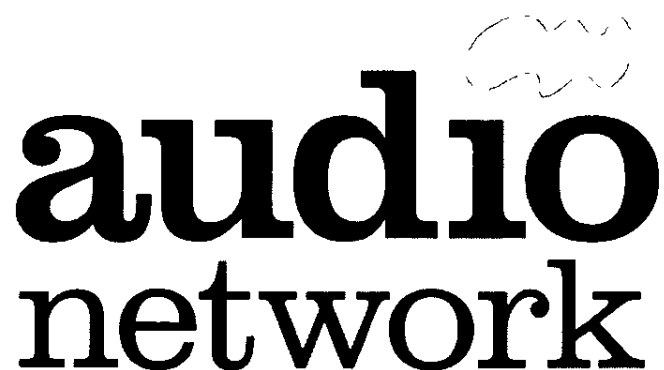


Company number 4257337



AUDIO NETWORK LIMITED

(FORMERLY AUDIO NETWORK PLC)

**DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013



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AUDIO NETWORK LIMITED

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AUDIO NETWORK LIMITED

Company Information

Directors:

Executive Directors

Juliette Bingham (nee Squair)
Christopher Blakeston
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, CO9 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 Australia Pty Ltd 645 Harris Street Ultimo, NSW 2007 Australia Tel 02 8204 0100	Audio Network Canada Inc 8 Robert Attersley Dr East Whitby, Toronto, L1R 3E3 Canada Tel +1 905 655 4897
Audio Network GmbH Tal 36/02, Stock 80331 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 48 West 25 th Street New York NY 10010, USA Tel +1 646 688 4320

Email office@audionetwork.com

Web site www.audionetwork.com

Directors' Report

The directors are pleased to present the report and financial statements of the group for the year ended 30 June 2013

Re-registration as a private limited company

Prior to 25 June 2013 the company was registered as a public limited company under the name Audio Network Plc

A special resolution to re-register as a private limited company was approved at an extraordinary general meeting held on 21 June 2013 by shareholders holding over 95% of the issued share capital of the company

The company subsequently completed the re-registration as a private limited company on 25 June 2013 and now trades under the name Audio Network Limited.

Principal activity and review of the business

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

We are delighted to report another year of excellent growth in our composer team, music catalogue, customer base, turnover, operating cash flow, dividends and profit

The group continued to invest in the commissioning and development of new music copyrights and in the promotion of our music and composers

Key Performance Indicators

Our composer team grew by 80 during the year from 360 to 440 (+22%).

We grew our music catalogue organically by 11,722 tracks from 52,404 tracks at the start of the year to 64,126 tracks by the end of the year (+22%)

Turnover grew by 35% from £9.3m to £12.5m inclusive of our share of joint venture turnover

Turnover from international markets continued to grow strongly, up by £2.3m (+44%) from £5.4m to £7.7m inclusive of our share of joint venture turnover (2012 growth: £2.0m)

International revenue, inclusive of our share of joint venture turnover, has grown from 58% of total turnover in the year to June 2012 to 62% of total turnover in the current year.

Domestic revenue also grew during the current year by £0.9m (+22%) from £3.9m to £4.8m (2012 growth £1.1m)

Our subscription churn rates remained low at 8% (2012: 8%)

Cash reserves of £3m were held by the group at 30 June 2013 (2012: £2.8m) after paying £2.8m of dividends (2012: £1.6m) and taxation of £1.0m (2012: £0.04m)

Directors' Report (continued)

Post Balance Sheet Event

Stripes Group, a leading New York-based technology growth equity firm, completed the purchase of a minority interest amounting to approximately 27% of the issued share capital of the company on 24 July 2013. All shares acquired by the Stripes Group were purchased from selling shareholders. The investment provided liquidity for our early investors whilst also bringing substantial expertise to assist the company in the next phase of our growth as a private limited company.

The Board welcomes the addition of the Stripes Group to our shareholder base and is delighted to welcome Dan Marriott of the Stripes Group to the Audio Network board.

The majority of the shares in the company continue to be held by management, employees and composers allowing us to maintain our culture as an innovative and independent music group.

On 24 July 2013 John Whittingdale stepped down as a Director of the company to make room for the new board structure. The board takes this opportunity of thanking John Whittingdale for the contribution he has made towards the growth of the group since his appointment as a Director during October 2008.

Future Outlook

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

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.

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

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

Financial Risk Management

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

Price Risk

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

Directors' Report (continued)

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

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.

The group has no bank loans or overdrafts

Results

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

Highlights

- Turnover up 35% to £12,511,335 (including share of joint venture turnover)
- Turnover up 35% to £11,955,262 (before share of joint venture turnover)
- Gross profit up 34% to £11,386,040 (before share of joint venture gross profit)
- Operating profit up 40% to £4,644,990 (before share of joint venture operating profit)
- Profit before taxation up 39% to £4,732,503 (including share of joint venture loss)

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

AUDIO NETWORK LIMITED

Directors' Report (continued)

Dividends

A final dividend for the prior year of eight pence (£0 08) per ordinary share was paid during the current year (2012 £0 05)

A first interim dividend for the current year of five pence (£0 05) per ordinary share was paid during the year (2012 £0 05)

A second interim dividend for the current year of five pence (£0 05) per ordinary share was also paid during the year (2012 Nil)

Subject to shareholders' approval at the Annual General Meeting to be held on Thursday 19th December 2013, the directors recommend the payment of a final dividend of three pence (£0 03) on each of the ordinary shares entitled thereto (2012 £0 08) bringing the total dividend for the current year to thirteen pence (£0 13) per ordinary share (2012 £0 13)

Directors

The directors who served during the year were as stated below

Juliette Bingham	(nee Squair)	Managing Director
Christopher Blakeston		Deputy Managing Director
Robert Hurst		CEO, Founder
Jason Langley	(resigned 9 April 2013)	Commercial Director
Miles Ruffell		Non Executive Director
John Sanderson		Non Executive Director
Andrew Sunnucks		Chairman, Founder
John Whittingdale		Non Executive Director

On 9th April 2013 Jason Langley resigned as a director following the end of a long secondment to the United States. The Board takes this opportunity of thanking Jason Langley for the contribution he has made towards the growth of the group since his appointment in September 2007

The Audio Network Employees' Share Trust

The Company made a loan during the year of £1,290,000 to The Audio Network Employees' Share Trust a Trust formed to facilitate the employee participation as shareholders in the Company. The Trust used the loan amount to purchase ordinary shares in Audio Network Limited which are jointly held by the Trust with Juliette Bingham and Christopher Blakeston

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 2013, the number of days' credit taken for the purchases by the group was 30 days (2012 30 days)

Directors' Report (continued)

Auditors

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

Directors' responsibilities

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

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

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

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

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

Date 17 October 2013

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 2013 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with 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 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 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. 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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Great Britain

Dated 17/10/13.

AUDIO NETWORK LIMITED

Consolidated Profit & Loss Account for the year ended 30 June 2013

	Notes	2013 £	2012 £
Turnover Group and share of joint venture		12,511,335	9,288,037
Less Share of joint venture turnover		(556,073)	(407,193)
TURNOVER	2	11,955,262	8,880,844
Cost of sales		(569,222)	(383,934)
Gross profit		11,386,040	8,496,910
Distribution costs		(74,114)	(102,678)
Administrative expenses		(6,666,958)	(5,085,147)
Other operating income		22	36
OPERATING PROFIT	3	4,644,990	3,309,121
Share of operating profit of joint venture		5,578	45,393
Operating profit Group and share of joint venture		4,650,568	3,354,514
Interest receivable and similar income		88,278	65,731
Share of interest receivable of joint venture		2,369	2,268
Share of interest payable of joint venture		(8,712)	(7,122)
Profit on ordinary activities before taxation	2	4,732,503	3,415,391
Tax on profit on ordinary activities	4	(970,219)	(864,081)
Share of taxation of joint venture		-	-
Profit after taxation		3,762,284	2,551,310

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 2013

	2013 £	2012 £
Profit for the year	3,762,284	2,551,310
Currency translation differences	28,066	(6,449)
Total recognised gains and losses relating to the year	3,790,350	2,544,861

AUDIO NETWORK LIMITED

Balance Sheets

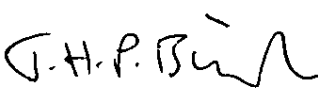
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As at 30 June 2013

	Notes	Group		Company	
		2013	2012	2013	2012
		£	£	£	£
Fixed assets					
Intangible assets	6	1,527,875	1,216,292	1,527,875	1,216,292
Tangible assets	7	325,743	278,601	249,941	238,229
Investments	8	-	-	994,657	964,173
		<u>1,853,618</u>	<u>1,494,893</u>	<u>2,772,473</u>	<u>2,418,694</u>
Current assets					
Stocks	9	18,083	16,940	15,258	14,218
Debtors	10	4,997,691	3,656,964	3,691,481	3,021,631
Cash at bank and in hand		<u>2,955,963</u>	<u>2,808,429</u>	<u>2,638,955</u>	<u>2,576,609</u>
		<u>7,971,737</u>	<u>6,482,333</u>	<u>6,345,694</u>	<u>5,612,458</u>
Creditors amounts falling due within one year	11	(3,631,384)	(2,858,356)	(2,939,027)	(2,360,830)
Net current assets		<u>4,340,353</u>	<u>3,623,977</u>	<u>3,406,667</u>	<u>3,251,628</u>
Provisions for liabilities and charges	12	-	(20,348)	(15,864)	(20,348)
Total assets less total liabilities	2	<u>6,193,971</u>	<u>5,098,522</u>	<u>6,163,276</u>	<u>5,649,974</u>
Capital & reserves					
Called up share capital	13	162,456	156,151	162,456	156,151
Share premium account	14	3,227,896	1,799,561	3,227,896	1,799,561
Shares held under JSOP	14	(1,290,000)	-	(1,290,000)	-
Profit and loss account	14	<u>4,093,619</u>	<u>3,142,810</u>	<u>4,062,924</u>	<u>3,694,262</u>
Shareholders' funds	15	<u>6,193,971</u>	<u>5,098,522</u>	<u>6,163,276</u>	<u>5,649,974</u>

Approved by the board on and authorised for issue on 17 October 2013


Robert Hurst
Chief Executive


Juliette Bingham
Managing Director

AUDIO NETWORK LIMITED

Consolidated Cash Flow Statement

For the year ended 30 June 2013

	2013		2012	
	£	£	£	£
Net cash flow from operating activities		4,416,691		2,910,810
Returns on investments and servicing of finance				
Interest received	90,647		67,998	
Share of interest paid by joint venture	(8,712)		(7,122)	
Net cash inflow for returns on investments and servicing of finance		81,935		60,876
Taxation				
UK tax paid	(926,604)		(6,437)	
Foreign tax paid	(64,281)		(12,316)	
Withholding tax paid	(38,749)		(20,483)	
Total Taxation paid		(1,029,634)		(39,236)
Capital expenditure				
Payments to acquire intangible assets	(477,870)		(298,471)	
Payments to acquire tangible assets	(176,753)		(227,774)	
Net cash outflow for capital expenditure		(654,623)		(526,245)
Net cash inflow before financing		2,814,369		2,406,205
Financing				
Issue of ordinary share capital	1,434,640		158,103	
Loan to employee share trust	(1,290,000)		-	
Dividends paid	(2,839,541)		(1,559,747)	
Net cash outflow from financing		(2,694,901)		(1,401,644)
Increase in cash in the year		119,468		1,004,561

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	2013	2012
	£	£
Operating profit group and share of joint venture	4,650,568	3,354,514
Depreciation of tangible fixed assets	129,611	92,118
Amortisation of intangible fixed assets	166,287	148,233
Loss on disposal of fixed assets	-	2,175
(Increase) / decrease in stocks	(1,143)	14,020
Increase in debtors	(1,273,492)	(1,236,786)
Increase in creditors due within one year	744,860	536,536
	<u>4,416,691</u>	<u>2,910,810</u>

(2) Analysis of net funds	1 July 2012	Cash flow	Other non-cash changes	30 June 2013
	£	£	£	£
Net cash				
Cash at bank and in hand	2,808,429	119,468	28,066	2,955,963
Net funds	<u>2,808,429</u>	<u>119,468</u>	<u>28,066</u>	<u>2,955,963</u>

(3) Reconciliation of net cash to movement in debt	2013	2012
	£	£
Increase in cash in the year	119,468	1,004,561
Currency translation differences	28,066	(6,449)
Movement in net funds in the year	147,534	998,112
Opening net funds	2,808,429	1,810,317
Closing net funds	<u>2,955,963</u>	<u>2,808,429</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 2013. 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
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. Contributions payable to the scheme, or to Self Invested Personal Pension Schemes (SIPPs) held by two directors, are charged to the profit and loss account in the year they are payable

1.11 Deferred Taxation

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

1.12 Foreign currency translation

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

Closing balances of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves

1.13 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

Interest income is 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	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
Group						
United Kingdom	7,106,594	6,000,970	4,153,097	3,156,067	5,168,618	4,687,820
North America (*)	3,253,339	2,295,458	521,440	169,777	897,536	350,244
Continental Europe (*)	1,118,131	273,453	58,731	49,008	141,216	74,200
Australasia (*)	477,198	310,963	(765)	40,539	(13,399)	(13,742)
	<u>11,955,262</u>	<u>8,880,844</u>	<u>4,732,503</u>	<u>3,415,391</u>	<u>6,193,971</u>	<u>5,098,522</u>

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

The table below analyses turnover by destination of customer or broadcaster

	2013	2012
	£	£
Group		
United Kingdom	4,790,478	3,934,669
North America	3,334,749	2,381,754
Continental Europe	2,858,094	1,798,144
Australasia	509,102	378,844
Rest of the World	462,839	387,433
	<u>11,955,262</u>	<u>8,880,844</u>

3 Operating profit

Operating profit is stated after charging

	2013	2012
	£	£
Amortisation of intangible fixed assets	166,287	148,233
Depreciation of tangible fixed assets	128,330	91,301
Operating lease rentals	232,034	131,309
Foreign exchange (gain) / loss	(17,536)	3,314
Auditor's remuneration (company £21,000, 2012 £20,000)	25,000	20,000
Remuneration of auditors for non-audit work	27,521	11,643
Loss on disposal of fixed assets	-	2,175

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

4 Taxation

	2013	2012
	£	£
Current tax charge		
Charge for the current year	945,876	453,665
Adjustment re prior periods	3,502	(615)
Deferred tax charge		
(Credit) / charge for the current year (Note 12)	(87,584)	360,199
Foreign tax charge		
Foreign tax charge	108,425	46,147
Irrecoverable withholding tax suffered	-	4,685
	<u>970,219</u>	<u>864,081</u>

Factors affecting the years' tax charge

Profit on ordinary activities before taxation	4,732,503	3,415,391
Profit on ordinary activities before taxation multiplied by rate of UK Corporation tax of 23.75% (2012: 26%)	1,123,970	888,002
Effects of:		
Non-deductible expenses	19,934	17,275
Depreciation add back	53,011	62,279
Capital allowances	(47,863)	(59,252)
Share options exercised	(57,228)	(22,051)
Group brought forward tax losses utilised	(66,165)	(372,455)
Increase in tax losses	3,535	-
Adjustment re prior periods	10,264	(615)
Deferred tax (credit) / charge	(84,846)	360,199
Other adjustments	15,607	(9,301)
Current tax charge	<u>970,219</u>	<u>864,081</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

	2013	2012
	£	£
Holding company's profit for the financial year	<u>3,208,203</u>	<u>2,351,479</u>

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

6	Intangible fixed assets Group & Company	Copyrights & Licences	Recordings in progress	Development costs	Total
		£	£	£	£
Cost					
At 1 July 2012		1,244,223	93,079	504,871	1,842,173
Additions		-	331,400	146,470	477,870
Transfers		212,541	(212,541)	-	-
Disposals		-	-	(308,395)	(308,395)
At 30 June 2013		1,456,764	211,938	342,946	2,011,648
Amortisation					
At 1 July 2012		266,787	-	359,094	625,881
Charge for the year		72,460	-	93,827	166,287
Disposals		-	-	(308,395)	(308,395)
At 30 June 2013		339,247	-	144,526	483,773
Net book amount					
At 30 June 2013		1,117,517	211,938	198,420	1,527,875
At 1 July 2012		977,436	93,079	145,777	1,216,292

7	Tangible fixed assets Group	Plant & Machinery	Fixtures, Fittings & Equipment	Total
		£	£	£
Cost				
At 1 July 2012		50,871	409,201	460,072
Additions		-	173,040	173,040
Disposals		(12,677)	(110,091)	(122,768)
Currency translation differences		-	3,713	3,713
At 30 June 2013		38,194	475,863	514,057
Depreciation				
At 1 July 2012		38,158	143,313	181,471
Charge for the year		12,657	115,673	128,330
Disposals		(12,677)	(110,091)	(122,768)
Currency translation differences		-	1,281	1,281
At 30 June 2013		38,138	150,176	188,314
Net book amount				
At 30 June 2013		56	325,687	325,743
At 1 July 2012		12,713	265,888	278,601

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

7 Tangible fixed assets (continued)	Plant & Machinery	Fixtures, Fittings & Equipment	Total
Company			
	£	£	£
Cost			
At 1 July 2012	50,871	325,032	375,903
Additions	-	105,980	105,980
Disposals	(12,677)	(70,809)	(83,486)
At 30 June 2013	<u>38,194</u>	<u>360,203</u>	<u>398,397</u>
Depreciation			
At 1 July 2012	38,158	99,516	137,674
Charge for the year	12,657	81,611	94,268
Disposals	(12,677)	(70,809)	(83,486)
At 30 June 2013	<u>38,138</u>	<u>110,318</u>	<u>148,456</u>
Net book amount			
At 30 June 2013	<u>56</u>	<u>249,885</u>	<u>249,941</u>
At 1 July 2012	<u>12,713</u>	<u>225,516</u>	<u>238,229</u>

8 Fixed asset investments
Group

	2013	2012
	£	£
Interest in joint venture		
At 1 July 2012	-	-
Amounts owed by joint venture as at 1 July 2012	(13,742)	(55,280)
Share of (loss) / profit	(765)	40,537
Currency translation differences	1,108	1,001
Offset against amounts owed by joint venture (Note 10)	13,399	13,742
At 30 June 2013	<u>-</u>	<u>-</u>

The group's share of joint venture comprises

	Audio Network Australia Pty Ltd	
	2013	2012
	£	£
Turnover	<u>556,073</u>	<u>407,193</u>
(Loss) / profit	<u>(765)</u>	<u>40,537</u>
Fixed assets	13,350	16,904
Current assets	246,726	216,217
Current liabilities	(273,475)	(246,863)
Net liabilities	<u>(13,399)</u>	<u>(13,742)</u>

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

	2013	2012
Cost	£	£
Shares in group companies	37,503	37,503
Shares in joint venture company	34,098	34,098
Equity loan to group companies	923,056	892,572
	<u>994,657</u>	<u>964,173</u>
Balance at 1 July 2012	964,173	922,000
Investment in Audio Network GmbH	-	21,604
Increase in equity loan to Audio Network US, Inc	30,484	20,569
Balance at 30 June 2013	<u>994,657</u>	<u>964,173</u>

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

Holdings of more than 20%

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

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	
	2013	2012	2013	2012
	£	£	£	£
Raw materials & consumables	7,397	4,695	7,397	4,695
Finished goods and goods for resale	10,686	12,245	7,861	9,523
	<u>18,083</u>	<u>16,940</u>	<u>15,258</u>	<u>14,218</u>

10 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	858,085	765,117	574,523	594,495
Amounts owed by group companies	-	-	775,874	406,219
Amounts owed by joint venture	208,494	200,820	221,893	214,562
Director loan account	-	1,431	-	1,431
Other debtors	11,992	50,699	314	48,222
Prepayments	178,099	146,028	107,266	107,665
Accrued income	3,673,785	2,492,869	2,011,611	1,649,037
Deferred tax asset (Note 12)	67,236	-	-	-
	<u>4,997,691</u>	<u>3,656,964</u>	<u>3,691,481</u>	<u>3,021,631</u>

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Amounts owed by group companies	-	-	12,201	-
Amounts owed by joint venture	22,604	181,213	36,003	194,955
	<u>22,604</u>	<u>181,213</u>	<u>48,204</u>	<u>194,955</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	541,189	457,927	530,241	447,197
Corporation tax	504,881	476,712	421,891	437,866
Taxes and social security costs	289,996	245,970	269,837	236,023
Other creditors	3,463	59,687	-	59,368
Accruals	955,821	467,077	808,134	371,297
Deferred income	1,336,034	1,150,983	908,924	809,079
	<u>3,631,384</u>	<u>2,858,356</u>	<u>2,939,027</u>	<u>2,360,830</u>

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

12 Provisions for liabilities and charges

Company	2013	2012
	£	£
Deferred tax balance at 1 July 2012	(20,348)	-
Deferred tax asset balance at 1 July 2012	-	339,851
Deferred tax credit / (charge) for year (Note 4)	4,484	(360,199)
Deferred tax liability balance at 30 June 2013	(15,864)	(20,348)

Group

Deferred tax balance at 1 July 2012	(20,348)	-
Deferred tax asset balance at 1 July 2012	-	339,851
Deferred tax credit / (charge) for year (Note 4)	87,584	(360,199)
Deferred tax asset included in debtors (Note 10)	(67,236)	-
Deferred tax liability balance at 30 June 2013	-	(20,348)

Deferred tax is provided at rates between 23% and 40% (2012 24%) analysed over the following timing differences

Accelerated capital allowances	(22,500)	(20,348)
Short term timing differences	6,636	-
	(15,864)	(20,348)
Overseas tax losses available	104,776	125,760
	88,912	105,412
Unrecognised deferred tax asset	(21,676)	(125,760)
Deferred tax asset / (liability)	67,236	(20,348)

At 30 June 2013, the group had overseas tax losses of approximately £270,000 (2012 £524,000) available to carry forwards for relief against overseas taxable profits in future periods

Deferred tax assets of £21,676 (2012 £125,760) have not been recognised in these accounts because there is insufficient certainty over their recoverability

13 Share capital

	2013	2012
	£	£
Allotted, called up and fully paid:		
16,245,599 (2012 15,615,099) Ordinary shares of 1p each	162,456	156,151

During the year 130,500 ordinary shares were issued at a subscription price of £134,640 under the company's share option schemes and 500,000 ordinary shares were issued at a subscription price of £1,300,000 under a Joint Share Ownership Plan ("JSOP") where the shares are held jointly between The Audio Network Employees' Share Trust and two directors who paid £10,000 towards the share purchase with the Trust contributing £1,290,000 reflecting the higher ownership percentage of the Trust on the date of acquisition (See Note 14).

The premium on issue of £1,428,335 has been recognised in share premium.

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

13 Share capital (continued)

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 to 30 June 2013 is shown below

	2013	2012
	No of shares	No of shares
As at 1 July 2012	806,867	866,067
Exercised during the year	(130,500)	(108,066)
Waived or lapsed during the year	(241,667)	(2,134)
New options granted during the year	100,000	51,000
As at 30 June 2013	<u>534,700</u>	<u>806,867</u>

During the year 130,500 options were exercised at prices between 80p and £1.60 a share as follows:

Date of exercise	No of shares	Subscription price	£
October 2012 (EMS)	3,000	£1.60	4,800
December 2012 (EMS)	19,500	£1.12	21,840
April 2013 (EMS)	50,000	£0.80	40,000
April 2013 (EMS)	20,000	£1.12	22,400
April 2013 (EMS)	38,000	£1.20	45,600
	<u>130,500</u>		<u>134,640</u>

Outstanding options over 534,700 Ordinary shares of one penny in existence at 30 June 2013 are exercisable between the dates set out below

No of shares		Subscription price	Exercisable		
80,500	(EMS)	£1.12	01/06/2011	to	31/05/2017
107,800	(EMS)	£1.60	03/10/2012	to	02/10/2018
111,000	(EMS)	£2.20	01/07/2013	to	30/06/2019
85,400	(EMS)	£2.20	18/06/2014	to	17/06/2020
50,000	(EMS)	£2.50	18/06/2015	to	17/06/2021
100,000	(EMS)	£2.60	18/09/2015	to	17/09/2021
<u>534,700</u>					

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

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

	2013	2012
	£	£
Share premium account		
Group and company		
Balance at 1 July 2012	1,799,561	1,642,539
Premium on shares issued during the year	1,428,335	157,022
Balance at 30 June 2013	3,227,896	1,799,561
Shares held under JSOP		
Group and company		
Balance at 1 July 2012	-	-
JSOP shares issued during the year	(1,290,000)	-
Balance at 30 June 2013	(1,290,000)	-

The shares held under JSOP represent a holding of the company's own 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 shares at the original subscription price of £2.60 plus an annual increase of 5%. Juliette Bingham and Christopher Blakeston have rights over 300,000 and 200,000 shares respectively.

	2013	2012
	£	£
Profit and loss account		
Group		
Balance at 1 July 2012	3,142,810	2,157,696
Profit for the year	3,762,284	2,551,310
Dividends paid	(2,839,541)	(1,559,747)
Currency translation differences	28,066	(6,449)
Balance at 30 June 2013	4,093,619	3,142,810
Company		
Balance at 1 July 2012	3,694,262	2,902,530
Profit for the year	3,208,203	2,351,479
Dividends paid	(2,839,541)	(1,559,747)
Balance at 30 June 2013	4,062,924	3,694,262

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

15 Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
Group		
Profit for the financial year	3,762,284	2,551,310
Currency translation differences	28,066	(6,449)
Proceeds from issue of shares	1,434,640	158,103
JSOP shares issued during the year	(1,290,000)	-
Dividends paid	(2,839,541)	(1,559,747)
Net addition to shareholders' funds	1,095,449	1,143,217
Opening shareholders' funds	5,098,522	3,955,305
Closing shareholders' funds	6,193,971	5,098,522

	2013	2012
	£	£
Company		
Profit for the financial year	3,208,203	2,351,479
Proceeds from issue of shares	1,434,640	158,103
JSOP shares issued during the year	(1,290,000)	-
Dividends paid	(2,839,541)	(1,559,747)
Net addition to shareholders' funds	513,302	949,835
Opening shareholders' funds	5,649,974	4,700,139
Closing shareholders' funds	6,163,276	5,649,974

16 Directors' emoluments

	2013	2012
	£	£
Emoluments for qualifying services	793,341	811,362
Compensation for loss of office	398,000	-
Company pension contributions	29,800	25,250
	1,221,141	836,612

Emoluments disclosed above include payments to five executive directors (2012 5) and two non executive directors (2012 2)

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

	2013	2012
	£	£
Emoluments for qualifying services	165,132	195,853

The company made pension contributions during the year to SIPPs or to the company stakeholder pension scheme in respect of four directors (2012 4)

Two directors exercised share options during the year (2012 2)

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

17 Dividends	2013	2012	2013	2012
	pence/share	pence/share	£	£
Final dividend for the prior financial year	8	5	1,253,539	779,017
Interim dividend for the current financial year	5	5	792,957	780,730
Second Interim dividend for the current year	5	-	793,045	-
	<u>18</u>	<u>10</u>	<u>2,839,541</u>	<u>1,559,747</u>
Proposed final dividend for the current financial year	<u>3</u>	<u>8</u>		

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

18 Pension costs

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

	2013	2012
	£	£
Contributions payable by the group for the year	<u>53,338</u>	<u>37,050</u>

19 Transactions with directors

During the year the company paid dividends of £1,658,077 on shares owned directly or beneficially on behalf of the following directors or their spouses or children (2012 £901,695)

	2013	2012
	£	£
Robert Hurst	714,600	392,222
Andrew Sunnucks	714,600	390,423
Miles Ruffell	125,690	68,217
Juliette Bingham (nee Squair)	74,073	36,131
John Sanderson	20,006	10,908
Christopher Blakeston	7,541	457
Jason Langley (to date of resignation)	1,193	181
John Whittingdale	374	208
Maarten Hemsley (to date of resignation)	-	3,218
	<u>1,658,077</u>	<u>901,695</u>

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.

During the year, Andrew Sunnucks received £6,000 rent in respect of the occupation of School Farm Studios by the company (2012 £6,000). The company also paid royalties of £4,378 to Andrew Sunnucks in respect of his composer share of income from music compositions assigned to and published by the company (2012 £5,242).

AUDIO NETWORK LIMITED

Notes to the Consolidated Financial Statements (continued)

19 Transactions with directors (continued)

During February 2009 the company made a loan to Jason Langley of £13,500 to enable him to perform his duties as a director of the company. Interest was charged on the loan at 6% per annum. At the balance sheet date the balance due on the loan account after interest charges and capital repayments amounted to £Nil (2012: £1,431). The loan was repaid by 31 July 2012.

During the year the company paid £6,000 to JFWS Limited for providing the services of John Sanderson as a non-executive director of the company (2012: £6,000).

The company rented storage space during the year from William Sunnucks, the brother of Andrew Sunnucks, at a cost of £1,091 (2012: £2,400). The company rented storage space during the year from The Archive Warehouse Limited, a company connected to Andrew Sunnucks, at a cost of £483 (2012: £Nil).

20 Employees

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

Group	2013	2012
	Number	Number
Management and administration	61	50
Employment costs	£	£
Wages & salaries	3,020,174	2,531,975
Compensation for loss of office	398,000	-
Social security costs	360,251	281,428
Other pension costs	53,338	37,050
	<u>3,831,763</u>	<u>2,850,453</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 2014:

	Land and buildings	
	2013	2012
Operating leases which expire	£	£
Within one year	12,685	52,756
Within two to five years	248,411	159,773
	<u>261,096</u>	<u>212,529</u>

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.