

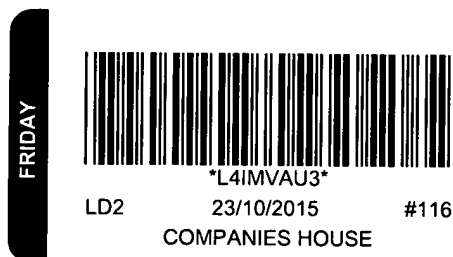
Reg No: 04257337 (England & Wales)



**AUDIO NETWORK LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**



# **AUDIO NETWORK LIMITED**

## **CONTENTS**

	<b>PAGE</b>
<b>STRATEGIC REPORT</b>	<b>1 - 3</b>
<b>DIRECTORS' REPORT</b>	<b>4 - 5</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>6-7</b>
<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT &amp; CONSOLIDATED STATEMENT OF RECOGNISED GAINS &amp; LOSSES</b>	<b>8</b>
<b>BALANCE SHEETS</b>	<b>9</b>
<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>10</b>
<b>NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT</b>	<b>11</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>12-32</b>

## AUDIO NETWORK LIMITED

# Company Information

### Directors:

#### Executive Directors

Juliette Bingham (nee Squair)  
Christopher Blakeston  
Robert Hurst  
Andrew Sunnucks

#### Non Executive Directors

Dan Marriott  
Miles Ruffell  
John Sanderson

### Company Secretary & CFO:

Kim Clarke

### 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 25<sup>th</sup> Street  
New York  
NY 10010  
USA  
Tel: +1 646 688 4320

Email: [office@audionetwork.com](mailto:office@audionetwork.com)

Web site: [www.audionetwork.com](http://www.audionetwork.com)

## AUDIO NETWORK LIMITED

# Strategic Report

The directors are pleased to present the annual report and financial statements of the group for the year ended 30 June 2015.

### Principal activity and 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 excellent growth in our composer team and music catalogue contributing towards further organic growth in group turnover and gross profit.

Your board followed a strategy of utilising the growth achieved in turnover and gross profit to increase the rate of investment in the commissioning and development of new music copyrights, worldwide distribution channels and technology.

Audio Network Australia Pty Ltd, became a 100% owned group company from 1<sup>st</sup> July 2014 following the completion of the acquisition of the 49% minority interest in the former joint venture company and was successfully integrated into the group operations during the year.

### Results

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

#### Highlights

- Turnover up 15% to £17.65m (including share of joint venture turnover in prior year)
- Turnover up 20% to £17.65m (excluding share of joint venture turnover in prior year)
- Gross profit up 19% to £16.92m
- Profit after taxation up 8% to £5.00m
- Operating cash flow up 2% to £5.52m

Turnover growth reported in our sterling denominated financial statements has absorbed adverse foreign exchange movement as a result of the Euro, Australian dollar and Canadian dollar exchange rates falling by 13%, 13% and 7% respectively against sterling. These exchange losses were only partially offset by a US dollar which was 8% stronger against sterling.

Administrative expenses reported for the year included an increased level of expenditure on music, technology & distribution channels.

### 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.

## AUDIO NETWORK LIMITED

### Strategic Report (continued)

Your management seeks to maintain a strong customer-focused culture anticipating change and has adopted an agile and innovative approach to managing growth.

#### **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 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.

#### **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.

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 141 (25%) during the year from 566 to 707 (2014 growth: 126).

We grew our music catalogue organically by 18,179 tracks (23%) from 79,525 tracks at the start of the year to 97,704 tracks by the end of the year (2014 growth: 15,399 tracks).

The number of tracks live on our website grew by 17,652 tracks (23%) from 76,693 tracks at the start of the year to 94,345 tracks by the end of the year (2014 growth: 14,569 tracks).

Group turnover grew by £2.2m (15%) from £15.4m to £17.6m inclusive of our share of joint venture turnover in the prior year (2014 growth: £2.9m).

International revenues after conversion into sterling grew by £1.6m (15%) from £10.3m to £11.9m inclusive of our share of joint venture turnover in the prior year (2014 growth: £2.6m).

International revenues now account for 68% of group revenue (2014: 67%).

Turnover from the UK grew by £0.6m (13%) to £5.7m from £5.1m (2014 growth: £0.3m).

Group subscription churn rates remained low at 10% (2014: 9%).

Net cash reserves of £3.0m were held by the group at 30 June 2015 (2014: £3.4m) after the costs of purchasing the minority shareholding in the Australian subsidiary company for £0.6m (2014: £Nil) and after paying £2.0m of dividends (2014: £2.0m), share buy-backs of £0.9m (2014: £1.0m) and corporation tax payments of £1.2m (2014: £1.1m).

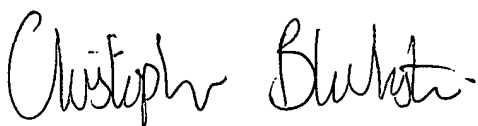
### Share Buy-backs

Special resolutions were passed by shareholders during the year authorising the company to buy back from selling shareholders 236,334 Ordinary shares and 520,000 B Ordinary shares. The buy-back shares, representing less than 2% of the issued Ordinary share capital and 100% of the issued B Ordinary share capital, were purchased by the company at a cost of £886,501 inclusive of stamp duty (2014: £953,520). 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



**Christopher Blakeston**  
**Chief Executive Officer**

Date: 22 October 2015

## AUDIO NETWORK LIMITED

# Directors' Report

### Directors

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

Juliette Bingham (nee Squair)  
Christopher Blakeston  
Robert Hurst  
Dan Marriott  
Miles Ruffell  
John Sanderson  
Andrew Sunnucks

### Political Donations

The Company made no political donations during the year (2014: 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.

### Results and Dividends

The profit for the year, after taxation, amounted to £5,002,194 (2014: £4,640,881).

A final dividend for the prior year of three pence (£0.03) per ordinary share was paid during the current year (2014: £0.03).

A first interim dividend for the current year of five pence (£0.05) per ordinary share was paid during April 2015 (2014: £0.05).

A second interim dividend for the current year of five pence (£0.05) per ordinary share was paid during June 2015 (2014: £0.05).

The directors recommend a final dividend of three pence (£0.03) on each of the ordinary shares entitled thereto (2014: £0.03) bringing the total dividend for the current year to thirteen pence (£0.13) per ordinary share (2014: £0.13).

## AUDIO NETWORK LIMITED

# Directors' Report (continued)

### 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.

### Statement of 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.

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**  
**Founder / Director**

Date: 22 October 2015



## **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 2015 set out on pages 8 to 32. 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 more fully in the Statement of Directors' Responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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 2015 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.

**AUDIO NETWORK LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE  
SHAREHOLDERS OF AUDIO NETWORK LIMITED  
(continued)**

**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: ....23/10/15.....

# AUDIO NETWORK LIMITED

## Consolidated Profit & Loss Account

for the year ended 30 June 2015

	Notes	2015 £	2014 £
Turnover: Group and share of joint venture			15,409,001
Less: Share of joint venture turnover			(649,256)
<b>TURNOVER</b>	2	17,652,521	14,759,745
Cost of sales		(733,579)	(543,397)
Gross profit		16,918,942	14,216,348
Distribution costs		(50,221)	(57,251)
Administrative expenses		(10,759,799)	(8,376,764)
Other operating income		3,690	131
<b>OPERATING PROFIT</b>	3	6,112,612	5,782,464
Share of operating profit of joint venture		-	41,006
Operating profit: Group and share of joint venture		6,112,612	5,823,470
Interest receivable and similar income	5	53,424	69,450
Share of interest receivable of joint venture		-	1,100
		6,166,036	5,894,020
Interest payable and similar charges	6	(1,517)	(3,792)
Share of interest payable of joint venture		-	(2,868)
<b>Profit on ordinary activities before taxation</b>	2	6,164,519	5,887,360
Tax on profit on ordinary activities	7	(1,162,325)	(1,247,597)
Share of taxation credit of joint venture		-	1,118
<b>Profit after taxation</b>		5,002,194	4,640,881

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 2015

	2015 £	2014 £
Profit for the year	5,002,194	4,640,881
Currency translation differences	(313,006)	(217,833)
Total recognised gains and losses relating to the year	4,689,188	4,423,048


**Balance Sheets**

As at 30 June 2015

	Notes	Group 2015 £	2014 £	Company 2015 £	2014 £
<b>Fixed assets</b>					
Intangible assets	9	3,421,650	2,172,396	2,882,451	2,172,396
Tangible assets	10	508,410	372,115	418,795	265,336
Investments	11	-	27,637	809,985	188,567
		<u>3,930,060</u>	<u>2,572,148</u>	<u>4,111,231</u>	<u>2,626,299</u>
<b>Current assets</b>					
Stocks	12	25,284	16,025	13,897	12,500
Debtors	13	7,142,220	5,632,388	6,437,957	4,523,275
Cash at bank and in hand		<u>2,962,247</u>	<u>3,926,951</u>	<u>2,202,518</u>	<u>3,625,652</u>
		<u>10,129,751</u>	<u>9,575,364</u>	<u>8,654,372</u>	<u>8,161,427</u>
Creditors: amounts falling due within one year	14	(4,282,556)	(4,314,149)	(3,133,088)	(3,578,065)
<b>Net current assets</b>		<u>5,847,195</u>	<u>5,261,215</u>	<u>5,521,284</u>	<u>4,583,362</u>
Provisions for liabilities and charges	15	(115,066)	(56,516)	(148,363)	(37,666)
<b>Total assets less total liabilities</b>	2	<u>9,662,189</u>	<u>7,776,847</u>	<u>9,484,152</u>	<u>7,171,995</u>
<b>Capital &amp; reserves</b>					
Called up share capital	16	160,764	165,931	160,764	165,931
Share premium account	17	3,479,661	3,379,238	3,479,661	3,379,238
Capital redemption reserve	17	10,307	2,744	10,307	2,744
Shares held under JSOP	17	(1,290,000)	(1,290,000)	(1,290,000)	(1,290,000)
Profit and loss account	17	<u>7,301,457</u>	<u>5,518,934</u>	<u>7,123,420</u>	<u>4,914,082</u>
<b>Shareholders' funds</b>	18	<u>9,662,189</u>	<u>7,776,847</u>	<u>9,484,152</u>	<u>7,171,995</u>

Approved by the board on and authorised for issue on 22 October 2015

  
 .....  
**Robert Hurst**  
 Founder / Director

  
 .....  
**Kim Clarke**  
 Company Secretary / CFO

# AUDIO NETWORK LIMITED

## Consolidated Cash Flow Statement

For the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
	£	£
<b>Net cash flow from operating activities (Note 1)</b>	5,522,809	5,427,210
<b>Returns on investments and servicing of finance</b>		
Interest received	53,424	70,550
Interest paid	<u>(1,517)</u>	<u>(6,660)</u>
<b>Net cash inflow for returns on investments and servicing of finance</b>	51,907	63,890
<b>Taxation</b>		
UK tax paid	(927,678)	(917,059)
Foreign tax paid	(226,803)	(125,541)
Withholding tax paid	<u>(94,092)</u>	<u>(68,387)</u>
<b>Total Taxation paid</b>	(1,248,573)	(1,110,987)
<b>Capital expenditure</b>		
Net investment in joint venture	-	(27,637)
Payments to acquire intangible assets	(1,054,308)	(889,591)
Payments to acquire tangible assets	<u>(351,316)</u>	<u>(182,670)</u>
<b>Net cash outflow for capital expenditure</b>	(1,405,624)	(1,099,898)
<b>Acquisitions and disposals</b>		
Acquisition of minority interest in joint venture (net of cash acquired)	(550,432)	-
<b>Net cash inflow before financing</b>	<u>2,370,087</u>	<u>3,280,215</u>
<b>Financing</b>		
Issue of Ordinary share capital	97,499	151,321
Issue of B Ordinary share capital	-	6,240
Issue of C Ordinary share capital	5,320	-
(Repayment) / issue of short term loans	(530,945)	530,945
Purchase of own shares	<u>(886,501)</u>	<u>(953,520)</u>
<b>Net cash outflow from financing</b>	(1,314,627)	(265,014)
<b>Dividends paid</b>	<u>(2,020,164)</u>	<u>(2,044,213)</u>
<b>(Decrease) / increase in cash in the year (Notes 2 &amp; 3)</b>	<u>(964,704)</u>	<u>970,988</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>2015</u>	<u>2014</u>
	£	£
Operating profit: group and share of joint venture	6,112,612	5,823,470
Depreciation of tangible fixed assets	213,841	136,298
Amortisation of intangible fixed assets	399,719	245,070
Disposal of fixed asset	15,390	-
(Increase) / decrease in stocks	(9,259)	2,058
Increase in debtors	(1,261,901)	(701,933)
Increase in creditors due within one year	370,999	140,080
Foreign currency translation	(318,592)	(217,833)
	<u>5,522,809</u>	<u>5,427,210</u>

(2) Analysis of net funds	1 July 2014	Cash flow	30 June 2015
	£	£	£
Net cash:			
Short term loans	(530,945)	530,945	-
Cash at bank and in hand	3,926,951	(964,704)	2,962,247
Net funds	<u>3,396,006</u>	<u>(433,759)</u>	<u>2,962,247</u>

#### (3) Reconciliation of net cash to movement in debt

	<u>2015</u>	<u>2014</u>
	£	£
(Decrease) / increase in cash in the year	(651,698)	1,188,821
Decrease / (increase) in short term loans	530,945	(530,945)
Currency translation differences	(313,006)	(217,833)
Movement in net funds in the year	(433,759)	440,043
Opening net funds	3,396,006	2,955,963
Closing net funds	<u>2,962,247</u>	<u>3,396,006</u>

## **AUDIO NETWORK LIMITED**

# **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 2015. 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 up until 1<sup>st</sup> July 2014 when the joint venture subsidiary became a 100% group company.

Goodwill on acquisition is recognised at the excess of the acquisition cost over the Group's interest in the assets and liabilities acquired. Goodwill is amortised over 10 years.

### **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.

## **AUDIO NETWORK LIMITED**

# **Notes to the Consolidated Financial Statements (continued)**

### **1.6 Development costs**

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

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

### **1.7 Tangible fixed assets and Depreciation**

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

Plant & Machinery	over 3 years
Computer Equipment	over 3 years
Fixtures, fittings & equipment	over 3 to 5 years
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 and Audio Network US, Inc 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 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.



## **Notes to the Consolidated Financial Statements (continued)**

### **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.

### **1.15 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.

### **1.16 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 other capital reserves in equity, 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 a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

# 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	£	£	£	£	£	£
<b>Group</b>						
United Kingdom	9,591,275	8,298,288	5,660,100	5,029,663	9,201,890	6,983,428
North America (*)	3,966,584	3,859,236	83,024	649,694	240,233	510,869
Continental Europe (*)	2,561,002	2,054,992	209,399	168,765	28,784	254,913
Australasia (*)	1,533,660	547,229	211,996	39,238	191,282	27,637
	<u>17,652,521</u>	<u>14,759,745</u>	<u>6,164,519</u>	<u>5,887,360</u>	<u>9,662,189</u>	<u>7,776,847</u>

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

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

	<u>2015</u>	<u>2014</u>
	£	£
<b>Group</b>		
United Kingdom	5,718,745	5,063,724
Continental Europe	5,130,816	4,349,910
North America	4,126,853	4,120,585
Australasia	1,580,699	593,854
Rest of the World	1,095,408	631,672
	<u>17,652,521</u>	<u>14,759,745</u>

### 3 Operating profit

Operating profit is stated after charging:

	<u>2015</u>	<u>2014</u>
	£	£
Amortisation of intangible fixed assets	399,719	245,070
Depreciation of tangible fixed assets	213,841	140,258
Operating lease rentals	436,836	339,161
Foreign exchange (gain)/loss	(11,233)	168,812
Auditor's remuneration (company £20,000 ; 2014:£23,000)	29,000	28,000
Remuneration of auditors for non-audit work	32,898	15,501

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

<b>4</b>	<b>Income from shares in group undertakings</b>	<u>2015</u>	<u>2014</u>
	<b>Company</b>	£	£
	Income from group undertakings	661,418	-
<b>5</b>	<b>Interest receivable and similar income</b>	<u>2015</u>	<u>2014</u>
	<b>Group</b>	£	£
	Interest receivable	53,424	69,450
<b>6</b>	<b>Interest payable and similar charges</b>	<u>2015</u>	<u>2014</u>
	<b>Group</b>	£	£
	Loan interest payable (Note 22)	1,517	3,227
	Other interest payable	-	565
		1,517	3,792
<b>7</b>	<b>Taxation</b>	<u>2015</u>	<u>2014</u>
		£	£
	<b>Current tax charge</b>		
	Charge for the current year	967,569	1,022,395
	Adjustment re prior periods	(43,325)	(51,745)
	<b>Deferred tax charge</b>		
	Charge for the current year (Note 15)	57,747	123,752
	Adjustment re prior periods	2,967	-
	<b>Foreign tax charge</b>		
	Foreign tax charge	182,971	159,377
	Adjustment re prior periods	(5,604)	(6,182)
		1,162,325	1,247,597
	<b>Factors affecting the years' tax charge</b>		
	Profit on ordinary activities before taxation	6,164,519	5,887,630
	Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 20.75% (2014: 22.5%)	1,279,138	1,324,717
	Effects of:		
	Non deductible expenses	33,838	20,480
	Depreciation add back	88,741	59,261
	Capital allowances	(174,116)	(55,812)
	Qualifying research & development expenditure	(84,694)	(45,748)
	Share options exercised	(20,710)	(45,390)
	Group brought forward tax losses utilised	2,059	(33,602)
	Increase in tax losses	-	3,159
	Adjustment re prior periods	(48,929)	(57,927)
	Deferred tax charge	60,714	123,752
	Other adjustments	26,284	(45,293)
	<b>Current tax charge</b>	1,162,325	1,247,597

# AUDIO NETWORK LIMITED

## Notes to the Consolidated Financial Statements (continued)

### 8 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:

	2015 £	2014 £
Holding company's profit for the financial year	5,116,003	3,848,891

### 9 Intangible fixed assets

Group	Goodwill on acquisition	Copyrights & Licences £	Recordings in progress £	Development costs £	Total £
<b>Cost</b>					
At 1 July 2014	-	1,796,758	235,154	789,022	2,820,934
Additions	594,665	-	355,211	699,097	1,648,973
Transfers	-	389,933	(389,933)	-	-
Disposals	-	-	-	(204,457)	(204,457)
At 30 June 2015	594,665	2,186,691	200,432	1,283,662	4,265,450
<b>Amortisation</b>					
At 1 July 2014	-	426,796	-	221,742	648,538
Charge for the year	59,466	104,262	-	235,991	399,719
Disposals	-	-	-	(204,457)	(204,457)
At 30 June 2015	59,466	531,058	-	253,276	843,800
<b>Net book amount</b>					
At 30 June 2015	535,199	1,655,633	200,432	1,030,386	3,421,650
At 1 July 2014	-	1,369,962	235,154	567,280	2,172,396

Additions to Goodwill on acquisition during the year to June 2015 relate to the acquisition by the company of the 49% minority interest in Audio Network Australia Pty Ltd (Note 11).

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

9 Intangible fixed assets (continued)

Company	Copyrights & Licences £	Recordings in progress £	Development costs £	Total £
<b>Cost</b>				
At 1 July 2014	1,796,758	235,154	789,022	2,820,934
Additions	-	351,211	699,097	1,050,308
Transfers	385,933	(385,933)	-	-
Disposals	-	-	(204,457)	(204,457)
At 30 June 2015	2,182,691	200,432	1,283,662	3,666,785
<b>Amortisation</b>				
At 1 July 2014	426,796	-	221,742	648,538
Charge for the year	104,262	-	235,991	340,253
Disposals	-	-	(204,457)	(204,457)
At 30 June 2015	531,058	-	253,276	784,334
<b>Net book amount</b>				
At 30 June 2015	1,651,633	200,432	1,030,386	2,882,451
At 1 July 2014	1,369,962	235,154	567,280	2,172,396

10 Tangible fixed assets Group	Plant & Machinery £	Fixtures, Fittings & Equipment £	Vehicles £	Total £
<b>Cost</b>				
At 1 July 2014	39,679	591,666	19,739	651,084
Additions	36,596	323,344	-	359,940
Disposals	-	(36,744)	(21,474)	(58,218)
Currency translation differences	129	2,329	1,735	4,193
At 30 June 2015	76,404	880,595	-	956,999
<b>Depreciation</b>				
At 1 July 2014	38,228	237,780	2,961	278,969
Charge for the year	4,197	206,781	2,863	213,841
Disposals	-	(36,744)	(6,084)	(42,828)
Currency translation differences	3	(1,656)	260	(1,393)
At 30 June 2015	42,428	406,161	-	448,589
<b>Net book amount</b>				
At 30 June 2015	33,976	474,434	-	508,410
At 1 July 2014	1,451	353,886	16,778	372,115

**AUDIO NETWORK LIMITED**

**Notes to the Consolidated Financial Statements (continued)**

**10 Tangible fixed assets (continued)**

<b>Company</b>	<b>Plant &amp; Machinery</b>	<b>Fixtures, Fittings &amp; Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 July 2014	38,194	481,460	519,654
Additions	36,596	266,864	303,460
Disposals	-	(36,744)	(36,744)
At 30 June 2015	<u>74,790</u>	<u>711,580</u>	<u>786,370</u>
<b>Depreciation</b>			
At 1 July 2014	38,194	216,124	254,318
Charge for the year	3,735	146,266	150,001
Disposals	-	(36,744)	(36,744)
At 30 June 2015	<u>41,929</u>	<u>325,646</u>	<u>367,575</u>
<b>Net book amount</b>			
At 30 June 2015	<u>32,861</u>	<u>385,934</u>	<u>418,795</u>
At 1 July 2014	<u>-</u>	<u>265,336</u>	<u>265,336</u>

**11 Fixed asset investments**

**Group**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
Interest in joint venture company	-	27,637
	<u>-</u>	<u>27,637</u>
Balance at 1 July 2014	27,637	-
Amounts owned by joint venture as at 1 July 2013	-	(13,399)
Share of joint venture profit	-	40,356
Currency translation differences	-	680
Reclassification of Audio Network Australia Pty Ltd as group company	(27,637)	-
Balance at 30 June 2015	<u>-</u>	<u>27,637</u>

# AUDIO NETWORK LIMITED

## Notes to the Consolidated Financial Statements (continued)

### 11 Fixed asset investments (continued) Company

	<u>2015</u>	<u>2014</u>
Cost	£	£
Shares in group companies	809,985	154,469
Shares in joint venture company	-	34,098
	<u>809,985</u>	<u>188,567</u>
Balance at 1 July 2014	188,567	994,657
Investment in Audio Network Project One Limited	100	-
Investment in Trax 54 Limited	100	-
Increase in investment in Audio Network Australia Pty Ltd	621,218	-
Increase in investment in Audio Network US, Inc	-	116,966
Decrease in equity loan to Audio Network US, Inc	-	(923,056)
Balance at 30 June 2015	<u>809,985</u>	<u>188,567</u>

During the year the company acquired the 49% minority interest in Audio Network Australia Pty Ltd which became a wholly owned group company from 1<sup>st</sup> July 2014 and the company also incorporated two new group companies during the year.

Details of the 49% share of book and fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£
Tangible fixed assets	8,624
Trade and other receivables	220,650
Cash and cash equivalents	43,149
Trade and other payables	(245,870)
Total identifiable net assets acquired	<u>26,553</u>
Goodwill (Note 9)	<u>594,665</u>
Total cash consideration	<u>621,218</u>

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

In the year ended 30 June 2015 Audio Network Australia Pty Ltd turnover was £1,533,660 and profit after tax was £153,910.

## AUDIO NETWORK LIMITED

# Notes to the Consolidated Financial Statements (continued)

## 11 Fixed asset investments (continued)

### Holdings of more than 20%

As at 30 June 2015 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	100%	100%
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 Project One Limited	England & Wales	Ordinary	100%	100%
Audio Network US, Inc	United States	Ordinary	100%	100%
Trax 54 Limited	England & Wales	Ordinary	100%	100%

## 12 Stocks

	Group		Company	
	<u>2015</u> £	<u>2014</u> £	<u>2015</u> £	<u>2014</u> £
Raw materials & consumables	25,284	16,025	13,897	12,500
	<u>25,284</u>	<u>16,025</u>	<u>13,897</u>	<u>12,500</u>



# AUDIO NETWORK LIMITED

## Notes to the Consolidated Financial Statements (continued)

13 Debtors	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	1,388,171	993,621	883,670	686,736
Amounts owed by group companies	-	-	3,322,847	1,557,403
Amounts owed by joint venture	-	152,600	-	152,600
Corporation tax receivable	27,281	-	-	-
Other debtors	18,212	20,622	8,033	14,065
Prepayments	290,918	280,257	193,602	208,767
Accrued income	5,417,638	4,185,288	2,029,805	1,903,704
	<u>7,142,220</u>	<u>5,632,388</u>	<u>6,437,957</u>	<u>4,523,275</u>

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

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Amounts owed by group companies	-	-	176,970	155,088
	<u>-</u>	<u>-</u>	<u>176,970</u>	<u>155,088</u>

## 14 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	384,669	712,145	367,988	704,003
Corporation tax	399,104	516,621	309,569	407,095
Taxes and social security costs	450,337	317,316	394,119	300,962
Director loan accounts	-	307,000	-	307,000
Other loans	-	223,945	-	223,945
Other creditors	25,597	26,002	3,845	19,181
Accruals	1,151,461	794,040	966,613	625,509
Deferred income	1,871,388	1,417,080	1,090,954	990,370
	<u>4,282,556</u>	<u>4,314,149</u>	<u>3,133,088</u>	<u>3,578,065</u>

# AUDIO NETWORK LIMITED

## Notes to the Consolidated Financial Statements (continued)

### 15 Provisions for liabilities and charges

<b>Company</b>	<u>2015</u>	<u>2014</u>
	£	£
Balance at 1 July 2014	(37,666)	(15,864)
Deferred tax charge for year (Note 4)	(110,697)	(21,802)
Balance at 30 June 2015	<u>(148,363)</u>	<u>(37,666)</u>

Deferred tax is provided at 20% (2014:20%)  
analysed over the following timing differences:

Accelerated capital allowances	(151,909)	(45,470)
Short term timing differences	3,546	7,804
	<u>(148,363)</u>	<u>(37,666)</u>

### Group

Balance at 1 July 2014	(56,516)	67,236
Deferred tax asset held by joint venture at 1 July 2014	2,164	-
Deferred tax charge for year (Note 7)	(60,714)	(123,752)
Balance at 30 June 2015	<u>(115,066)</u>	<u>(56,516)</u>

Deferred tax is provided at rates between 20% and 45%  
(2014: between 20% and 45%) analysed over the  
following timing differences:

Accelerated capital allowances	(181,189)	(86,693)
Short term timing differences	66,123	30,177
	<u>(115,066)</u>	<u>(56,516)</u>
Tax losses available	13,155	13,938
	<u>(101,911)</u>	<u>(42,578)</u>
Unrecognised deferred tax asset	(13,155)	(13,938)
Deferred tax liability	<u>(115,066)</u>	<u>(56,516)</u>

At 30 June 2015, the group had tax losses of approximately £46,000 (2014: £46,000) available to carry forwards for relief against taxable profits in future periods.

Deferred tax assets of £13,155 (2014: £13,938) have not been recognised in these accounts because there is insufficient certainty over their recoverability.

### 16 Share capital

	<u>2015</u>	<u>2014</u>
	£	£
<b>Allotted, called up and fully paid:</b>		
15,886,436 (2014: 16,073,093) Ordinary shares of 1p each	158,864	160,731
- (2014 : 520,000) B Ordinary shares of 1p each	-	5,200
190,000 (2014 : Nil ) C Ordinary shares of 1p each	1,900	-
	<u>160,764</u>	<u>165,931</u>

## AUDIO NETWORK LIMITED

### Notes to the Consolidated Financial Statements (continued)

#### 16 Share capital (continued)

During the year 49,677 Ordinary shares were issued at a subscription price of £97,499 under the company's share option schemes and 236,334 Ordinary shares were purchased by the company from selling shareholders at a cost of £876,871 plus stamp duty thereon.

The 520,000 B Ordinary shares issued at 1 July 2014 were bought back during the year by the company at the nominal value of £5,200 plus stamp duty thereon.

190,000 C Ordinary shares were issued under the company's share option schemes at a Conversion Premium of £5.00 per share during the year at a subscription price of £5,320.

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.

The premium on issue of Ordinary and C Ordinary shares during the year of £100,423 has been recognised in share premium.

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

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

	2015 No of shares	2014 No of shares
As at 1 July 2014	583,484	534,700
Exercised during the year	(49,677)	(101,882)
Waived or lapsed during the year	(900)	(75,900)
New options granted during the year	78,300	226,566
As at 30 June 2015	<u>611,207</u>	<u>583,484</u>

During the year options over 49,677 Ordinary shares were exercised as follows :

Date of exercise	No of shares	Subscription price	£
September 2014	200	£4.00	800
October 2014 (***)	2,500	£1.12	2,800
October 2014 (***)	1,000	£1.60	1,600
January 2015 (***)	5,750	£1.60	9,200
March 2015 (***)	5,000	£2.20	11,000
April 2015 (***)	5,000	£1.12	5,600
June 2015 (***)	30,227	£2.20	66,499
	<u>49,677</u>		<u>97,499</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)

### 16 Share capital (continued)

During the year options over 78,300 Ordinary shares were granted as follows:

Date of issue	No of shares	Subscription price	Exercisable		
August 2014	700	£4.00	29/08/2014	to	30/08/2014
August 2014	(***) 77,600	£4.00	30/08/2017	to	29/08/2024
	<u>78,300</u>				

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

Outstanding options in existence at 30 June 2015 over 611,207 Ordinary shares are exercisable between the dates set out below:

No of shares	Subscription price	Exercisable		
28,000 (***)	£1.12	01/06/2011	to	31/05/2017
57,000 (***)	£1.60	03/10/2012	to	02/10/2018
84,000 (***)	£2.20	01/07/2013	to	30/06/2019
65,191 (***)	£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
77,600 (***)	£4.00	30/08/2017	to	29/08/2024
<u>611,207</u>				

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

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

	<u>2015</u>	<u>2014</u>
	No of shares	No of shares
As at 1 July 2014	-	-
New options granted during the year	235,000	-
Exercised during the year	(190,000)	-
Waived or lapsed during the year	-	-
As at 30 June 2015	<u>45,000</u>	-

During the year options over 190,000 C Ordinary shares were exercised as follows :

Date of exercise	Conversion Premium	No of shares	Subscription price	£
October 2014	£5.00	40,000	£0.028	1,120
March 2015	£5.00	150,000	£0.028	4,200
		<u>190,000</u>		<u>5,320</u>

## AUDIO NETWORK LIMITED

### Notes to the Consolidated Financial Statements (continued)

#### 16 Share capital (continued)

During the year options over 235,000 C Ordinary shares were granted as follows :

No of shares	Subscription price	Vesting date	Conversion Premium	Exercisable
45,000 (***)	£0.022	September 2017	£4.50	27/09/2017 to 26/09/2024
40,000	£0.028	October 2017	£5.00	16/10/2014 to 31/10/2014
50,000	£0.028	March 2016	£5.00	27/03/2015 to 27/03/2015
50,000	£0.028	March 2017	£5.00	27/03/2015 to 27/03/2015
50,000	£0.028	March 2018	£5.00	27/03/2015 to 27/03/2015
<u>235,000</u>				

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

Outstanding options in existence at 30 June 2015 over 45,000 C Ordinary shares are exercisable between the dates set out below :

No of shares	Subscription price	Vesting date	Conversion Premium	Exercisable
45,000 (***)	£0.022	September 2017	£4.50	27/09/2017 to 26/09/2024
<u>45,000</u>				

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

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 2015:

Dividend yield (per cent)	5.0%
Expected volatility (per cent)	16.0%
Risk-free interest rate (per cent)	2.0%
Expected life of share options (years)	3 years
Exercise price (£)	<u>£4-£5</u>

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 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.

## AUDIO NETWORK LIMITED

### Notes to the Consolidated Financial Statements (continued)

#### 16 Share capital (continued)

The resulting share based payment charge from the above valuations was not deemed material to the financial statements and therefore no expense has been recognised in the year to 30 June 2015 (2014: £nil).

#### 17 Statement of movement on reserves

<u>2015</u>	<u>2014</u>
£	£

##### Share premium account

###### Group and company

Balance at 1 July 2014	3,379,238	3,227,896
Premium on Ordinary shares issued during the year	97,003	150,302
Premium on B Ordinary shares issued during the year	-	1,040
Premium on C Ordinary shares issued during the year	3,420	-
Balance at 30 June 2015	<u>3,479,661</u>	<u>3,379,238</u>

##### Capital redemption reserve

###### Group and company

Balance at 1 July 2014	2,744	-
Ordinary shares repurchased during the year	2,363	2,744
B Ordinary shares repurchased during the year	5,200	-
Balance at 30 June 2015	<u>10,307</u>	<u>2,744</u>

##### Shares held under JSOP

###### Group and company

Balance at 1 July 2014 and 30 June 2015	<u>(1,290,000)</u>	<u>(1,290,000)</u>
-----------------------------------------	--------------------	--------------------

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 employee plan members since 9 October 2012. The plan members have the option right under the plan to purchase the trust's proportion of the JSOP shares direct from the trust from 9 October 2013 and once fully vested from 9 October 2015 have the additional option right to call upon the trust to join the member in 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.

**AUDIO NETWORK LIMITED**

**Notes to the Consolidated Financial Statements (continued)**

**17 Statement of movement on reserves (continued)**

<b>Profit and loss account</b>	<u>2015</u>	<u>2014</u>
	£	£
<b>Group</b>		
Balance at 1 July 2014	5,518,934	4,093,619
Profit for the year	5,002,194	4,640,881
Ordinary shares repurchased during the year	(886,501)	(953,520)
Dividends paid	(2,020,164)	(2,044,213)
Currency translation differences	(313,006)	(217,833)
Balance at 30 June 2015	<u>7,301,457</u>	<u>5,518,934</u>
<b>Company</b>		
Balance at 1 July 2014	4,914,082	4,062,924
Profit for the year	5,116,003	3,848,891
Shares repurchased during the year	(886,501)	(953,520)
Dividends paid	(2,020,164)	(2,044,213)
Balance at 30 June 2015	<u>7,123,420</u>	<u>4,914,082</u>

**18 Reconciliation of movements in shareholders' funds**

	<u>2015</u>	<u>2014</u>
	£	£
<b>Group</b>		
Profit for the financial year	5,002,194	4,640,881
Currency translation differences	(313,006)	(217,833)
Proceeds from issue of Ordinary shares	97,499	151,321
Proceeds from issue of B Ordinary shares	-	6,240
Proceeds from issue of C Ordinary shares	5,320	-
Ordinary shares repurchased during the year	(886,501)	(953,520)
Dividends paid	(2,020,164)	(2,044,213)
Net addition to shareholders' funds	1,885,342	1,582,876
Opening shareholders' funds	7,776,847	6,193,971
Closing shareholders' funds	<u>9,662,189</u>	<u>7,776,847</u>
<b>Company</b>		
Profit for the financial year	5,116,003	3,848,891
Proceeds from issue of Ordinary shares	97,499	151,321
Proceeds from issue of B Ordinary shares	-	6,240
Proceeds from issue of C Ordinary shares	5,320	-
Ordinary shares repurchased during the year	(886,501)	(953,520)
Dividends paid	(2,020,164)	(2,044,213)
Net addition to shareholders' funds	2,312,157	1,008,719
Opening shareholders' funds	7,171,995	6,163,276
Closing shareholders' funds	<u>9,484,152</u>	<u>7,171,995</u>

# AUDIO NETWORK LIMITED

## Notes to the Consolidated Financial Statements (continued)

### 19 Directors' emoluments

	2015	2014
	£	£
Emoluments for qualifying services	693,524	744,484
Compensation for loss of office	-	90,000
Company pension contributions	47,073	34,950
	<u>740,597</u>	<u>869,434</u>

Emoluments disclosed above include payments to 4 executive directors (2014: 4) and to 2 non executive directors (2014: 3).

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

	2015	2014
	£	£
Emoluments for qualifying services	<u>176,236</u>	<u>196,464</u>

One director exercised share options during the year (2014: 2)

### 20 Dividends

	2015	2014	2015	2014
	pence/share	pence/share	£	£
Final dividend for the prior financial year	3	3	466,427	472,264
Interim dividend for the current financial year	5	5	776,170	785,920
Second Interim dividend for the current year	5	5	777,567	786,029
	<u>13</u>	<u>13</u>	<u>2,020,164</u>	<u>2,044,213</u>
Final dividend for the current financial year	<u>3</u>	<u>3</u>		

No dividends were paid on issued B Ordinary shares as dividends on Ordinary shares of thirteen pence per Ordinary share were lower than the thirty pence per Ordinary share hurdle rate required to start to trigger dividend payments on B Ordinary shares. Further, following a buy-back of shares there were no B Ordinary shares in issue at 30 June 2015. No dividends are payable on C Ordinary shares as none of the issued C Ordinary shares are yet fully vested.

### 21 Pension costs

The company and Audio Network US, Inc operate defined contribution pension plans. 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.

	2015	2014
	£	£
<b>Company</b>		
Contributions payable by the company for the year	<u>104,769</u>	<u>65,457</u>
<b>Group</b>		
Contributions payable by the group for the year	<u>128,795</u>	<u>68,704</u>



## AUDIO NETWORK LIMITED

# Notes to the Consolidated Financial Statements (continued)

## 22 Transactions with directors

During the year the company paid dividends of £879,727 on shares owned directly or beneficially on behalf of the following directors (2014: £915,342):

	<u>2015</u>	<u>2014</u>
	£	£
Robert Hurst	399,100	399,100
Andrew Sunnucks	399,100	399,100
Miles Ruffell	26,000	26,000
Juliette Bingham (nee Squair)	23,653	59,832
Christopher Blakeston	20,675	20,111
John Sanderson	11,199	11,199
	<u>879,727</u>	<u>915,342</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 2015 amounted to £619,951 (2014: £582,257)

During the year, Andrew Sunnucks received £6,000 rent in respect of the occupation of School Farm Studios by the company (2014: £6,000). The company also paid royalties of £8,580 to Andrew Sunnucks in respect of his composer share of income from music compositions assigned to and published by the company (2014: £7,500).

The company rented storage space during the year from The Archive Warehouse Limited a company connected to Andrew Sunnucks, at a cost of £675 (2014: £ 969)

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 loan interest thereon are as follows:

	Amount	<u>2015</u>	<u>2014</u>
	£	£	£
Robert Hurst	153,500	439	933
Andrew Sunnucks	153,500	439	933
SG Growth Partners II Offshore AIV, LP	223,945	639	1,361
	<u>530,945</u>	<u>1,517</u>	<u>3,227</u>

## AUDIO NETWORK LIMITED

### Notes to the Consolidated Financial Statements (continued)

#### 23 Employees

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

Group	<u>2015</u>	<u>2014</u>
	Number	Number
Management and administration	108	81
Employment costs	£	£
Wages & salaries	5,612,531	4,273,095
Compensation for loss of office	-	90,000
Social security costs	576,141	484,035
Other pension costs	128,795	68,704
	<u>6,317,467</u>	<u>4,915,834</u>

#### 24 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 2016:

	Land and buildings	
	<u>2015</u>	<u>2014</u>
Operating leases which expire:	£	£
Within one year	154,929	20,605
Within two to five years	337,308	362,398
	<u>492,237</u>	<u>383,003</u>

#### 25 Control

There is no ultimate controlling party in the group.

#### 26 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.

## **AUDIO NETWORK LIMITED**

# **Notes to the Consolidated Financial Statements (continued)**

### **27 Post balance sheet events**

The following changes to the Company's share capital have taken place post year-end:

- On 31 July 2015 1,000 new ordinary shares were issued at £2.20 per share on the exercise of options.
- On 31 July 2015 the Company brought back 54,510 ordinary shares and 5,000 C ordinary shares.
- On 29 September 2015 15,000 new ordinary shares were issued at £2.60 per share on the exercise of options.
- On 29 September 2015 50,000 new ordinary C shares were issued at £0.028 per share on the exercise of options.
- On 30 September 2015 600 new ordinary shares were issued at £2.50 per share on the exercise of options.
- On 6 October 2015 1,000 new ordinary shares were issued at £2.20 per share on the exercise of options.