

Company Registration No. 04257337 (England and Wales)



AUDIO NETWORK LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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COMPANIES HOUSE

AUDIO NETWORK LIMITED

COMPANY INFORMATION

Directors	Robert Hurst Andrew Sunnucks Dan Marriott James Robert Smith Miles Ruffell	(Appointed 3 October 2016)
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Company Secretary & CFO	Kim Clarke
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Company number	04257337
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Registered office	School Farm Studios Little Maplestead Halstead Essex CO9 2SN
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Auditors	HW Fisher & Company Acre House 11-15 William Road London NW1 3ER
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Principal business address:

Audio Network Limited
The Johnson Building
77 Hatton Garden
London
EC1N 8JS
Tel: 020 7566 1441

Email: office@audionetwork.com
Web site: www.audionetwork.com

AUDIO NETWORK LIMITED

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AUDIO NETWORK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors are pleased to present the annual report and financial statements of the group for the year ended 30 June 2017.

Principal activity and fair review of the business

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

We are pleased to report another year of growth in our music catalogue contributing towards further organic growth in group turnover and profit.

The board followed a strategy of utilising the growth achieved in turnover and gross profit to invest in the commissioning and development of new music copyrights, worldwide distribution channels, marketing and technology.

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

Highlights

- Turnover up 25% to £25.6m
- Gross profit up 24% to £24.3m
- Profit before tax up 24% to £7.9m
- Profit after taxation up 26% to £6.4m
- Operating cash flow up 27% to £7.8m

Turnover and profit growth reported in our sterling denominated financial statements has benefited from strong US dollar, Euro, Australian dollar and Canadian dollar exchange rates against a weak sterling.

Royalty flows to the group were further boosted by the non-renewal of our sub-publishing agreement with our former French sub-publisher, A-Music and the subsequent acquisition of the French company which has been rebranded Audio Network France and integrated into the group.

Principal Risks and Uncertainties

The management of the business and the execution of the group's strategy are subject to a number of inherent risks and uncertainties.

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

Other risks include the risk of competition from alternative music sources, technology advances in the delivery of music to customers, regulatory changes to copyright laws, the retention of key people and management of transition following the referendum for the UK to leave the EU.

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

The management seeks to maintain a strong customer-focused culture anticipating change and has adopted an agile and innovative approach to managing growth, focusing on providing excellent customer relationship management across multiple customer segments.

AUDIO NETWORK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

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 catalogue, ease of licensing and seamless integration into workflows of customers.

Credit Risk

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

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

Foreign Currency Risk

The group has significant and growing overseas operations.

In particular, certain assets and liabilities of group companies are denominated in US dollars, Canadian dollars, Euros 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.

Interest Rate Risk

Cash balances are placed so as to maximise interest earned while maintaining the working capital requirements of the business. The group has no long term loans or other long term borrowings.

Brexit Risk

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

AUDIO NETWORK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

Key Performance Indicators

We grew our music catalogue organically by 19,431 tracks (16%) from 119,069 tracks at the start of the year to 138,500 tracks by the end of the year (2016 growth: 20,471 tracks).

Group turnover grew by £5.1m (25%) from £20.5m to £25.6m (2016 growth: £2.9m).

International revenues grew by £4.5m (31%) from £14.1m to £18.6m (2016 growth: £2.2m).

International revenues now account for 73% of group revenue (2016: 69%).

Turnover from the UK grew by £0.6m (10%) to £7.0m from £6.4m (2016 growth: £0.6m).

Group subscription churn rates increased to 14% (2016: 12.5%).

Cash at bank, in hand and on notice accounts of £7.4m was held by the group at 30 June 2017 (2016: £5.3m) after paying £2.0m of dividends (2016: £2.0m), share buy-backs of £0.5m (2016: £0.3m), corporation tax payments of £1.4m (2016: £1.0m) and business purchases of £0.7m (2016: nil).

Share Buy-backs

Special resolutions were passed by shareholders during the year authorising the company to buy-back from selling shareholders 116,472 Ordinary shares representing less than 1% of the issued Ordinary share capital at a cost of £0.5m (2016: £0.3m). Shareholders also approved the buy-back of 520,000 C Ordinary shares at a cost of £22,060 (2016: £140). The buy-backs allowed the company to continue trading for the benefit of the non-selling shareholders without management time being diverted to manage sale processes for a relatively small number of shares.

Future Outlook

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

On behalf of the board



James Robert Smith

Director/Chief Executive Officer

9/11/17

AUDIO NETWORK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

Directors

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

Robert Hurst
Andrew Sunnucks
Dan Marriott
James Robert Smith (Appointed 3 October 2016)
Miles Ruffell

Results and Dividends

The profit for the year, after taxation, amounted to £6,352,944 (2016: £5,051,484).

A final dividend for the prior year of three pence (£0.03) per ordinary share was paid during the current year (2016: £0.03).

A first interim dividend for the current year of ten pence (£0.10) per ordinary share was paid during April 2017 (2016: £0.05).

No second interim dividend for the current year was paid (2016: £0.05).

The directors recommend a final dividend of ten pence (£0.10) on each of the ordinary shares entitled thereto (2016: £0.03) bringing the total dividend for the current year to twenty pence (£0.20) per ordinary share (2016: £0.13).

The directors recommend a final dividend of 0.74 pence (2016: nil) on each of the vested C ordinary shares entitled thereto, bringing the total dividend for the current year to 0.74 pence (2016: nil).

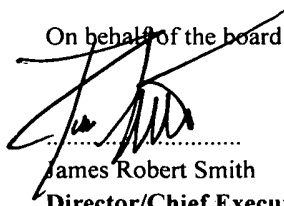
Auditor

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 disclosure to auditor

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

On behalf of the board



James Robert Smith

Director/Chief Executive Officer

9/11/17

AUDIO NETWORK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

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

AUDIO NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUDIO NETWORK LIMITED

Opinion

We have audited the financial statements of Audio Network Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2017 and of the group's results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

AUDIO NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AUDIO NETWORK LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

9/11/17

AUDIO NETWORK LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	2016 £
Turnover	4	25,584,477	20,512,028
Cost of sales		(1,270,561)	(958,831)
Gross profit		24,313,916	19,553,197
Distribution costs		(51,534)	(59,005)
Administrative expenses		(16,375,267)	(13,187,461)
Operating profit	5	7,887,115	6,306,731
Interest receivable and similar income	9	28,436	58,011
Profit before taxation		7,915,551	6,364,742
Tax on profit	10	(1,562,607)	(1,313,258)
Profit for the financial year		6,352,944	5,051,484

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

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

AUDIO NETWORK LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	2017 £	2016 £
Profit for the year	6,352,944	5,051,484
Other comprehensive income		
Currency translation differences on foreign investments	154,656	191,158
Total comprehensive income for the year	<u>6,507,600</u>	<u>5,242,642</u>

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

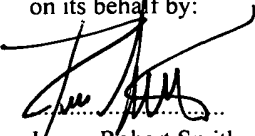
AUDIO NETWORK LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	13		4,303,369		3,411,101
Tangible assets	14		823,578		525,913
			<u>5,126,947</u>		<u>3,937,014</u>
Current assets					
Stocks	17	14,593		20,906	
Debtors	19	12,562,010		9,476,550	
Investments	20	924,824		2,698,772	
Cash at bank and in hand		6,491,415		2,552,221	
		<u>19,992,842</u>		<u>14,748,449</u>	
Creditors: amounts falling due within one year	21	(8,151,758)		(5,790,534)	
Net current assets			<u>11,841,084</u>		<u>8,957,915</u>
Total assets less current liabilities			<u>16,968,031</u>		<u>12,894,929</u>
Provisions for liabilities	22		(13,537)		(133,997)
Net assets			<u><u>16,954,494</u></u>		<u><u>12,760,932</u></u>
Capital and reserves					
Called up share capital	25	169,105		162,421	
Share premium account		3,938,586		3,757,450	
Shares held under JSOP		(1,290,000)		(1,290,000)	
Capital redemption reserve		17,592		11,222	
Profit and loss reserves		14,119,211		10,119,839	
Total equity			<u><u>16,954,494</u></u>		<u><u>12,760,932</u></u>

The financial statements were approved by the board of directors and authorised for issue on 9/11/17 and are signed on its behalf by:


James Robert Smith
Director/Chief Executive Officer


Kim Clarke
Company Secretary/Chief Financial Officer

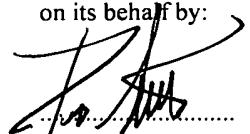
AUDIO NETWORK LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	13		2,958,197		2,931,669
Tangible assets	14		722,550		425,972
Investments	15		1,939,904		809,985
			<u>5,620,651</u>		<u>4,167,626</u>
Current assets					
Stocks	17	1,088		9,267	
Debtors	19	10,395,115		7,888,370	
Investments	20	924,824		2,698,772	
Cash at bank and in hand		3,909,295		1,625,514	
		<u>15,230,322</u>		<u>12,221,923</u>	
Creditors: amounts falling due within one year	21	(5,283,570)		(4,225,505)	
Net current assets			9,946,752		7,996,418
Total assets less current liabilities			15,567,403		12,164,044
Provisions for liabilities	22		(11,465)		(128,222)
Net assets			<u>15,555,938</u>		<u>12,035,822</u>
Capital and reserves					
Called up share capital	25		169,105		162,421
Share premium account			3,938,586		3,757,450
Shares held under JSOP			(1,290,000)		(1,290,000)
Capital redemption reserve			17,592		11,222
Profit and loss reserves			12,720,655		9,394,729
Total equity			<u>15,555,938</u>		<u>12,035,822</u>

The financial statements were approved by the board of directors and authorised for issue on 9/11/17 and are signed on its behalf by:



James Robert Smith
Director/Chief Executive Officer



Kim Clarke
Company Secretary/Chief Financial Officer

Company Registration No. 04257337

AUDIO NETWORK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Share capital	Share premium account	Capital redemption reserve	Shares held under JSOP	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 July 2015	160,764	3,479,661	10,307	(1,290,000)	7,245,562	9,606,294
Year ended 30 June 2016:						
Profit for the year	-	-	-	-	5,051,484	5,051,484
Other comprehensive income:						
Currency translation differences on overseas subsidiaries	-	-	-	-	191,158	191,158
Total comprehensive income for the year	-	-	-	-	5,242,642	5,242,642
Issue of shares	25	2,572	277,789	-	-	280,361
Dividend paid	11	-	-	-	(2,020,629)	(2,020,629)
Shares repurchased	25	(915)	-	915	(347,736)	(347,736)
Balance at 30 June 2016	162,421	3,757,450	11,222	(1,290,000)	10,119,839	12,760,932
Year ended 30 June 2017:						
Profit for the year	-	-	-	-	6,352,944	6,352,944
Other comprehensive income:						
Currency translation differences on overseas subsidiaries	-	-	-	-	154,656	154,656
Total comprehensive income for the year	-	-	-	-	6,507,600	6,507,600
Issue of shares	25	13,054	181,136	-	-	194,190
Dividend paid	11	-	-	-	(2,022,042)	(2,022,042)
Credit to equity for equity settled share-based payments	-	-	-	-	6,222	6,222
Shares repurchased	25	(6,370)	-	6,370	(492,408)	(492,408)
Balance at 30 June 2017	169,105	3,938,586	17,592	(1,290,000)	14,119,211	16,954,494

AUDIO NETWORK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

		Share capital	Share premium account	Capital redemption reserve	Shares held under JSOP	Profit and loss reserves	Total
	Notes	£	£	£	£	£	£
Balance at 1 July 2015		160,764	3,479,661	10,307	(1,290,000)	7,067,525	9,428,257
Year ended 30 June 2016:							
Profit and total comprehensive income for the year		-	-	-	-	4,695,569	4,695,569
Issue of share capital	25	2,572	277,789	-	-	-	280,361
Dividends	11	-	-	-	-	(2,020,629)	(2,020,629)
Shares repurchased	25	(915)	-	915	-	(347,736)	(347,736)
Balance at 30 June 2016		162,421	3,757,450	11,222	(1,290,000)	9,394,729	12,035,822
Year ended 30 June 2017:							
Profit and total comprehensive income for the year		-	-	-	-	5,834,154	5,834,154
Issue of share capital	25	13,054	181,136	-	-	-	194,190
Dividends	11	-	-	-	-	(2,022,042)	(2,022,042)
Credit to equity for equity settled share-based payments		-	-	-	-	6,222	6,222
Shares repurchased	25	(6,370)	-	6,370	-	(492,408)	(492,408)
Balance at 30 June 2017		169,105	3,938,586	17,592	(1,290,000)	12,720,655	15,555,938

AUDIO NETWORK LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	1	7,757,029		6,103,204	
Income taxes paid		(1,424,862)		(996,894)	
Net cash inflow from operating activities		6,332,167		5,106,310	
Investing activities					
Purchase of business		(655,899)		-	
Purchase of intangible assets		(593,066)		(511,890)	
Purchase of tangible fixed assets		(635,993)		(277,894)	
Proceeds on disposal of tangible fixed assets		9,861		2,213	
Proceeds from other investments and loans		1,773,948		(1,152,094)	
Interest received		28,436		58,011	
Net cash used in investing activities		(72,713)		(1,881,654)	
Financing activities					
Proceeds from issue of shares		194,190		280,361	
Redemption of shares		(492,408)		(347,736)	
Dividends paid to equity shareholders		(2,022,042)		(2,020,629)	
Net cash used in financing activities		(2,320,260)		(2,088,004)	
Net increase in cash and cash equivalents		3,939,194		1,136,652	
Cash and cash equivalents at beginning of year		2,552,221		1,415,569	
Cash and cash equivalents at end of year		6,491,415		2,552,221	

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	6,352,944	5,051,484
Adjustments for:		
Taxation charged	1,562,607	1,313,258
Investment income	(28,436)	(58,011)
Loss on disposal of tangible fixed assets	26,195	-
Amortisation and impairment of intangible assets	653,523	522,439
Depreciation and impairment of tangible fixed assets	314,635	272,829
Foreign currency translation	149,259	176,508
Equity settled share based payment expense	6,222	-
Movements in working capital:		
Decrease in stocks	6,313	4,378
(Increase) in debtors	(2,711,001)	(2,347,581)
Increase in creditors	1,424,768	1,167,900
Cash generated from operations	7,757,029	6,103,204

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Accounting policies

Company information

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

The group consists of Audio Network and all its subsidiaries.

2.1 Accounting convention

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

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

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments';
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £5,834,154 (2016 - £4,695,569 profit), inclusive of dividend income from group companies of £320,011 (2016: Nil).

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Accounting policies

(Continued)

2.2 Basis of consolidation

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

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

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

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

All financial statements are made up to 30 June 2017. Where necessary, adjustments are made to the financial statements to bring the accounting policies used into line with those used by other members of the group.

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

2.3 Going concern

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

2.4 Turnover

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

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

2.5 Customer relationships

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

2.6 Development costs

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

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Accounting policies

(Continued)

2.7 Copyrights and Licences

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

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

2.8 Recordings in progress

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

2.9 Tangible fixed assets

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

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

2.10 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

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

2.11 Impairment of fixed assets

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

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

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

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

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Accounting policies

(Continued)

2.12 Stock

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

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

2.13 Cash and cash equivalents

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

2.14 Financial instruments

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

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

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

The company does not hold or issue derivative financial instruments.

Basic financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Accounting policies

(Continued)

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

2.15 Equity instruments

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

2.16 Taxation

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

Current tax

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

Deferred tax

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

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

2.17 Holiday pay accrual

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Accounting policies

(Continued)

2.18 Pensions

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

2.19 Operating Leases

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

2.20 Dividends

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

2.21 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account. Closing balances of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising on translation of subsidiary undertakings for the purposes of consolidation are taken to other comprehensive income.

2.22 Share based payments

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

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

That cost is recognised, together with a corresponding increase in 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 the period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in the employee benefits expense.

2.23 Nature and purpose of reserves

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

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

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

3 Judgements and key sources of estimation uncertainty

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

Critical judgements

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

Royalties

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

Accruals

Accruals are based on the best estimate of costs that are expected to be invoiced after the year end. These are based on management's knowledge of costs relating to the group that have not yet been billed and invoices relating to the financial year that are received after the year end.

Useful lives of tangible assets

The cost of tangible fixed assets is depreciated over its estimated useful economic life. Management estimates the useful lives of these tangible assets to vary. Changes in the expected level of usage and technological developments could impact on the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised. The accounting policies for tangible fixed assets are described in note 2.9. The carrying amount of the tangible fixed assets in the balance sheet is disclosed in note 14 of the financial statements.

Useful lives of intangible fixed assets

Intangible assets are amortised over their useful lives taking into account, where appropriate, residual values. Assessment of useful lives and residual values are performed annually, taking into account factors such as technological innovation, market information, business plans, forecasts and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. The accounting policies for intangible fixed assets are described in notes 2.5 to 2.8. The carrying amount of the group's intangible fixed assets in the balance sheet is disclosed in note 13 of the financial statements.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

4 Turnover and other significant revenue

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

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

	Turnover by source		Profit before tax		Net assets	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£
Group						
United Kingdom	14,365,085	11,769,499	6,754,074	5,624,786	15,161,465	11,706,732
North America (*)	6,300,593	4,633,367	407,720	303,727	759,801	456,869
Continental Europe (*)	2,548,056	2,437,410	396,301	190,461	687,973	193,213
Australasia (*)	2,370,743	1,671,752	357,456	245,768	345,255	404,118
	<u>25,584,477</u>	<u>20,512,028</u>	<u>7,915,551</u>	<u>6,364,742</u>	<u>16,954,494</u>	<u>12,760,932</u>

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

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

	2017	2016
	£	£
Group		
United Kingdom	6,985,985	6,367,524
Continental Europe	8,160,435	6,589,172
North America	6,299,343	4,634,751
Australasia	2,413,707	1,700,485
Rest of the World	1,725,007	1,220,096
	<u>25,584,477</u>	<u>20,512,028</u>
	2017	2016
	£	£
Other significant revenue		
Interest income	<u>28,436</u>	<u>58,011</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

5 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(162,615)	(419,138)
Depreciation of owned tangible fixed assets	314,635	272,829
Loss on disposal of tangible fixed assets	26,195	-
Amortisation of intangible assets	650,023	522,439
Impairment of intangible assets	3,500	-
Share-based payments	6,222	-
Operating lease charges	985,479	600,368
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	35,350	21,000
Audit of the financial statements of the company's subsidiaries	4,000	10,500
	<u>39,350</u>	<u>31,500</u>
For other services		
All other non-audit services	40,504	41,195
	<u> </u>	<u> </u>

7 Employees

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

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Management and administration	<u>131</u>	<u>125</u>	<u>91</u>	<u>85</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

7 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	8,726,416	6,720,375	5,644,218	4,613,572
Social security costs	794,488	729,266	634,909	562,207
Pension costs	210,786	168,865	168,762	133,802
	<u>9,731,690</u>	<u>7,618,506</u>	<u>6,447,889</u>	<u>5,309,581</u>

8 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	595,471	667,116
Company pension contributions to defined contribution schemes	27,981	34,141
	<u>623,452</u>	<u>701,257</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	221,013	220,073
Company pension contributions to defined contribution schemes	7,700	6,878
	<u>228,713</u>	<u>226,951</u>

9 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	28,081	57,561
Other interest income	355	450
Total income	<u>28,436</u>	<u>58,011</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>28,081</u>	<u>57,561</u>
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AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	1,264,701	1,079,169
Adjustments in respect of prior periods	(13,804)	(8,852)
Total UK current tax	1,250,897	1,070,317
Foreign current tax on profits for the current period	464,203	224,141
Adjustments in foreign tax in respect of prior periods	(19,867)	11,074
Total current tax	1,695,233	1,305,532
Deferred tax		
Origination and reversal of timing differences	(30,260)	13,096
Previously unrecognised tax loss, tax credit or timing difference	(18,227)	-
Adjustment in respect of prior periods	(84,139)	(5,370)
Total deferred tax (credit)/charge	(132,626)	7,726
Total tax charge for the year	1,562,607	1,313,258

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

	2017 £	2016 £
Profit before taxation	7,915,551	6,364,742
Expected tax charge based on the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	1,563,321	1,272,948
Tax effect of expenses that are not deductible in determining taxable profit	24,324	30,863
Permanent capital allowances in excess of depreciation	77,599	8,640
Research and development tax credit	(84,984)	(86,320)
Effect of overseas tax rates	144,284	98,362
(Over)/under provided in prior years	(33,670)	2,221
Share options exercised	(37,505)	(46,528)
Deferred tax (credit)/charge	(132,626)	7,726
Other adjustments	41,864	25,346
Taxation charge for the year	1,562,607	1,313,258

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

11 Dividends on ordinary shares

	2017 pence/share	2016 pence/share	2017 £	2016 £
Final dividend for the prior financial year	3.00	3.00	464,892	465,519
Interim dividend for the current financial year	10.00	5.00	1,557,150	775,368
Second interim dividend for the current year	-	5.00	-	779,743
	<u>13.00</u>	<u>13.00</u>	<u>2,022,042</u>	<u>2,020,630</u>
Final dividend for the current financial year	<u>10.00</u>	<u>3.00</u>		

Dividend payments were not paid on C Ordinary shares during the year (2016: £nil) as the market value of the Ordinary shares was below the Conversion Premium on the issued C Ordinary shares that had vested. A final dividend of 0.74 pence per share is to be paid on fully vested issued C Ordinary shares (2016: £nil).

12 Impairments

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

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
In respect of:					
Intangible assets	13	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Recognised in:					
Administrative expenses		<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

13 Intangible fixed assets

Group	Customer relationships £	Development costs £	Copyrights & licences £	Recordings in progress £	Total £
Cost					
At 1 July 2016	594,665	1,349,038	2,530,856	302,781	4,777,340
Additions	952,725	155,319	-	437,747	1,545,791
Transfers	-	-	332,553	(332,553)	-
At 30 June 2017	1,547,390	1,504,357	2,863,409	407,975	6,323,131
Amortisation and impairment					
At 1 July 2016	118,932	568,109	679,198	-	1,366,239
Amortisation charged for the year	83,285	419,211	147,527	-	650,023
Impairment losses	-	-	3,500	-	3,500
At 30 June 2017	202,217	987,320	830,225	-	2,019,762
Carrying amount					
At 30 June 2017	1,345,173	517,037	2,033,184	407,975	4,303,369
At 30 June 2016	475,733	780,929	1,851,658	302,781	3,411,101

Company	Development costs £	Copyrights & licences £	Recordings in progress £	Total £
Cost				
At 1 July 2016	1,349,038	2,526,856	302,781	4,178,675
Additions	155,319	-	437,747	593,066
Transfers	-	332,553	(332,553)	-
At 30 June 2017	1,504,357	2,859,409	407,975	4,771,741
Amortisation and impairment				
At 1 July 2016	568,109	678,897	-	1,247,006
Amortisation charged for the year	419,211	147,327	-	566,538
At 30 June 2017	987,320	826,224	-	1,813,544
Carrying amount				
At 30 June 2017	517,037	2,033,185	407,975	2,958,197
At 30 June 2016	780,929	1,847,959	302,781	2,931,669

More information on the impairment arising in the year is given in note 12.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

14 Tangible fixed assets

Group	Leasehold improvements	Plant & Fixtures, fittings & machinery	equipment	Total
	£	£	£	£
Cost				
At 1 July 2016	-	74,933	1,190,001	1,264,934
Additions	441,240	-	194,753	635,993
Business combinations	-	1,213	5,751	6,964
Disposals	-	(1,500)	(204,806)	(206,306)
Exchange adjustments	-	486	11,064	11,550
At 30 June 2017	441,240	75,132	1,196,763	1,713,135
Depreciation and impairment				
At 1 July 2016	-	54,415	684,606	739,021
Depreciation charged in the year	16,554	12,621	285,460	314,635
Eliminated in respect of disposals	-	(1,125)	(169,125)	(170,250)
Exchange adjustments	-	418	5,733	6,151
At 30 June 2017	16,554	66,329	806,674	889,557
Carrying amount				
At 30 June 2017	424,686	8,803	390,089	823,578
At 30 June 2016	-	20,518	505,395	525,913
Company				
	Leasehold improvements	Plant & Fixtures, fittings & machinery	equipment	Total
	£	£	£	£
Cost				
At 1 July 2016	-	73,043	945,836	1,018,879
Additions	441,240	-	141,621	582,861
Disposals	-	(1,500)	(194,916)	(196,416)
At 30 June 2017	441,240	71,543	892,541	1,405,324
Depreciation and impairment				
At 1 July 2016	-	53,291	539,616	592,907
Depreciation charged in the year	16,554	11,762	231,416	259,732
Eliminated in respect of disposals	-	(1,125)	(168,740)	(169,865)
At 30 June 2017	16,554	63,928	602,292	682,774
Carrying amount				
At 30 June 2017	424,686	7,615	290,249	722,550
At 30 June 2016	-	19,752	406,220	425,972

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

15 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	16	-	-	1,939,904	809,985

On 31 March 2017 the Company acquired 100% of the share capital of the French company A-Music EURL and changed the name of the acquired company to Audio Network France SAS. Consideration of €1.1m was paid upon completion with further deferred consideration of between Nil and €0.35m being payable contingent upon agreement of a final completion balance sheet and post-acquisition trading through 31 March 2018. As at June 2017 the directors' current estimate of the total acquisition cost inclusive of any deferred consideration and acquisition costs is £1,129,919.

Details of the book and fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill in British pounds are as follows:

	£
Intangible fixed assets (customer relationships)	952,725
Tangible fixed assets	6,964
Trade and other receivables	354,797
Cash and other equivalents	474,020
Corporation tax payable	(12,470)
Trade and other payables	(646,117)
Total identifiable net assets acquired	1,129,919
Goodwill	-
Total cash consideration	1,129,919

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.

Prior to acquisition A-Music EURL held the rights to collect the Company's royalties from SACEM through 30 June 2017. Following the date of acquisition the Company entered into a new sub-publishing agreement with Audio Network France SAS for the Company's royalty flows from SACEM to flow through the newly acquired subsidiary company.

In the three months to 30 June 2017 Audio Network France SAS turnover was £1,761,422 inclusive of accrued SACEM royalties of £1,654,449 and profit after tax was £139,461.

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

15 Fixed asset investments (Continued)

Movements in fixed asset investments		Shares in group undertakings
Company		£
Cost or valuation		
At 1 July 2016		809,985
Additions		1,129,919
At 30 June 2017		1,939,904
Carrying amount		
At 30 June 2017		1,939,904
At 30 June 2016		809,985

16 Subsidiaries

Details of the company's subsidiaries at 30 June 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Audio Network Australia Pty Ltd	Suite 11, Level 4, 2 Kings Lane, Darlinghurst, New South Wales, Australia 2010	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Canada Inc	8 Robert Attersley Dr. East, Whitby, Toronto, L1R 3E3, Canada	Publishing of music and sound recordings	Ordinary	100.00
Audio Network France SAS (formerly A-Music EURL)	Parc Gouraud, Immeuble les Alizes, 8 allée de l'Innovation, 02200 Soissons, France	Publishing of music and sound recordings	Ordinary	100.00
Audio Network GmbH	Tal 30/02, Stock, 8031 Munchen, Germany	Publishing of music and sound recordings	Ordinary	100.00
Audio Network (Holland) BV	Vijzelstraat 20-IV, 1017 HK, Amsterdam, Holland	Publishing of music and sound recordings	Ordinary	100.00
Audio Network Music Rights Limited	The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS	Publishing of music and sound recordings	Ordinary	100.00
Audio Network US, Inc	2711 Centerville Road, Suite 400, Wilmington DE 19808, USA	Publishing of music and sound recordings	Ordinary	100.00
Trax 54 Limited	The Johnson Building, 77 Hatton Garden, 3rd Floor, London, England, EC1N 8JS	Publishing of music and sound recordings	Ordinary	100.00

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

17 Stock

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	14,593	20,906	1,088	9,267

18 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	11,906,850	9,118,394	9,873,315	7,634,641
Current asset investments	924,824	2,698,772	924,824	2,698,772
Cash at bank and in hand	6,491,415	2,552,221	3,909,295	1,625,514
Carrying amount of financial liabilities				
Measured at amortised cost	3,519,115	2,306,853	2,912,431	2,033,053

19 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	2,450,884	1,640,143	1,091,443	1,034,530
Corporation tax recoverable	6,636	-	-	-
Amounts due from group undertakings	-	-	5,959,285	3,401,816
Other debtors	132,580	123,788	6,524	108,974
Accrued income	9,301,531	7,354,463	2,794,208	3,089,321
Prepayments	621,469	344,127	521,800	253,729
	12,513,100	9,462,521	10,373,260	7,888,370
Amounts falling due after more than one year:				
Other debtors	21,855	-	21,855	-
Deferred tax asset (note 23)	27,055	14,029	-	-
	48,910	14,029	21,855	-
Total debtors	12,562,010	9,476,550	10,395,115	7,888,370

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

20 Current asset investments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Notice accounts	924,824	2,698,772	924,824	2,698,772

Included within Notice Accounts is Cash on 3 month notice account with a balance as at 30 June 2017 of £40,656 (2016: £339,393) and Cash on 6 month notice account with a balance as at 30 June 2017 of £884,168 (2016: £2,359,379).

21 Creditors: amounts falling due within one year

	Group 2017 £	2016 £	Company 2017 £	2016 £
Trade creditors	727,256	785,618	690,146	752,925
Corporation tax payable	961,151	683,284	653,929	513,292
Other taxation and social security	752,384	535,431	432,965	396,494
Deferred income	2,919,108	2,263,759	1,284,245	1,282,666
Other creditors	20,466	9,734	2,341	-
Accruals	2,771,393	1,512,708	2,219,944	1,280,128
	8,151,758	5,790,534	5,283,570	4,225,505

22 Provisions for liabilities

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Deferred tax liabilities	23	13,537	133,997	11,465	128,222

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

23 Deferred taxation

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

	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Group				
Accelerated capital allowances	103,249	161,369	-	-
Tax losses available	-	-	8,531	18,227
Unrecognised deferred tax asset	-	-	-	(18,227)
Share based payments	(70,247)	-	-	-
Short term timing differences	(19,465)	(27,372)	18,524	14,029
	<u>13,537</u>	<u>133,997</u>	<u>27,055</u>	<u>14,029</u>
	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Company				
Accelerated capital allowances	85,504	137,235	-	-
Share based payments	(70,247)	-	-	-
Short term timing differences	(3,792)	(9,013)	-	-
	<u>11,465</u>	<u>128,222</u>	<u>-</u>	<u>-</u>
			Group 2017 £	Company 2017 £
Movements in the year:				
Net liability at 1 July 2016			119,968	128,222
Credit to profit or loss			(114,397)	(116,757)
Prior year tax losses utilised			(18,227)	-
Foreign exchange movement on current year balance			(862)	-
Net (asset)/liability at 30 June 2017			<u>(13,518)</u>	<u>11,465</u>

At 30 June 2017, the group had tax losses of approximately £28,437 (2016: £62,000) available to carry forward for relief against taxable profits in future periods.

At 30 June 2017, the group had no deferred tax assets that have not been recognised in these accounts (2016: £18,227).

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

24 Retirement benefit schemes

	2017	2016
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	210,786	168,865

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

25 Share capital

	Group and company	
	2017	2016
Ordinary share capital	£	£
Issued and fully paid		
15,885,500 (2016: 15,927,072) Ordinary shares of 1p each	158,855	159,271
1,025,000 (2016: 315,000) C Ordinary shares of 1p each	10,250	3,150
	169,105	162,421

During the year 75,400 (2016: 127,100) Ordinary shares were issued at a subscription price of £138,800 (2016: £275,760) under the company's share option schemes and 116,972 (2016: 86,464) Ordinary shares were purchased by the company from selling shareholders at a cost of £467,888 (2016: £345,856) plus stamp duty.

During the year 1,230,000 (2016: 130,000) C Ordinary shares were issued at a subscription price of £55,390 (2016: £4,600) under the company's share option schemes and 520,000 (2016: 5,000) C Ordinary shares were purchased by the company from selling shareholders at a cost of £22,060 (2016: £140) plus stamp duty.

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. All issued C Ordinary shares have a Conversion Premium of £5 per share.

The premium on issue of both Ordinary shares and C Ordinary shares during the year of £181,136 (2016: £277,793) 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:

	2017	2016
	No of shares	No of Shares
As at 1 July 2016	456,207	611,207
Exercised during the year	(75,400)	(127,100)
Waived or lapsed during the year	(40,100)	(62,900)
New options granted during the year	265,000	35,000
As at 30 June 2017	605,707	456,207

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

25 Share capital

(Continued)

During the year options over 75,400 Ordinary shares were exercised as follows :

Date of exercise	No of shares	Subscription price	£
October 2016 (***)	10,000	£1.12	11,200
October 2016 (***)	800	£2.50	2,000
October 2016 (***)	900	£3.80	3,420
November 2016 (***)	800	£2.50	2,000
November 2016 (***)	400	£3.80	1,520
December 2016 (***)	400	£2.50	1,000
January 2017 (***)	7,500	£2.60	19,500
January 2017 (***)	400	£3.80	1,520
April 2017 (***)	10,000	£1.12	11,200
April 2017 (***)	28,000	£1.60	44,800
April 2017 (***)	1,200	£2.20	2,640
June 2017 (***)	10,000	£2.50	25,000
June 2017 (***)	5,000	£2.60	13,000
	<u>75,400</u>		<u>138,800</u>

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

During the year options over 265,000 Ordinary shares were granted as follows:

Date of issue	No of shares	Subscription Price	Exercisable
December 2016 (***)	160,000	£4.50	12/12/2019 to 11/12/2026
February 2017 (***)	35,000	£4.50	28/02/2018 to 27/02/2027
February 2017 (***)	35,000	£4.50	28/02/2019 to 27/02/2027
February 2017 (***)	35,000	£4.50	28/02/2020 to 27/02/2027
	<u>265,000</u>		

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

25 Share capital

(Continued)

Outstanding options in existence at 30 June 2017 over 605,707 Ordinary shares are exercisable between the dates set out below :

No of shares	Subscription price	Exercisable
60,800(***)	£2.20	01/07/2013 to 30/06/2019
52,691(***)	£2.20	18/06/2014 to 17/06/2020
23,700(***)	£2.50	18/06/2015 to 17/06/2021
3,700(***)	£2.50	01/07/2015 to 30/06/2021
25,000(***)	£2.60	18/09/2015 to 17/09/2021
82,216(***)	£3.80	01/10/2016 to 30/09/2022
57,600(***)	£4.00	30/08/2017 to 29/08/2024
35,000(***)	£4.23	03/09/2018 to 03/09/2025
35,000(***)	£4.50	28/02/2018 to 27/02/2027
35,000(***)	£4.50	28/02/2019 to 27/02/2027
160,000(***)	£4.50	12/12/2019 to 11/12/2026
35,000(***)	£4.50	28/02/2020 to 27/02/2027
<u>605,707</u>		

Share options marked (***) were 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:

	2017 No of shares	2016 No of shares
As at 1 July 2016	15,000	45,000
New options granted during the year	1,230,000	145,000
Exercised during the year	(1,230,000)	(130,000)
Waived or lapsed during the year	-	(45,000)
As at 30 June 2017	<u>15,000</u>	<u>15,000</u>

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

25 Share capital

(Continued)

During the year options over 1,230,000 C Ordinary shares were granted as follows :

Date of issue	No of shares	Subscription price	Conversion Premium	Exercisable
February 2017	650,000	£0.043	£5.00	28/02/2017 to 28/02/2017
March 2017	80,000	£0.043	£5.00	15/03/2017 to 15/03/2017
March 2017	500,000	£0.048	£5.00	27/03/2017 to 27/03/2017
	<u>1,230,000</u>			

During the year options over 1,230,000 C Ordinary shares were exercised as follows :

Date of exercise	Conversion Premium	No of shares	Subscription price	£
February 2017	£5.00	650,000	£0.043	27,950
March 2017	£5.00	80,000	£0.043	3,440
March 2017	£5.00	500,000	£0.048	24,000
		<u>1,230,000</u>		<u>55,390</u>

Outstanding options over 15,000 C Ordinary shares were in existence at 30 June 2017 and are exercisable between the dates set out below:

No of shares	Subscription price	Conversion Premium	Exercisable
15,000(***)	£0.071	£4.50	03/09/2018 to 03/09/2025
<u>15,000</u>			

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

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

25 Share capital

(Continued)

The options have been valued using the Black-Scholes valuation model. The following table lists the inputs to the Black-Scholes model used for the options issued in the year to 30 June 2017:

Dividend yield (per cent)	5.0%
Expected volatility (per cent)	15.0%
Risk-free interest rate (per cent)	1.0%
Expected life of share options (years)	3 years
Exercise price (£)	£4.50-£5.048

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

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

The resulting share based payment charge from the above valuations of £6,222 has been recognised in the year to 30 June 2017. As at the year ended 30 June 2016 the resulting charge was deemed not material to the financial statements and therefore not recognised in that year.

26 Financial commitments

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	828,267	379,092	687,212	355,388
Between two and five years	2,346,248	478,517	2,346,248	294,067
In over five years	-	-	-	-
	<u>3,174,515</u>	<u>857,609</u>	<u>3,033,460</u>	<u>649,455</u>

Post year end in July 2017 Audio Network Australia Pty Ltd have signed a new office lease for 5 years with an annual rent expense of \$155,350 AUD (exclusive of GST).

AUDIO NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

27 Directors' transactions

During the year the company paid dividends of £788,875 (2016: £841,490) on shares held on behalf of three of the directors (2016: six).

Dan Marriott serves on the board as the Stripes Group representative, an entity with a significant shareholding in the company. Dividend payments to SG Growth Partners II Offshore AIV, LP in the year to 30 June 2017 amounted to £676,534 (2016: £661,259)

During the year, a director received £10,000 rent in respect of the occupation of School Farm Studios by the company (2016: £6,000). The company also paid royalties of £11,688 to the same director in respect of his composer share of income from music compositions assigned to and published by the company (2016: £9,302).

The company rented storage space during the year from a company connected to a director at a cost of £531 (2016: £667).

During the year, a loan of £21,500 was made to a director. The balance outstanding on the loan amount as at 30 June 2017 inclusive of interest charged for the year amounted to £21,855 (2016: £nil).

28 Controlling party

There is no ultimate controlling party in the group.

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	846,047	898,040

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

30 Post balance sheet events

During the month of August 2017 a total of 138,509 Ordinary shares were sold back to the Company at £4.50 a share.

During the month of October 2017 a total of 111,391 new Ordinary shares were issued on the exercise of options at prices between £2.50 and £3.80 per share.