

Company Registration No. 4257337 (England and Wales)

**AUDIO NETWORK PLC**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2003**

**CARTWRIGHTS**  
Chartered Accountants  
Registered Auditors  
Regency House  
33 Wood Street  
Barnet  
Herts  
EN5 4BE



# AUDIO NETWORK PLC

## COMPANY INFORMATION

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<b>Directors</b>	R Hurst A Sunnucks J Fanaris M Ruffell J Sanderson B Stambler (Appointed 29 May 2003)
<b>Secretary</b>	R Hurst
<b>Company number</b>	4257337
<b>Registered office</b>	61 Holywell Hill St Albans Herts AL1 1HF
<b>Registered auditors</b>	Cartwrights Chartered Accountants Registered Auditors Regency House 33 Wood Street Barnet, Herts EN5 4BE
<b>Business address</b>	School Farm Studios Little Maplestead Halstead Essex C09 2SN
<b>Bankers</b>	Coutts & Co Media Banking 440 Strand London WC2 0QS  National Westminster Bank Plc High Street Halstead Essex C09 2AG
<b>Solicitors</b>	Calverts Solicitors 77 Weston Street London SE1 3RS

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# AUDIO NETWORK PLC

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# AUDIO NETWORK PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

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The directors present their report and financial statements for the year ended 30 June 2003.

### Principal activities and review of the business

The principal activity of the group is the publishing of music and sound effects, specialising in the supply of high quality content to the film, television and multi-media sectors.

The primary focus throughout the year has been on building the brand and customer base whilst continuing to create value for shareholders through the acquisition of publishing rights and the creation of recordings.

The group now owns the copyright in a comprehensive catalogue of over 80 hours of music created by sixty leading composers and has made available over 40,000 sound effects from the prestigious SoundStorm archives.

During November 2002 the group incorporated Audio Network (Projects) Limited as a new wholly owned subsidiary of the parent company to provide music and sound services for feature film projects.

To fund the next stage of development £232,000 of new equity finance was raised during the year, taking the year-end cash position to £251,000.

The price achieved for each new one penny share increased from 20 pence to 22.5 pence during the final quarter.

At 22.5 pence per share the value of the issued share capital of 9,531,633 ordinary shares would be £2.1m (2002: 8,420,000 shares @ 20p=£1.7m)

### Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

The main challenge faced by the group was the time that it took to achieve brand recognition and the critical mass of new product required to support strong sales growth of our music and sound effects library services. Growth in library sales finally started to accelerate during Q4 following strong customer endorsements.

As explained in the June 2002 Directors' Report, the directors expect royalty income from broadcasters to start flowing to the company during the year ending June 2004 and to ultimately become the group's primary source of income.

During its first period of trading Audio Network (Projects) Limited completed its first sound project for the film Mindhunters.

The key priority for the year ending June 2004 is to continue closing the gap between revenues and the investment in creating new intellectual property rights.

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 1 July 2002:

R Hurst

A Sunnucks

J Fanaris

M Ruffell

J Sanderson

J Switzer

B Stambler

(Resigned 29 May 2003)

(Appointed 29 May 2003)

# AUDIO NETWORK PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

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John Switzer resigned as a director on 29 May 2003 following his resignation from SoundStorm Inc to pursue his interest as an independent producer of feature films.

Oscar and BAFTA winning sound designer and President of SoundStorm Inc, Bruce Stambler joined the board on 29 May 2003 as the new SoundStorm shareholder representative.

### Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

	Ordinary shares of 1p each	
	30 June 2003	1 July 2002
R Hurst	1,460,250	1,460,250
A Sunnucks	1,460,250	1,460,250
J Fanaris	357,200	357,200
M Ruffell	475,500	375,000
J Sanderson	75,000	50,000
B Stambler	357,200	357,200

Share options have been granted to R Hurst, M Ruffell, J Sanderson and A Sunnucks, the details of which are set out in the notes to the accounts.

### Creditor payment policy

The group aims to pay all 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 2003, the number of days' credit taken for purchases by the group was 30 Days (2002: 30 Days).

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Cartwrights be reappointed as auditors of the company will be put to the Annual General Meeting.

# AUDIO NETWORK PLC

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

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### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

  
.....

R Hurst

Director

5 November 2003

# AUDIO NETWORK PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AUDIO NETWORK PLC

We have audited the financial statements of Audio Network plc on pages 5 to 17 for the year ended 30 June 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 30 June 2003 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Cartwrights

28/11/03  
.....

Chartered Accountants  
Registered Auditors  
Regency House  
33 Wood Street  
Barnet, Herts  
EN5 4BE

# AUDIO NETWORK PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 £	2002 £
Turnover	2	460,637	1,083
Cost of sales		(380,503)	-
<b>Gross profit</b>		80,134	1,083
Administrative expenses		(501,313)	(228,177)
Other operating income		25,000	10,000
<b>Operating loss</b>	3	(396,179)	(217,094)
Other interest receivable and similar income		5,223	2,272
<b>Loss on ordinary activities before taxation</b>	3	(390,956)	(214,822)
Tax on loss on ordinary activities	4	-	-
<b>Loss on ordinary activities after taxation</b>		(390,956)	(214,822)

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

There are no recognised gains and losses other than those passing through the profit and loss account.



# AUDIO NETWORK PLC

## BALANCE SHEETS AS AT 30 JUNE 2003

		Group		Company	
		2003	2002	2003	2002
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	6	92,760	50,915	92,760	50,915
Tangible assets	7	22,628	31,624	22,628	31,624
Investments	8	-	-	2	-
		<u>115,388</u>	<u>82,539</u>	<u>115,390</u>	<u>82,539</u>
<b>Current assets</b>					
Stocks	9	27,233	3,057	27,233	3,057
Debtors	10	58,292	24,787	43,142	24,787
Cash at bank and in hand		251,473	359,482	251,473	359,482
		<u>336,998</u>	<u>387,326</u>	<u>321,848</u>	<u>387,326</u>
<b>Creditors: amounts falling due within one year</b>	11	(193,005)	(51,860)	(174,645)	(51,860)
<b>Net current assets</b>		<u>143,993</u>	<u>335,466</u>	<u>147,203</u>	<u>335,466</u>
<b>Total assets less current liabilities</b>		<u>259,381</u>	<u>418,005</u>	<u>262,593</u>	<u>418,005</u>
<b>Capital and reserves</b>					
Called up share capital	13	95,316	84,200	95,316	84,200
Share premium account	14	769,843	548,627	769,843	548,627
Profit and loss account	14	(605,778)	(214,822)	(602,566)	(214,822)
<b>Shareholders' funds - equity interests</b>	15	<u>259,381</u>	<u>418,005</u>	<u>262,593</u>	<u>418,005</u>

The financial statements were approved by the board on 5 November 2003

  
.....  
R Hurst  
Director

  
.....  
A Sunnucks  
Director

# AUDIO NETWORK PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	2003		2002	
	£	£	£	£
<b>Net cash outflow from operating activities</b>		(290,166)		(184,843)
<b>Returns on investments and servicing of finance</b>				
Interest received	5,223		2,272	
<b>Net cash inflow for returns on investments and servicing of finance</b>		5,223		2,272
<b>Capital expenditure</b>				
Payments to acquire intangible assets	(51,284)		(51,735)	
Payments to acquire tangible assets	(4,114)		(39,039)	
<b>Net cash outflow for capital expenditure</b>		(55,398)		(90,774)
<b>Net cash outflow before management of liquid resources and financing</b>		(340,341)		(273,345)
<b>Financing</b>				
Issue of ordinary share capital	232,332		632,827	
<b>Net cash inflow from financing</b>		232,332		632,827
<b>(Decrease)/increase in cash in the year</b>		(108,009)		359,482

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

1	Reconciliation of operating loss to net cash outflow from operating activities		2003	2002
			£	£
	Operating loss		(396,179)	(217,094)
	Depreciation of tangible assets		13,112	7,415
	Amortisation of intangible assets		9,437	820
	Increase in stocks		(24,176)	(3,057)
	Increase in debtors		(33,505)	(24,787)
	Increase in creditors within one year		141,145	51,860
	Net cash outflow from operating activities		(290,166)	(184,843)

2	Analysis of net funds	1 July 2002	Cash flow	Other non-cash changes	30 June 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	359,482	(108,009)	-	251,473
	Net funds	359,482	(108,009)	-	251,473

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	(Decrease)/increase in cash in the year	(108,009)	359,482
	Movement in net funds in the year	(108,009)	359,482
	Opening net funds	359,482	-
	Closing net funds	251,473	359,482

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

#### 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 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### 1.4 Turnover

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

#### 1.5 Copyrights

Throughout the period the company has invested in both the acquisition of copyrights and the development of its own copyrights. Whereas the costs of acquiring copyrights are capitalised in the balance sheet as intangible fixed assets, development costs paid by the company such as producing, recording, mixing, mastering or categorisation are expensed as incurred.

Copyrights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives. In accordance with FRS 10 a maximum useful economic life of 20 years has been used as a basis of amortisation of copyrights, whereas in most territories music copyright exists for 70 years after the death of the composer.

#### 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 company is expected to benefit.

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

#### 1.7 Tangible fixed assets and depreciation

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

Plant and machinery	33.33% straight line
Computer equipment	33.33% straight line
Fixtures, fittings & equipment	20%-33.33% straight line

#### 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.

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

### 1 Accounting policies

(continued)

#### 1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

#### 1.11 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

#### 1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.13 Recognition of income

Income from the grant of usage rights is recognised from the date of grant unless the company has an ongoing obligation when subscriptions in advance are deferred and released to the profit and loss account over the subscription period. Royalty income is recognised on a receipts basis.

#### 1.14 Royalty advances to composers

Advances to composers are provided against to the extent that, in the directors' view they are not covered by anticipated future royalty income.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity as follows:

	2003	2002
	£	£
<b>Geographical market</b>		
United Kingdom	435,855	966
Rest of the world	24,782	117
	<u>460,637</u>	<u>1,083</u>

### 3 Operating loss

	2003	2002
	£	£
Operating loss is stated after charging:		
Depreciation of intangible assets	9,437	820
Depreciation of tangible assets	13,112	7,415
Auditors' remuneration (company £2,500 ; 2002 : £1,500 )	3,500	1,500
Remuneration of auditors for non-audit work	7,438	11,321

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

### 4 Taxation

On the basis of these financial statements no provision has been made for corporation tax as there are no profits chargeable to corporation tax. Losses are available for relief against future profits.

### 5 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	2003 £	2002 £
Holding company's loss for the financial year	(387,744)	(214,822)

### 6 Intangible fixed assets Group and company

	Copyrights £	Development Costs £	Total £
<b>Cost</b>			
At 1 July 2002	33,325	18,410	51,735
Additions	24,750	26,536	51,286
At 30 June 2003	58,075	44,946	103,021
<b>Amortisation</b>			
At 1 July 2002	820	-	820
Charge for the year	2,255	7,186	9,441
At 30 June 2003	3,075	7,186	10,261
<b>Net book value</b>			
At 30 June 2003	55,000	37,760	92,760
At 30 June 2002	32,505	18,410	50,915

The company has not revalued its catalogue of rights within the balance sheet. As a result of the development activities undertaken by the group, the directors' believe that the open market value of the copyrights and other rights owned by the company is significantly in excess of the balance sheet amount.

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

### 7 Tangible fixed assets Group and company

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 July 2002	13,168	25,872	39,040
Additions	25	4,091	4,116
	<hr/>	<hr/>	<hr/>
At 30 June 2003	13,193	29,963	43,156
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 July 2002	2,119	5,297	7,416
Charge for the year	4,394	8,718	13,112
	<hr/>	<hr/>	<hr/>
At 30 June 2003	6,513	14,015	20,528
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2003	6,680	15,948	22,628
	<hr/>	<hr/>	<hr/>
At 30 June 2002	11,049	20,575	31,624
	<hr/>	<hr/>	<hr/>

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

### 8 Fixed asset investments Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 July 2002	-
Additions	2
	<hr/>
At 30 June 2003	2
	<hr/>

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

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following company:

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Audio Network (Projects) Limited	England and Wales	Ordinary	100

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

	<b>Principal activity</b>
Audio Network (Projects) Limited	Music and sound effects projects for film

### 9 Stocks

	<b>Group</b> 2003 £	2002 £	<b>Company</b> 2003 £	2002 £
Raw materials and consumables	8,324	2,991	8,324	2,991
Finished goods and goods for resale	18,909	66	18,909	66
	<hr/>	<hr/>	<hr/>	<hr/>
	27,233	3,057	27,233	3,057
	<hr/>	<hr/>	<hr/>	<hr/>



# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

### 10 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	32,750	8,763	23,839	8,763
Other debtors	7,128	4,000	4,908	4,000
Prepayments and accrued income	18,414	12,024	14,395	12,024
	<u>58,292</u>	<u>24,787</u>	<u>43,142</u>	<u>24,787</u>

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

	2003	2002	2003	2002
	£	£	£	£
Other debtors	<u>4,908</u>	<u>4,000</u>	<u>4,908</u>	<u>4,000</u>

Other debtors due after more than one year relate to royalties paid in advance.

### 11 Creditors : amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade creditors	22,404	10,410	12,510	10,410
Amounts owed to group undertakings	-	-	2,662	-
Taxes and social security costs	14,515	7,692	7,543	7,692
Directors' current accounts	7,154	1,186	7,154	1,186
Other creditors	12,500	6,213	12,500	6,213
Accruals and deferred income	136,432	26,359	132,276	26,359
	<u>193,005</u>	<u>51,860</u>	<u>174,645</u>	<u>51,860</u>

### 12 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

#### Defined contribution

	2003	2002
	£	£
Contributions payable by the company for the year	<u>7,593</u>	<u>7,517</u>

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

13 Share capital	2003 £	2002 £
<b>Authorised</b>		
25,000,000 Ordinary shares of 1p each	<u>250,000</u>	<u>250,000</u>
<b>Allotted, called up and fully paid</b>		
9,531,633 Ordinary shares of 1p each	<u>95,316</u>	<u>84,200</u>

During the period Ordinary shares were issued as follows in order to finance the working capital commitments of the company:

Date	Number of shares	Price per share
25 November 2002	70,000	£0.20
4 April 2003	381,131	£0.20
16 June 2003	260,500	£0.20
17 June 2003	400,002	£0.225

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

	Number of shares	Subscription price	Exercisable
R Hurst*	2,500,000	£0.01	01/01/05 to 31/12/10
A Sunnucks*	2,500,000	£0.01	01/01/05 to 31/12/10
Sainty Hird & Partners	125,000	£0.20	01/07/02 to 31/12/06
R Jones	25,000	£0.25	01/01/06 to 31/12/10
J Squair	25,000	£0.25	01/01/06 to 31/12/10
S Turner	25,000	£0.25	01/01/06 to 31/12/10
R Hurst	375,000	£0.20	01/01/06 to 31/12/10
A Sunnucks	375,000	£0.20	01/01/06 to 31/12/10

Shares options up to a maximum of 2.5 million shares each have been issued to R Hurst and A Sunnucks under an Enterprise Management Incentive Scheme linked to the price achieved on a realisable event.

During the year share options held by M Ruffell and J Sanderson expired without being exercised.

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

### 14 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 July 2002	548,627	(214,822)
Retained loss for the year	-	(390,956)
Premium on shares issued during the year	221,216	-
Balance at 30 June 2003	<u>769,843</u>	<u>(605,778)</u>

### Company

	Share premium account £	Profit and loss account £
Balance at 1 July 2002	548,627	(214,822)
Retained loss for the year	-	(387,744)
Premium on shares issued during the year	221,216	-
Balance at 30 June 2003	<u>769,843</u>	<u>(602,566)</u>

### 15 Reconciliation of movements in shareholders' funds Group

	2003 £	2002 £
Loss for the financial year	(390,956)	(214,822)
Proceeds from issue of shares	232,332	632,827
Net (depletion in)/addition to shareholders' funds	(158,624)	418,005
Opening shareholders' funds	418,005	-
Closing shareholders' funds	<u>259,381</u>	<u>418,005</u>

### Company

	2003 £	2002 £
Loss for the financial year	(387,744)	(214,822)
Proceeds from issue of shares	232,332	632,827
Net (depletion in)/addition to shareholders' funds	(155,412)	418,005
Opening shareholders' funds	418,005	-
Closing shareholders' funds	<u>262,593</u>	<u>418,005</u>

# AUDIO NETWORK PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

16 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	172,047	76,580
Company pension contributions to money purchase schemes	6,657	7,410
	<u>178,704</u>	<u>83,990</u>

### 17 Transactions with directors

During the period A Sunnucks received £1,200 (2002: £1,145) rent in respect of the occupation of the business premises by the company.

### 18 Employees

#### Number of employees

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

	2003 Number	2002 Number
Management and administration	<u>6</u>	<u>3</u>

#### Employment costs

	£	£
Wages and salaries	239,990	83,716
Social security costs	24,621	5,497
Other pension costs	7,593	7,517
	<u>272,204</u>	<u>96,730</u>