

AUDIO NETWORK LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014



AUDIO NETWORK LIMITED

CONTENTS

	PAGE
STRATEGIC REPORT	1 - 3
DIRECTORS' REPORT	4 - 6
INDEPENDENT AUDITORS' REPORT	7 - 8
CONSOLIDATED PROFIT AND LOSS ACCOUNT & CONSOLIDATED STATEMENT OF RECOGNISED GAINS & LOSSES	9
BALANCE SHEETS	10
CONSOLIDATED CASH FLOW STATEMENT	11
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13 - 28

AUDIO NETWORK LIMITED

Company Information

Directors:

Executive Directors

Juliette Bingham (CSO) (nee Squair)
Christopher Blakeston (COO)
Robert Hurst (CEO)
Andrew Sunnucks (Chairman)

Non Executive Directors

Dan Marriott (appointed 24 July 2013)
Miles Ruffell
John Sanderson

Company Secretary:

Robert Hurst

Company number:

4257337

Registered Office:

School Farm Studios
Little Maplestead
Halstead
Essex, C09 2SN

Auditors:

HW Fisher & Company
Chartered Accountants
Acre House
11-15 William Road
London, NW1 3ER

Principal Business Addresses:

Audio Network Limited
54 St John's Square
London, EC1V 4JL
England
Tel: 020 7566 1441

Audio Network Limited
School Farm Studios
Halstead, Essex
C09 2SN, England
Tel: 01787 477 277

Audio Network Australia Pty Ltd
645 Harris Street
Ultimo, NSW 2007
Australia
Tel: 02 8204 0100

Audio Network Canada Inc
8 Robert Attersley Dr. East
Whitby, Toronoto,
L1R 3E3, Canada
Tel: +1 905 655 4897

Audio Network GmbH
Tal 30/02, Stock
8031 Munchen
Germany
Tel: 089 189 46 817

Audio Network (Holland) BV
Vijzelstraat 20-IV
1017 HK
Amsterdam, Holland
Tel: + 31 (0) 20 820 3830

Audio Network US, Inc
9465 Wilshire Blvd
Suite 300
Beverly Hills
CA 90212, USA
Tel +1 310 889 0109

Audio Network US, Inc
48 West 25th Street
New York
NY 10010
USA
Tel: +1 646 688 4320

Email: office@audionetwork.com

Web site: www.audionetwork.com

Strategic Report

The directors are pleased to present the annual report and financial statements of the group for the year ended 30 June 2014.

Principal activity and review of the business

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

Your board continued to follow a strategy of investment for long term growth whilst delivering year-on-year organic growth in turnover, operating cash flow and profit.

We are therefore pleased to report another year of excellent growth in our composer team, music catalogue and customer base and another year of profitable growth.

The group continued to invest in the commissioning and development of new music copyrights and in the worldwide promotion of our music and composers whilst also increasing our investment in technology and the development of enhanced digital distribution platforms.

Results

The consolidated profit and loss account for the year is set out on page 9.

Highlights

- Turnover (group and share of joint venture) up 23% to £15.4m
- Profit before taxation up 24% to £5.9m
- Operating cash flow up 28% to £5.6m

Turnover growth reported in our sterling denominated financial statements has absorbed approximately £800,000 of adverse foreign exchange movement as a result of the Canadian dollar, US dollar, Australian dollar and Euro exchange rates falling by 14%, 13%, 9% and 7% respectively against a stronger British pound.

Strong revenue growth in local currencies has led to growth in sterling profit and operating cash flow after absorbing both the adverse foreign exchange impact on revenue conversion into sterling and after absorbing write-downs on foreign currency assets held by the UK company.

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 internet will continue to have on the business models and music budgets of broadcasters and production companies.

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

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

Your management seeks to maintain a strong customer focused culture anticipating change and has adopted an agile and innovative approach seeking to turn risks of change into opportunities.

AUDIO NETWORK LIMITED

Strategic Report (continued)

Financial Risk Management

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

Price Risk

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

Credit Risk

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

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

Foreign Currency Risk

The group has significant and growing overseas operations.

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

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

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.

Derivatives & Other Financial Instruments

The group's financial instruments comprise items such as trade receivables and trade payables that arise directly from its operations.

It continues to be the group's policy not to trade in financial instruments.

Interest Rate Risk

Cash balances are placed so as to maximise interest earned while maintaining the working capital requirements of the business without placing all cash reserves on deposit with a single financial institution.

The group has no long term loans or other long term borrowings.

AUDIO NETWORK LIMITED

Strategic Report (continued)

Key Performance Indicators

Our composer team grew by 29% during the year from 440 to 566.

We grew our music catalogue organically by 15,399 tracks (24%) from 64,126 tracks at the start of the year to 79,525 tracks by the end of the year.

The number of tracks live on our website grew by 14,569 tracks (23%) from 62,124 tracks at the start of the year to 76,693 tracks by the end of the year.

Group turnover grew by £2.9m (23%) from £12.5m to £15.4m inclusive of our share of joint venture turnover (2013 growth: £3.2m).

International revenues after conversion into sterling grew by £2.6m (34%) from £7.7m to £10.3m inclusive of our share of joint venture turnover (2013 growth: £2.3m) with particularly strong growth from continental Europe.

International revenues now account for 67% of total revenue (2013 : 62%).

Turnover from the UK market grew by £0.3m (6%) to £5.1m from £4.8m (2013 growth: £0.9m).

Group subscription churn rates remained low at 9% (2013: 8%).

The Group launched a new office in Los Angeles during the year.

Net cash reserves of £3.4m were held by the group at 30 June 2014 (2013: £3.0m) after paying £2.0m of dividends (2013: £2.8m), share buy-backs by the Company of £0.9m (2013: £Nil) and corporation tax payments of £1.1m (2013: £1.0m).

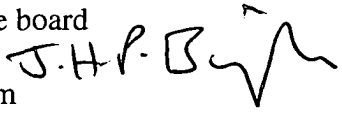
Share Buy-backs

Special resolutions were passed by shareholders during the year authorising the company to buy back a total of 274,388 Ordinary shares of one penny each from selling shareholders. The repurchased shares, representing less than 2% of the issued Ordinary share capital, were purchased at a cost of £953,520 inclusive of stamp duty. The share buy-backs allowed the company to continue trading for the benefit of the non-selling shareholders without management time being diverted to manage a sale process 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


Juliette Bingham
Chief Strategy Officer

Date: 21 October 2014

AUDIO NETWORK LIMITED

Directors' Report

Directors

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

Juliette Bingham	(nee Squair)	Chief Strategy Officer
Christopher Blakeston		Chief Operating Officer
Robert Hurst		CEO, Founder
Dan Marriott	(appointed 24 July 2013)	Non Executive
Miles Ruffell		Non Executive
John Sanderson		Non Executive
Andrew Sunnucks		Chairman, Founder
John Whittingdale	(resigned 24 July 2013)	Non Executive

SG Growth Partners II Offshore AIV, LP ("Stripes Group") purchased approximately 27% of the issued Ordinary share capital of the company from selling shareholders on 24 July 2013.

John Whittingdale resigned as a director following completion of the transaction to make room for the appointment of Dan Marriott as the Stripes Group representative on the Board.

Political Donations

The Company made no political donations during the year (2013: Nil).

Employee involvement

Within the bounds of commercial confidentiality, information is disseminated to all employees about matters that affect the progress of the company and are of concern to them as employees.

Where deemed appropriate by the directors, cash or equity based incentive schemes are regularly used as an integral part of employee remuneration packages to help align the interests of employees with the long term interests of our composers, shareholders and other stakeholders.

Disabled persons

Disabled persons are employed by the group when they appear to be suited to a particular position. The aptitude and abilities of disabled persons are more easily met in certain aspects of the group's business and every effort is made to ensure that they are given full and fair consideration.

Post Balance Sheet Event

On 1st July 2014, Audio Network Australia Pty Ltd became a 100% subsidiary of the company when the company acquired the 49% equity interest held by the joint venture shareholder.

Consideration of A\$1.0m was paid on completion with further deferred consideration of between Nil and A\$0.2m being contingent upon post-acquisition trading to 30 June 2015.

Completion and change of control both occurred after the balance sheet date of these consolidated financial statements, accordingly the company's prior 51% shareholding continued to be treated as a joint venture throughout these consolidated financial statements.

AUDIO NETWORK LIMITED

Directors' Report (continued)

Dividends

A final dividend for the prior year of three pence (£0.03) per ordinary share was paid during the current year (2013: £0.08).

A first interim dividend for the current year of five pence (£0.05) per ordinary share was paid during April 2014 (2013: £0.05).

A second interim dividend for the current year of five pence (£0.05) per ordinary share was paid during June 2014 (2013: £0.05).

The directors recommend a final dividend of three pence (£0.03) on each of the ordinary shares entitled thereto (2013: £0.03) bringing the total dividend for the current year to thirteen pence (£0.13) per ordinary share (2013: £0.13).

Creditor payment policy

The group aims to pay all of its suppliers within a reasonable period of their invoices being received and approved, provided that the supplier has performed in accordance with the relevant terms and conditions. At 30 June 2014, the number of days' credit taken for the purchases by the group was 30 days (2013: 30 days).

Auditors

HW Fisher & Company have indicated their willingness to continue in office and a resolution to appoint them as auditors will be proposed at the next board meeting.

Directors' responsibilities

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 company and of the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

Directors' Report (continued)

Directors' responsibilities (continued)

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

Statement of disclosure to auditors

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

On behalf of the board



Robert Hurst
Chief Executive Officer

Date: 21 October 2014

AUDIO NETWORK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AUDIO NETWORK LIMITED

We have audited the financial statements of Audio Network Limited for the year ended 30 June 2014 set out on pages 9 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained on pages 5 to 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Rich
(Senior Statutory Auditor)
for and on behalf of H W Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

Dated: 21 October 2014

AUDIO NETWORK LIMITED

Consolidated Profit & Loss Account

for the year ended 30 June 2014

	Notes	2014 £	2013 £
Turnover: Group and share of joint venture		15,409,001	12,511,335
Less: Share of joint venture turnover		(649,256)	(556,073)
TURNOVER	2	14,759,745	11,955,262
Cost of sales		(543,397)	(569,222)
Gross profit		14,216,348	11,386,040
Distribution costs		(57,251)	(74,114)
Administrative expenses		(8,376,764)	(6,666,958)
Other operating income		131	22
OPERATING PROFIT	3	5,782,464	4,644,990
Share of operating profit of joint venture		41,006	5,578
Operating profit: Group and share of joint venture		5,823,470	4,650,568
Interest receivable and similar income		69,450	88,278
Share of interest receivable of joint venture		1,100	2,369
		5,894,020	4,741,215
Interest payable and similar charges		(3,792)	-
Share of interest payable of joint venture		(2,868)	(8,712)
Profit on ordinary activities before taxation	2	5,887,360	4,732,503
Tax on profit on ordinary activities	4	(1,247,597)	(970,219)
Share of taxation credit of joint venture		1,118	-
Profit after taxation		4,640,881	3,762,284

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

Consolidated Statement of Recognised Gains and Losses

for the year ended 30 June 2014


	2014 £	2013 £
Profit for the year	4,640,881	3,762,284
Currency translation differences	(217,833)	28,066
Total recognised gains and losses relating to the year	4,423,048	3,790,350

Balance Sheets


As at 30 June 2014

	Notes	Group		Company	
		2014	2013	2014	2013
		£	£	£	£
Fixed assets					
Intangible assets	6	2,172,396	1,527,875	2,172,396	1,527,875
Tangible assets	7	372,115	325,743	265,336	249,941
Investments	8	27,637	-	188,567	994,657
		<u>2,572,148</u>	<u>1,853,618</u>	<u>2,626,299</u>	<u>2,772,473</u>
Current assets					
Stocks	9	16,025	18,083	12,500	15,258
Debtors	10	5,632,388	4,997,691	4,523,275	3,691,481
Cash at bank and in hand		3,926,951	2,955,963	3,625,652	2,638,955
		<u>9,575,364</u>	<u>7,971,737</u>	<u>8,161,247</u>	<u>6,345,694</u>
Creditors: amounts falling due within one year	11	(4,314,149)	(3,631,384)	(3,578,065)	(2,939,027)
Net current assets		<u>5,261,215</u>	<u>4,340,353</u>	<u>4,583,362</u>	<u>3,406,667</u>
Provisions for liabilities and charges	12	(56,516)	-	(37,666)	(15,864)
Total assets less total liabilities	2	<u>7,776,847</u>	<u>6,193,971</u>	<u>7,171,995</u>	<u>6,163,276</u>
Capital & reserves					
Called up share capital	13	165,931	162,456	165,931	162,456
Share premium account	14	3,379,238	3,227,896	3,379,238	3,227,896
Capital redemption reserve	14	2,744	-	2,744	-
Shares held under JSOP	14	(1,290,000)	(1,290,000)	(1,290,000)	(1,290,000)
Profit and loss account	14	5,518,934	4,093,619	4,914,082	4,062,924
Shareholders' funds	15	<u>7,776,847</u>	<u>6,193,971</u>	<u>7,171,995</u>	<u>6,163,276</u>

Approved by the board on and authorised for issue on 21 October 2014



 Robert Hurst
 Chief Executive Officer



 Christopher Blakeston
 Chief Operating Officer

AUDIO NETWORK LIMITED

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	2014		2013	
	£	£	£	£
Net cash flow from operating activities (Note 1)		5,645,043		4,416,691
Returns on investments and servicing of finance				
Interest received	70,550		90,647	
Interest paid	<u>(6,660)</u>		<u>(8,712)</u>	
Net cash inflow for returns on investments and servicing of finance		63,890		81,935
Taxation				
UK tax paid	(917,059)		(926,604)	
Foreign tax paid	(125,541)		(64,281)	
Withholding tax paid	<u>(68,387)</u>		<u>(38,749)</u>	
Total Taxation paid		(1,110,987)		(1,029,634)
Capital expenditure				
Net investment in Joint Venture	(27,637)		-	
Payments to acquire intangible assets	(889,591)		(477,870)	
Payments to acquire tangible assets	<u>(182,670)</u>		<u>(176,753)</u>	
Net cash outflow for capital expenditure		(1,099,898)		(654,623)
Net cash inflow before financing		<u>3,498,048</u>		<u>2,814,369</u>
Financing				
Issue of Ordinary share capital	151,321		1,434,640	
Issue of B Ordinary share capital	6,240		-	
Issue of short term loans	530,945		-	
Loan to employee share trust	-		(1,290,000)	
Purchase of own shares	<u>(953,520)</u>		<u>-</u>	
Net cash (outflow) / inflow from financing		(265,014)		144,640
Dividends paid		(2,044,213)		(2,839,541)
Increase in cash in the year (Notes 2 & 3)		<u>1,188,821</u>		<u>119,468</u>

AUDIO NETWORK LIMITED

Notes to the Consolidated cash flow statement

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

	<u>2014</u>	<u>2013</u>
	£	£
Operating profit: group and share of joint venture	5,823,470	4,650,568
Depreciation of tangible fixed assets	136,298	129,611
Amortisation of intangible fixed assets	245,070	166,287
Decrease / (increase) in stocks	2,058	(1,143)
Increase in debtors	(701,933)	(1,273,492)
Increase in creditors due within one year	140,080	744,860
	<u>5,645,043</u>	<u>4,416,691</u>

(2) Analysis of net funds

	1 July 2013	Cash flow	Other non-	30 June 2014
	£	£	cash changes	£
Net cash:				
Short term loans	-	(530,945)	-	(530,945)
Cash at bank and in hand	2,955,963	1,188,821	(217,833)	3,926,951
Net funds	<u>2,955,963</u>	<u>657,876</u>	<u>(217,833)</u>	<u>3,396,006</u>

(3) Reconciliation of net cash to movement in debt

	<u>2014</u>	<u>2013</u>
	£	£
Increase in cash in the year	1,188,821	119,468
Increase in short term loans	(530,945)	-
Currency translation differences	(217,833)	28,066
Movement in net funds in the year	<u>440,043</u>	<u>147,534</u>
Opening net funds	2,955,963	2,808,429
Closing net funds	<u>3,396,006</u>	<u>2,955,963</u>

Notes to the Consolidated Financial Statements

1 Accounting Policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3. Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2014. The results of subsidiaries acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated on consolidation.

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

1.4 Turnover

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

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

Royalty income is recognised on an accruals basis.

1.5 Copyrights and Licences

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

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

1.6 Development costs

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

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

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

Accounting Policies (continued)

1.7 Tangible fixed assets and Depreciation

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

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

1.8 Investments

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

1.9 Stock

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

1.10 Pensions

The company operates a defined contribution stakeholder pension scheme for the benefit of its employees. Audio Network US, Inc introduced a defined contribution pension plan during the year. Contributions payable to the schemes, or to Self Invested Personal Pension Schemes (SIPPs) held by two directors, are charged to the profit and loss account in the year they are payable.

1.11 Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from a revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred assets and liabilities are not discounted.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account. Closing balances of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

1.13 Operating leases

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.14 Interest income and expenses

Interest income and expenses are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

AUDIO NETWORK LIMITED**Notes to the Consolidated Financial Statements (continued)****2 Geographical information**

The turnover and profit of the group arise from the principal activity, the publishing of music and sound recordings commissioned from the United Kingdom.

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

	Turnover by source		Profit before tax		Net assets	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£	£	£
Group						
United Kingdom	8,298,288	7,106,594	5,029,663	4,153,097	6,983,428	5,168,618
North America (*)	3,859,236	3,253,339	649,694	521,440	510,869	897,536
Continental Europe (*)	2,054,992	1,118,131	168,765	58,731	254,913	141,216
Australasia (*)	547,229	477,198	39,238	(765)	27,637	(13,399)
	<u>14,759,745</u>	<u>11,955,262</u>	<u>5,887,360</u>	<u>4,732,503</u>	<u>7,776,847</u>	<u>6,193,971</u>

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

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

	<u>2014</u>	<u>2013</u>
	£	£
Group		
United Kingdom	5,063,724	4,790,478
North America	4,120,585	3,334,749
Continental Europe	4,349,910	2,858,094
Australasia	593,854	509,102
Rest of the World	631,672	462,839
	<u>14,759,745</u>	<u>11,955,262</u>

3 Operating profit

Operating profit is stated after charging:

	<u>2014</u>	<u>2013</u>
	£	£
Amortisation of intangible fixed assets	245,070	166,287
Depreciation of tangible fixed assets	140,258	128,330
Operating lease rentals	339,161	232,034
Foreign exchange loss / (gain)	168,812	(17,536)
Auditor's remuneration (company £23,000 ; 2013:£21,000)	28,000	25,000
Remuneration of auditors for non-audit work	15,501	27,521

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

	<u>2014</u> £	<u>2013</u> £
Current tax charge		
Charge for the current year	1,022,395	945,876
Adjustment re prior periods	(51,745)	3,502
Deferred tax charge		
Charge / (credit) for the current year (Note 12)	123,752	(87,584)
Foreign tax charge		
Foreign tax charge	159,377	108,425
Adjustment re prior periods	(6,182)	-
	<u>1,247,597</u>	<u>970,219</u>
Factors affecting the years' tax charge		
Profit on ordinary activities before taxation	5,887,630	4,732,503
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 22.5% (2013: 23.75%)	1,324,717	1,123,970
Effects of:		
Non deductible expenses	20,480	19,934
Depreciation add back	59,261	53,011
Capital allowances	(55,812)	(47,863)
Qualifying research & development expenditure	(45,748)	-
Share options exercised	(45,390)	(57,228)
Group brought forward tax losses utilised	(33,602)	(66,165)
Increase in tax losses	3,159	3,535
Adjustment re prior periods	(57,927)	10,264
Deferred tax charge / (credit)	123,752	(84,846)
Other adjustments	(45,293)	15,607
Current tax charge	<u>1,247,597</u>	<u>970,219</u>

5 Profit for the financial year

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

	<u>2014</u> £	<u>2013</u> £
Holding company's profit for the financial year	<u>3,848,891</u>	<u>3,208,203</u>

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

6 Intangible fixed assets	Copyrights	Recordings	Development	Total
Group & Company	& Licences	in progress	costs	
	£	£	£	£
Cost				
At 1 July 2013	1,456,764	211,938	342,946	2,011,648
Additions	-	363,210	526,381	889,591
Transfers	339,994	(339,994)	-	-
Disposals	-	-	(80,305)	(80,305)
At 30 June 2014	<u>1,796,758</u>	<u>235,154</u>	<u>789,022</u>	<u>2,820,934</u>
Amortisation				
At 1 July 2013	339,247	-	144,526	483,773
Charge for the year	87,549	-	157,521	245,070
Disposals	-	-	(80,305)	(80,305)
At 30 June 2014	<u>426,796</u>	<u>-</u>	<u>221,742</u>	<u>648,538</u>
Net book amount				
At 30 June 2014	<u>1,369,962</u>	<u>235,154</u>	<u>567,280</u>	<u>2,172,396</u>
At 1 July 2013	<u>1,117,517</u>	<u>211,938</u>	<u>198,420</u>	<u>1,527,875</u>

7 Tangible fixed assets	Plant &	Fixtures,	Vehicles	Total
Group	Machinery	Fittings &		
		Equipment		
	£	£	£	£
Cost				
At 1 July 2013	38,194	475,863	-	514,057
Additions	1,551	174,470	20,616	196,637
Disposals	-	(45,643)	-	(45,643)
Currency translation differences	(66)	(13,024)	(877)	(13,967)
At 30 June 2014	<u>39,679</u>	<u>591,666</u>	<u>19,739</u>	<u>651,084</u>
Depreciation				
At 1 July 2013	38,138	150,176	-	188,314
Charge for the year	92	137,073	3,093	140,258
Disposals	-	(45,643)	-	(45,643)
Currency translation differences	(2)	(3,826)	(132)	(3,960)
At 30 June 2014	<u>38,228</u>	<u>237,780</u>	<u>2,961</u>	<u>278,969</u>
Net book amount				
At 30 June 2014	<u>1,451</u>	<u>353,886</u>	<u>16,778</u>	<u>372,115</u>
At 1 July 2013	<u>56</u>	<u>325,687</u>	<u>-</u>	<u>325,743</u>

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

7 Tangible fixed assets (continued) Company

	Plant & Machinery	Fixtures, Fittings & Equipment	Total
	£	£	£
Cost			
At 1 July 2013	38,194	360,203	398,397
Additions	-	121,257	121,257
Disposals	-	-	-
At 30 June 2014	<u>38,194</u>	<u>481,460</u>	<u>519,654</u>
Depreciation			
At 1 July 2013	38,138	110,318	148,456
Charge for the year	56	105,806	105,862
Disposals	-	-	-
At 30 June 2014	<u>38,194</u>	<u>216,124</u>	<u>254,318</u>
Net book amount			
At 30 June 2014	<u>-</u>	<u>265,336</u>	<u>265,336</u>
At 1 July 2013	<u>56</u>	<u>249,885</u>	<u>249,941</u>

8 Fixed asset investments Group

	<u>2014</u>	<u>2013</u>
	£	£
Interest in joint venture		
At 1 July 2013	-	-
Amounts owed by joint venture as at 1 July 2013	(13,399)	(13,742)
Share of profit / (loss)	40,356	(765)
Currency translation differences	680	1,108
Offset against amounts owed by joint venture (Note 10)	-	13,399
At 30 June 2014	<u>27,637</u>	<u>-</u>

The group's share of joint venture comprises

	Audio Network Australia Pty Ltd	
	<u>2014</u>	<u>2013</u>
	£	£
Turnover	<u>649,256</u>	<u>556,073</u>
Profit / (loss)	<u>49,356</u>	<u>(765)</u>
Fixed assets	8,976	13,350
Current assets	274,567	246,726
Current liabilities	(255,906)	(273,475)
Net assets / (liabilities)	<u>27,637</u>	<u>(13,399)</u>

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

	<u>2014</u>	<u>2013</u>
Cost	£	£
Shares in group companies	154,469	37,503
Shares in joint venture company	34,098	34,098
Equity loan to group companies	-	923,056
	<u>188,567</u>	<u>994,657</u>
Balance at 1 July 2013	994,657	964,173
Increase in investment in Audio Network US, Inc	116,966	-
(Decrease) / increase in equity loan to Audio Network US, Inc	(923,056)	30,484
Balance at 30 June 2014	<u>188,567</u>	<u>994,657</u>

During the year equity loans totalling \$1.4m made in prior years by the company to Audio Network US, Inc were repaid facilitating an additional investment by the company of \$0.2m in the shares of the US company.

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

Holdings of more than 20%

As at 30 June 2014 the company held more than 20% of the share capital of the following companies each undertaking the principal activity of Music Publisher:

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

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

9 Stocks

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£
Raw materials & consumables	16,025	7,397	12,500	7,397
Finished goods and goods for resale	-	10,686	-	7,861
	<u>16,025</u>	<u>18,083</u>	<u>12,500</u>	<u>15,258</u>

10 Debtors

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£
Trade debtors	993,621	858,085	686,736	574,523
Amounts owed by group companies	-	-	1,557,403	775,874
Amounts owed by joint venture	152,600	208,494	152,600	221,893
Other debtors	20,622	11,992	14,065	314
Prepayments	280,257	178,099	208,767	107,266
Accrued income	4,185,288	3,673,785	1,903,704	2,011,611
Deferred tax asset (Note 12)	-	67,236	-	-
	<u>5,632,388</u>	<u>4,997,691</u>	<u>4,523,275</u>	<u>3,691,481</u>

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

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£
Amounts owed by group companies	-	-	155,088	12,201
Amounts owed by joint venture	-	22,604	-	36,003
	<u>-</u>	<u>22,604</u>	<u>155,088</u>	<u>48,204</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	£	£	£	£
Trade creditors	712,145	541,189	704,003	530,241
Corporation tax	516,621	504,881	407,095	421,891
Taxes and social security costs	317,316	289,996	300,962	269,837
Director loan accounts	307,000	-	307,000	-
Other loans	223,945	-	223,945	-
Other creditors	26,002	3,463	19,181	-
Accruals	794,040	955,821	625,509	808,134
Deferred income	1,417,080	1,336,034	990,370	908,924
	<u>4,314,149</u>	<u>3,631,384</u>	<u>3,578,065</u>	<u>2,939,027</u>

AUDIO NETWORK LIMITED**Notes to the Consolidated Financial Statements (continued)****12 Provisions for liabilities and charges**

Company	<u>2014</u>	<u>2013</u>
	£	£
Deferred tax liability balance at 1 July 2013	(15,864)	(20,348)
Deferred tax (charge) / credit for year (Note 4)	(21,802)	4,484
Deferred tax liability balance at 30 June 2014	<u>(37,666)</u>	<u>(15,864)</u>

Deferred tax is provided at 20% (2013:23%)
analysed over the following timing differences:

Accelerated capital allowances	(45,470)	(22,500)
Short term timing differences	7,804	6,636
	<u>(37,666)</u>	<u>(15,864)</u>

Group

Deferred tax asset / (liability) balance at 1 July 2013	67,236	(20,348)
Deferred tax (charge) / credit for year (Note 4)	(123,752)	87,584
Deferred tax asset included in debtors (Note 10)	-	(67,236)
Deferred tax liability balance at 30 June 2014	<u>(56,516)</u>	<u>-</u>

Deferred tax is provided at rates between 20% and 45%
(2013: between 23% and 40%) analysed over the
following timing differences:

Accelerated capital allowances	(86,693)	(22,500)
Short term timing differences	30,177	6,636
	<u>(56,516)</u>	<u>(15,864)</u>
Overseas tax losses available	13,938	104,776
	<u>(42,578)</u>	<u>88,912</u>
Unrecognised deferred tax asset	(13,938)	(21,676)
Deferred tax (liability) / asset	<u>(56,516)</u>	<u>67,236</u>

At 30 June 2014, the group had overseas tax losses of approximately £46,000 (2013: £270,000)
available to carry forwards for relief against overseas taxable profits in future periods.

Deferred tax assets of £13,938 (2013: £21,676) have not been recognised in these accounts
because there is insufficient certainty over their recoverability.

13 Share capital

	<u>2014</u>	<u>2013</u>
	£	£
Allotted, called up and fully paid:		
16,073,093 (2013: 16,245,599) Ordinary shares of 1p each	160,731	162,456
520,000 (2013 : Nil) B Ordinary shares of 1p each	5,200	-
	<u>165,931</u>	<u>162,456</u>

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

13 Share capital (continued)

During the year 101,882 Ordinary shares were issued at a subscription price of £151,321 under the company's share option schemes and 274,388 Ordinary shares were purchased by the company from selling shareholders at a cost of £948,765 plus stamp duty of £4,755.

520,000 B Ordinary shares were issued during the year to Juliette Bingham at a market value subscription price of £6,240 (1.2p a share). B Ordinary shares are redeemable at 1p a share and only participate in dividends to the extent that the dividend payment on Ordinary shares exceeds 30 pence per Ordinary share.

The premium on issue of shares during the year of £151,342 has been recognised in share premium.

The shareholders of the company passed a special resolution on 25 September 2014 authorising the company to amend its articles of association to include a new class of share, C Ordinary shares of one penny each. 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. C Ordinary shares can be converted into Ordinary shares at the Conversion Premium. No C Ordinary shares had been issued by the company as at 30 June 2014.

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

	2014	2013
	No of shares	No of shares
As at 1 July 2013	534,700	806,867
Exercised during the year	(101,882)	(130,500)
Waived or lapsed during the year	(75,900)	(241,667)
New options granted during the year	226,566	100,000
As at 30 June 2014	<u>583,484</u>	<u>534,700</u>

During the year options over 101,882 Ordinary shares were exercised as follows :

Date of exercise	No of shares	Subscription price	£
July 2013	100	£3.50	350
September 2013 (***)	40,000	£1.12	44,800
September 2013 (***)	37,000	£1.60	59,200
September 2013 (***)	7,000	£2.20	15,400
September 2013	1,150	£3.80	4,370
November 2013 (***)	3,125	£1.60	5,000
February 2014 (***)	400	£1.60	640
April 2014 (***)	3,125	£1.60	5,000
April 2014 (***)	5,000	£1.12	5,600
June 2014 (***)	4,982	£2.20	10,961
	<u>101,882</u>		<u>151,321</u>

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

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

During the year options over 226,566 Ordinary shares were granted as follows :

Date of issue	No of shares	Subscription price	Exercisable
July 2013	100	£3.50	31/07/2013 to 31/07/2013
September 2013 (***)	159,816	£3.80	01/10/2016 to 30/09/2022
September 2013	4,650	£3.80	04/09/2013 to 30/09/2013
February 2014 (***)	62,000	£4.00	22/02/2017 to 21/02/2023
	<u>226,566</u>		

Share options marked (***) have been issued to directors and employees under an Enterprise Management Incentive Scheme.

Outstanding options in existence at 30 June 2014 over 583,484 Ordinary shares are exercisable between the dates set out below :

No of shares	Subscription price	Exercisable
35,500 (***)	£1.12	01/06/2011 to 31/05/2017
64,150 (***)	£1.60	03/10/2012 to 02/10/2018
104,000 (***)	£2.20	01/07/2013 to 30/06/2019
80,418 (***)	£2.20	18/06/2014 to 17/06/2020
40,000 (***)	£2.50	18/06/2015 to 17/06/2021
100,000 (***)	£2.60	18/09/2015 to 17/09/2021
159,416 (***)	£3.80	01/10/2016 to 30/09/2022
<u>583,484</u>		

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

14 Statement of movement on reserves

	<u>2014</u>	<u>2013</u>
	£	£
Share premium account		
Group and company		
Balance at 1 July 2013	3,227,896	1,799,561
Premium on Ordinary shares issued during the year	150,302	1,428,335
Premium on B Ordinary shares issued during the year	1,040	-
Balance at 30 June 2014	<u>3,379,238</u>	<u>3,227,896</u>

Capital redemption reserve

Group and company		
Balance at 1 July 2013	-	-
Ordinary shares repurchased during the year	2,744	-
Balance at 30 June 2014	<u>2,744</u>	<u>-</u>

AUDIO NETWORK LIMITED**Notes to the Consolidated Financial Statements (continued)****14 Statement of movement on reserves (continued)**

	<u>2014</u>	<u>2013</u>
	£	£
Shares held under JSOP		
Group and company		
Balance at 1 July 2013	(1,290,000)	-
JSOP shares issued during the year	-	(1,290,000)
Balance at 30 June 2014	<u>(1,290,000)</u>	<u>(1,290,000)</u>

The shares held under JSOP represent a holding of the company's own Ordinary shares issued to The Audio Network Employees' Share Trust for the benefit of participating employees. Each share is legally owned jointly by the trust with a participating employee whose ownership proportion increases with the value of the shares above the subscription price. After three years' service, the participating employees have rights to purchase the trust's proportion of the Ordinary shares at the subscription price of £2.60 plus an annual increase of 5%. Juliette Bingham and Christopher Blakeston have held rights over 300,000 and 200,000 shares respectively since 9 October 2012.

Profit and loss account	<u>2014</u>	<u>2013</u>
	£	£
Group		
Balance at 1 July 2013	4,093,619	3,142,810
Profit for the year	4,640,881	3,762,284
Ordinary shares repurchased during the year	(953,520)	-
Dividends paid	(2,044,213)	(2,839,541)
Currency translation differences	(217,833)	28,066
Balance at 30 June 2014	<u>5,518,934</u>	<u>4,093,619</u>
Company		
Balance at 1 July 2013	4,062,924	3,694,262
Profit for the year	3,848,891	3,208,203
Ordinary shares repurchased during the year	(953,520)	-
Dividends paid	(2,044,213)	(2,839,541)
Balance at 30 June 2014	<u>4,914,082</u>	<u>4,062,924</u>

15 Reconciliation of movements in shareholders' funds	<u>2014</u>	<u>2013</u>
Group	£	£
Profit for the financial year	4,640,881	3,762,284
Currency translation differences	(217,833)	28,066
Proceeds from issue of Ordinary shares	151,321	1,434,640
Proceeds from issue of B Ordinary shares	6,240	-
JSOP shares issued during the year	-	(1,290,000)
Ordinary shares repurchased during the year	(953,520)	-
Dividends paid	(2,044,213)	(2,839,541)
Net addition to shareholders' funds	1,582,876	1,095,449
Opening shareholders' funds	6,193,971	5,098,522
Closing shareholders' funds	<u>7,776,847</u>	<u>6,193,971</u>

AUDIO NETWORK LIMITED**Notes to the Consolidated Financial Statements (continued)****15 Reconciliation of movements in shareholders' funds (continued)**

	<u>2014</u>	<u>2013</u>
Company	£	£
Profit for the financial year	3,848,891	3,208,203
Proceeds from issue of Ordinary shares	151,321	1,434,640
Proceeds from issue of B Ordinary shares	6,240	-
JSOP shares issued during the year	-	(1,290,000)
Ordinary shares repurchased during the year	(953,520)	-
Dividends paid	(2,044,213)	(2,839,541)
Net addition to shareholders' funds	1,008,719	513,302
Opening shareholders' funds	6,163,276	5,649,974
Closing shareholders' funds	<u>7,171,995</u>	<u>6,163,276</u>

16 Directors' emoluments

	<u>2014</u>	<u>2013</u>
	£	£
Emoluments for qualifying services	744,484	793,341
Compensation for loss of office	90,000	398,000
Company pension contributions	34,950	29,800
	<u>869,434</u>	<u>1,221,141</u>

Emoluments disclosed above include payments to 4 executive directors (2013: 5) and to 3 non executive directors (2013: 2).

Emoluments disclosed above include the following amounts paid to the highest paid director

	<u>2014</u>	<u>2013</u>
	£	£
Emoluments for qualifying services	196,464	165,132

The company made pension contributions during the year to SIPPs or to the company stakeholder pension scheme in respect of 4 directors (2013: 4).

Two directors exercised share options during the year (2013: 2)

17 Dividends

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	pence/share	pence/share	£	£
Final dividend for the prior financial year	3	8	472,264	1,253,539
Interim dividend for the current financial year	5	5	785,920	792,957
Second Interim dividend for the current year	5	5	786,029	793,045
	<u>13</u>	<u>18</u>	<u>2,044,213</u>	<u>2,839,541</u>
Final dividend for the current financial year	<u>3</u>	<u>3</u>		

No dividends are payable on B Ordinary shares in respect of the year to June 2014 as dividends on Ordinary shares in respect of the year of thirteen pence per Ordinary share are lower than the thirty pence per Ordinary share hurdle rate required to start to trigger dividend payments on B Ordinary shares.

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

18 Pension costs

The company operates a defined contribution stakeholder pension scheme. Audio Network US, Inc also introduced a defined contribution pension plan during the year. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge below represents contributions payable by the company and by the group to the schemes and to SIPPs held by two directors.

	<u>2014</u>	<u>2013</u>
	£	£
Company		
Contributions payable by the company for the year	<u>65,457</u>	<u>53,338</u>
Group		
Contributions payable by the group for the year	<u>68,704</u>	<u>53,338</u>

19 Transactions with directors

During the year the company paid dividends of £915,342 on shares owned directly or beneficially on behalf of the following directors or their spouses (2013: £1,658,077):

	<u>2014</u>	<u>2013</u>
	£	£
Robert Hurst	399,100	714,600
Andrew Sunnucks	399,100	714,600
Juliette Bingham (nee Squair)	59,832	74,073
Miles Ruffell	26,000	125,690
Christopher Blakeston	20,111	7,541
John Sanderson	11,199	20,006
Jason Langley (to date of resignation)	-	1,193
John Whittingdale (to date of resignation)	-	374
	<u>915,342</u>	<u>1,658,077</u>

Dan Marriott serves as the Stripes Group representative on the Board. Dividend payments to SG Growth Partners II Offshore AIV, LP in the year to 30 June 2014 amounted to £582,257 (2013: Nil)

The company has undertaken to indemnify Juliette Bingham in respect of any personal liability arising from her role as the Audio Network Limited nominated director on the board of Audio Network Australia Pty Ltd whilst Audio Network Australia Pty Ltd remains a joint venture company.

During the year, Andrew Sunnucks received £6,000 rent in respect of the occupation of School Farm Studios by the company (2013: £6,000). The company also paid royalties of £7,500 to Andrew Sunnucks in respect of his composer share of income from music compositions assigned to and published by the company (2013: £4,378).

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

19 Transactions with directors (continued)

During the year the company paid £1,000 to JFWS Limited for providing the services of John Sanderson as a non-executive director of the company (2013: £6,000) prior to John Sanderson's director fees being paid through the company payroll from September 2013.

The company rented storage space during the year from The Archive Warehouse Limited a company connected to Andrew Sunnucks, at a cost of £969 (2013: £ 483)

During April 2014 short term loans were made to the company to fund working capital requirements by Robert Hurst, Andrew Sunnucks and the Stripes Group. All three short term loans were repaid by the company on 28 July 2014. The loan amounts and the accrued interest thereon in respect of the period to 30 June 2014 are as follows:

	Loan Amount £	Accrued Interest £
Robert Hurst	153,500	933
Andrew Sunnucks	153,500	933
SG Growth Partners II Offshore AIV, LP	223,945	1,361
	<u>530,945</u>	<u>3,227</u>

20 Employees

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

Group	<u>2014</u> Number	<u>2013</u> Number
Management and administration	81	61
Employment costs	£	£
Wages & salaries	4,273,095	3,020,174
Compensation for loss of office	90,000	398,000
Social security costs	484,035	360,251
Other pension costs	68,704	53,338
	<u>4,915,834</u>	<u>3,831,763</u>

21 Financial Commitments

At the balance sheet date the group was committed to making the following lease payments under non-cancellable operating leases in the year to 30 June 2015:

	<u>2014</u> £	<u>2013</u> £
Operating leases which expire:		
Within one year	20,605	12,685
Within two to five years	362,398	248,411
	<u>383,003</u>	<u>261,096</u>

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

22 Control

There is no ultimate controlling party in the group.

23 Related party transactions

Group

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