	1,018,418	828,267	789,417	687,212
Between two and five years	2,193,204	2,346,248	1,907,482	2,346,248
	<u>3,211,622</u>	<u>3,174,515</u>	<u>2,696,899</u>	<u>3,033,460</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	804,846	846,047

There are no related party transactions other than those disclosed in Directors' transactions note.

28 Directors' transactions

During the year the company paid dividends of £1,833,428 (2017: £788,875) on shares held by four of the directors (2017: three).

Dan Marriott serves as the SG Growth Partners II Offshore AIV, LP representative on the Board. Dividend payments to SG Growth Partners II Offshore AIV, LP in the year to 30 June 2018 amounted to £1,561,232 (2017: £676,534).

During the prior year, a loan of £21,500 was made to a director. The balance outstanding on the loan as at 30 June 2018 inclusive of interest charged of £876 for the year, amounted to £22,731 (2017: £21,855).

29 Controlling party

There is no ultimate controlling party in the group.

30 Post balance sheet events

During the month of July 2018 a total of 4,600 C Ordinary Series 1 shares were sold back to the Company at £0.50 per share without being converted into Ordinary shares and a further 400 C Ordinary Series 1 shares were converted into 400 Ordinary shares on the payment by the holder of a Conversion Premium of £5.00 per share.

During the month of August 2018 a total of 14,900 new Ordinary shares were issued on the exercise of options at prices between £2.20 and £4.00 per share.

During the month of October 2018 a total of 800 new Ordinary shares were issued on the exercise of options at £2.20 per share.

On 5 November 2018 a further 6,400 new Ordinary shares were issued on the exercise of options at prices between £2.50 and £3.80 per share.